

INQUIRY UNDER SECTION 438U OF THE LOCAL GOVERNMENT ACT

CENTRAL COAST CITY COUNCIL

Public Hearing

Conducted via Zoom videoconference

On Monday, 11 October 2021 at 9.00am
(Day 7)

Before Ms Roslyn McCulloch, Commissioner

1 THE COMMISSIONER: Good morning. The public hearings into
2 Central Coast Council will now resume. The first witness
3 this morning is Mr Burke.
4

5 Mr Burke, would you be able to come on camera and off
6 mute, please. Thank you, Mr Burke. I will just have
7 Ms Annis-Brown swear you in as a witness.
8

9 <CHRIS BURKE, sworn: [9.01am]

10
11 <EXAMINATION BY THE COMMISSIONER:
12

13 THE COMMISSIONER: Q. Thank you, Mr Burke. You are
14 a bit of an old timer in terms of local government
15 experience, I understand?

16 A. Yes, old timer in every way. I'm a grey nomad,
17 really, yes.
18

19 Q. How long have you been in Local Government?

20 A. I've been in Local Government for three terms - two
21 terms with the Gosford council and then a term with the
22 Central Coast Council. So - yes.
23

24 Q. Did you have any special roles when you were at
25 Gosford City Council?

26 A. Yes, I did. I was on quite a lot of different teams,
27 I think I was on the traffic committee, I was on the - I've
28 just got a list here. I'll just grab that. The COSS
29 committee, which is the coastal open spaces committee; the
30 environment committee; the traffic committee; the flood
31 committee. I chaired each one of those. That was at
32 Gosford council.
33

34 Q. And what about with Central Coast Council, any special
35 roles there?

36 A. Yes, I was on the JRPP committee, which is the joint
37 regional planning panel, so I was on that for the whole
38 time, for the duration.
39

40 Q. And what's your professional background and
41 qualifications?

42 A. My professional background, I was in the bank
43 originally, I'm talking 40 years ago. I was with St George
44 Bank, NSW Building Society, Advance Bank. I was a lending
45 manager, I was a manager, then I was an area manager.
46 I then did financial planning for the same banks, and I've
47 also got a real estate licence. I did also my

1 certificate IV and taught real estate at Ourimbah campus.
2 I now currently have - I won't say currently, I sold it
3 about three years ago, I'm now I retired, but I had an
4 asphalt business.
5

6 THE COMMISSIONER: Mr Burke, I'm sorry, I'm having
7 difficulty catching some of what you're saying. Can I just
8 check with the transcription service whether they're also
9 experiencing difficulty.
10

11 THE WITNESS: Right, fine.
12

13 (The court reporter and the Commissioner conferred
14 regarding the witness's audio levels)
15

16 THE COMMISSIONER: Q. We will continue, Mr Burke, but if
17 you could just be aware that it's cutting in and out a
18 little bit so I might have to ask you to repeat what you
19 say?

20 A. Okay. It's cutting in and out for me when you're
21 speaking as well, unfortunately. It's just a slight
22 freeze.
23

24 Q. I suspect it's the internet at your end, but I'm not
25 certain, and this is one of the problems with having
26 hearings conducted remotely. But it lets us get on with
27 the job, so we will persevere. I just missed what you said
28 at the end. You had a national company, I think?

29 A. Not a national company, sorry, an asphalt company.
30 I did the roads.
31

32 Q. I see. Now, you did that --

33 A. I had that for ten years.
34

35 Q. Sorry?

36 A. Yes, I did that for ten years, yes. Sorry, yes.
37

38 Q. So because of your bank background, would you say you
39 have a certain level of financial literacy?

40 A. Yes, I would. To a point. Like that was 40 years
41 ago. So, you know, in the banking system then we didn't
42 really touch the accounts or anything like that. You just
43 looked at the bottom line to see how much you had in the
44 bank, you know, what you were holding and everything like
45 that. So no, I wouldn't say I had a - I had a great - but
46 I in my business I had, you know, I had a (audio drop-out).
47

1 Q. I'm sorry, I missed that? In your business?
2 A. In my business, you know, we had cash flows and
3 everything like that, and I always had a business
4 accountant and went through everything with him all the
5 time, just to keep the finger on the pulse.

6
7 Q. Now, you didn't make a written submission to the
8 inquiry. Is there a reason for that?
9 A. Yes, I did. I did make a written submission to the
10 inquiry.

11
12 Q. This might be another one. Ms Annis-Brown, could you
13 help me there? Could you just wait on a moment, please,
14 Mr Burke?

15
16 MS ANNIS-BROWN: Yes, Commissioner, Mr Burke made
17 a two-page - or provided a two-page submission. Yes,
18 rather brief, of course, but - yes, nevertheless, he did.

19
20 THE COMMISSIONER: Okay. I will just go and retrieve
21 that. I will go off camera momentarily, thanks.

22
23 Q. I'm back, Mr Burke. I'm sorry, I think I had
24 classified this as not a response to the terms of reference
25 which is why I said there was not a submission. But I will
26 ask you some questions about your submission later. Now,
27 in terms of --

28 A. Well, I - Madam Commissioner, I would prefer
29 that you - that was for your eyes only. I thought, that
30 sort of submission, to give you a better idea of what
31 I thought. So I wouldn't like it to be read out or
32 anything like that.

33
34 Q. I believe it has been made public through GIPA
35 applications, Mr Burke. There was no --

36 A. Oh, right, mmm-hmm.

37
38 Q. There was no request to keep it confidential, which
39 could have been made. Nevertheless, I think it has been
40 made public.

41 A. Oh, right.

42
43 Q. Can I just ask you some questions about your time at
44 Gosford City Council?

45 A. Yes.

46
47 Q. How much did you know about the way accounting was

1 dealt with at that council?

2 A. Just from what was said, the financial officer used to

3 give us a briefing, say every month or whatever, or even if

4 need be earlier than that, so it was very thorough and also

5 the CEO or general manager used to give us updates all the

6 time and they were quite informative as well.

7

8 Q. And in your last session there it was Mr Naven who was

9 the chief financial officer?

10 A. There I'm not sure. Mr Naven - Brian Naven?

11

12 Q. Stephen Naven?

13 A. Stephen Naven. No, I'm not - yes, it was. Before

14 that it was Nic Pasternatsky. Who was there for about 15

15 years and, yes, I think Stephen Naven took over, yes. I

16 believe that was with Paul Anderson as CEO.

17

18 Q. Yes. Do you know how money collected for water,

19 sewerage and drainage was dealt with by Gosford City

20 Council?

21 A. Yes, it was - I think there was a lot of different

22 pots. So that money went into a separate identity and it

23 was put in there, which I think was the way to go.

24

25 Q. Do you know whether it was held in --

26 A. I believe --

27

28 Q. Sorry.

29 A. Yes, I understand it was held - it was held in one

30 particular account.

31

32 Q. So it wasn't in the consolidated fund, to your

33 knowledge?

34 A. No, to my knowledge, no.

35

36 Q. Were you aware of the level of debt that Gosford City

37 Council had?

38 A. No, I was not. I say that because when Gosford and

39 Wyong amalgamated it was one of the points, a very

40 stringent point, and even Wyong would throw a couple of

41 barbs at me. Like, I'm the last person. There are no

42 other people there from Gosford, I'm the only one, so they

43 used to throw barbs about the finances and I used to bite.

44

45 So we had - at that time it was Brian Bell, and he

46 got accountants and everything to look at it. I believe

47 when we turned over, I might be wrong, we had about

1 18 million, Wyong had about 22, and that's just a guess,
2 but Brian Bell, he said at meetings, because it was getting
3 contentious - like, I'd bite all the time and, you know,
4 and whenever they wanted to throw a barb, the Wyong people,
5 they just did it. And to my knowledge, it was said there
6 was - money was brought over, you know, in the
7 amalgamation.
8

9 Now, Gosford - we have to go back to another point
10 there, and that was - I'll just get my papers, if you could
11 excuse me. Yes, with Gosford we had about 18 million,
12 I thought. Because back when it all happened, it was
13 supposed to be a situation where you could get the funds or
14 the funds were there and it was going to go in together, so
15 I believed that everything was sort of kosher there and we
16 had funds in the bank and also Wyong had funds in the bank.
17 But you tell me, because I think you said that Gosford did
18 have problems, so I was quite - I was quite amazed when
19 I heard that when you were talking to another applicant.
20

21 Q. Okay. So were you aware of any previous incident in
22 Gosford council of restricted funds being used by the
23 council for non-restricted purposes?

24 A. No, I wasn't aware of that.
25

26 Q. Were you aware that Gosford council had an
27 infrastructure backlog when it joined with - became Central
28 Coast?

29 A. Yes, I did. I did. It was - that didn't worry me at
30 all because just in years gone by, with the councils, it
31 was always backlogs, and each year, whatever was left over,
32 they put to the next year. So that didn't perturb me, you
33 know, at all.
34

35 Now, you know, you have to remember, with the Central
36 Coast Council, we were double the size, we were double the
37 population and everything. So they bring across that
38 infrastructure backlog and then they get whatever the best
39 was for - you know, the best to do. You have to pick
40 something. And then the rest you put in for the next year.
41

42 Q. Did you know what the difference was between the
43 council's backlog and the water authority's backlog?

44 A. No, I wasn't aware of that.
45

46 Q. When you were on Gosford council, had you talked as
47 a council about upgrading your IT system?

1 A. Yes, I was aware of that, and only from talking to
2 staff, that both - the Gosford and Wyong weren't compatible
3 and they were talking about it was going to be millions to
4 get that up to scratch and they told me in Gosford that it
5 was not compatible, that it was going to --
6

7 Q. Going back - sorry, I wanted to go back to your time
8 before the merger. When you were on Gosford council, was
9 it ever discussed, a need to upgrade your IT system?

10 A. Yes, it was. Yes, it was. But I don't think we had
11 the funds to do that, and I think they were waiting for the
12 merger to happen. You know, we were - Gosford and Wyong
13 were helping each other over the years and we would
14 interchange equipment, our staff would talk, they were
15 having meetings for about five years because we believed it
16 was going to be inevitable, or I did. So, you know, there
17 was a closeness there with Gosford and Wyong and, you know,
18 I did know what was happening there, yes.
19

20 Q. So were you a supporter of the councils being merged?

21 A. Yes, I was. I was a definite supporter of that. I'll
22 go back. I wrote down a couple of things. I used to go to
23 all the - you know, the state meetings and everything like
24 that, and at one of those - two of those meetings, there
25 was Mike Baird was there, and also - they were talking
26 about Fit for the Future and you had to show that you could
27 stand alone. There was also Paul Toole there. And they
28 were at - for two years they were at the various state
29 meetings and they were talking about that. So I was well
30 versed that this was going to happen and I was a supporter
31 of it.
32

33 Remember, I'm also - I was in the Liberal Party. So
34 then - yes, Paul Toole was then the Minister for Local
35 Government. Mike Baird, when he would speak to us, he'd
36 tell us that this was going to happen. A lot of the
37 independents said "They can't do that", but it happened.
38

39 Many a person had tried for about 20 years before. I
40 remember one particular Labor person, which was Bob Carr,
41 tried for about 15 years. Baird achieved that, and that's
42 the story.
43

44 The way we became with Fit for the Future, we sold
45 a place called Kibbleplex, where we got 9 million, and
46 then --
47

1 Q. I'm sorry, I missed that. You sold?
2 A. Okay. We sold one of the complexes, it was called
3 Kibbleplex, and we made 9 million out of it, and I think
4 that took us up to about 12 million. Wyong, I know, sold
5 part of their property portfolio and they had a surplus of
6 about 18 million. So, you know, everyone wanted to be fit
7 for the future, but I think there was a bit of fudging
8 there as well. So - yes.
9
10 Q. Were you aware of any valuation of council assets to
11 make the council fit for the future?
12 A. No, I wasn't. We had a --
13
14 Q. I missed your answer then, I'm sorry, Mr Burke.
15 A. All right. I said no. No, I didn't know about that.
16 But we had a substantial portfolio of, you know, different
17 properties, and it was - I'm only sort of trying to
18 remember. I think it might have been about 800 million,
19 I think. It was very substantial. So - yes.
20
21 Q. Did you subsequently become aware of any change to
22 the - or inflation of the value of assets held by Gosford
23 council?
24 A. No. No. I did not - I didn't know anything about
25 that.
26
27 Q. While you were on Gosford council, was there any
28 attempt made to trim the staff numbers?
29 A. There was - there was at one stage - it was voluntary.
30 A lot of people were holding out for redundancies and that
31 didn't happen. But a lot of people did leave. But it was
32 a natural attrition of about 5 per cent each year, because
33 the workforce, you know, like 20 years before, we had a big
34 substantial increase, and after that 20 years, they were
35 about to retire, quite a few of them, and they did, but it
36 was - just went through natural attrition. I believe Wyong
37 had about the same, they had it as well.
38
39 Q. How many years did that 5 per cent natural attrition
40 continue for?
41 A. I think at least five years, I'd say.
42
43 Q. Okay. When the decision was made to merge, an
44 administrator was appointed for the Central Coast Council
45 and that administrator conducted some sort of meetings with
46 former councillors of Gosford and Wyong councils. Did you
47 attend any of those?

1 A. Yes. Is that with Ian Reynolds?
2
3 Q. Correct.
4 A. Yes. Yes, I did. Yes. I think I had a one-on-one
5 with Ian, yes. Very nice chap.
6
7 Q. And what was the nature and purpose of those meetings?
8 A. It was to give him a bit of a feel for Gosford and
9 Wyong, I think, and - yes, but he was a very smart man and
10 he was - I found him very astute.
11
12 Q. Then when you were elected to the Central Coast
13 Council, what did you observe of the handover between one
14 administration to the next?
15 A. There was hardly anything with the handover. That's
16 my - and that didn't worry me, because when I was with
17 Gosford council, like, when I was elected there, I went on
18 a three-day fact-finding mission or just to get an handle
19 on it. I went to Coffs Harbour and it was three days, just
20 to get you an idea. That was run by the Local Government
21 and, you know, I was very appreciative of that. And the
22 CEO at the time and a couple of the councillors went there
23 and it gave us a good insight to what council life was
24 like.
25
26 I brought that up when the amalgamation happened and
27 I was told we would have to come to Sydney for that or -
28 I don't think the Local Government were doing it anymore.
29 There was some sort of online thing if you wanted to. But
30 I found it invaluable when I started up to do those
31 courses.
32
33 Q. Can I just ask you to repeat for the record what the
34 course was that you did? Was it run by LGNSW or the Office
35 of Local Government?
36 A. It - I'm pretty sure it was Local Government, yes -
37 LGNSW, yes. It was --
38
39 Q. And it was a three-day course for new councillors, was
40 it?
41 A. For new councillors, yes. Yes. And it was held - it
42 was held in Coffs Harbour and I think it was at the
43 Novotel.
44
45 Q. And what did that course - why do you think that
46 course was valuable for you?
47 A. It was valuable for me because it gave me the insight

1 into the council. They talked about, you know, everything
2 in council life and also I think they went into the various
3 stages of, you know, what to look for and, you know, the
4 various teams you would be on and - it was just very
5 informative. So I felt very comfortable after doing that.

6
7 Q. You also did - when you joined Central Coast Council
8 there was an induction session of a week. Did you attend
9 those sessions?

10 A. No, I didn't, no. After being two terms with Gosford,
11 I thought I knew - I think I might have gone to one or two
12 sessions but not really. Did you say there was a week of
13 different inductions?

14
15 Q. There was a weekend and then I think there were some
16 more sessions over some following weeks.

17 A. Oh, no, I went to the weekend session, yes.

18
19 Q. But not the subsequent sessions?

20 A. No. No, I don't think I could make those. I also ran
21 my business at the same time, too.

22
23 Q. I understand, yes. When you were on Central Coast
24 Council did you take the opportunity to do any education
25 courses that they offered?

26 A. No, not really, but I did go to every state meeting
27 that was on. I went to every - down to Canberra when the
28 national meetings were on, and I found those very good. It
29 sort of kept you updated of what was happening there and
30 that. So I didn't miss - I usually went to at least two of
31 those a year.

32
33 Q. What about on the previous Gosford council, had you
34 done any seminars or other education there?

35 A. All of the time, yes, yes.

36
37 Q. Sorry, I missed the answer?

38 A. I said yes. Yes, I did.

39
40 Q. What courses did you do?

41 A. It was just - usually just - I can't really recall,
42 now, what we did, off the top of my head, sorry.

43
44 Q. That's okay. Do you recall ever doing anything
45 specific to local government finance?

46 A. No, I didn't, no.

47

1 Q. What did you observe about the culture of the staff,
2 to the extent that you had contact with them, in the merged
3 council?

4 A. Which staff are you talking about?

5
6 Q. All the staff - I understand you probably only had
7 contact with the executive leadership team?

8 A. Yes. Yes, the executive leadership team, yes. I did
9 know a few of the sort of support staff. Found them very
10 helpful, everyone, and the EL team, if I ever had
11 a question, I'd ask them and they'd always get me an
12 answer.

13
14 What I liked about the system we had there is that
15 I didn't have to go from the bottom to get an - and then
16 work it up to the top. You go to the top and then it would
17 get back to you fairly quickly because if a director or
18 something ask you a question, you find the answer. So
19 I found it a great system.

20
21 Q. And did you use the councillor support system as well?
22 A. Yes, I did, yes. Yes, I did.

23
24 Q. Amongst the staff themselves, did you observe any
25 rivalry or - what did you see?
26 A. No, I - I didn't see there was any rivalry there. You
27 know, I was a supporter of - as you know, I was a supporter
28 of the merger and I was trying everything to make it work.
29 You know, I genuinely think the ELT team and also just the
30 senior staff and managers and that, they were trying as
31 well. That's what I observed. I might have had
32 rose-coloured glasses on, I'm not sure. But I didn't see
33 anything out of the ordinary and they were always - they
34 were good to me, the ELT, answered any query I had.

35
36 Q. Were you aware that there was a particular unit set up
37 within the staff to progress the projects to complete the
38 merger?

39 A. No, I wasn't. I wasn't.

40
41 Q. What effect do you think the staff freeze had on
42 council's ability to make savings in that early period?

43 A. Well, the freeze I thought was good for the staff
44 because for three years they knew exactly where they stood.
45 As I said before, I think there was an attrition there,
46 a few of them - like, they were all trying to get
47 redundancies and everything like that. Because a lot of

1 people - and I can only say, I don't know if I said before
2 but I was a director for about four years with a local club
3 and they had about 16,000 people there. So I'd be bumping
4 into staff all the time, and I also used to play golf
5 competition and I used to play against a lot of the staff.

6
7 So they were asking me questions and everything like
8 that about the merger, about, you know, what was happening,
9 and the staff were very nervous, very nervous indeed,
10 because they didn't know. You know, I felt very sorry for
11 them. But in my experience with the St George Bank,
12 Advance Bank, and so on, they were merging all the time.

13
14 So when I was in that situation, I - you know, and
15 I had to talk to staff from the different companies at
16 different times, I would say, "There's going to be
17 a natural attrition, there's going to be jobs there for
18 you, you are not going to, you know, be sacked or anything
19 like that". But human nature is a funny thing. Everyone
20 thinks the worst, you know, and they start talking with
21 families or friends or things and everything. So all
22 I could do would be reassure them, "You'll have a job" and,
23 you know, that's the way I worked and treated people.

24
25 Q. But do you think the staff freeze hampered council's
26 ability to make savings in relation to staff for that
27 period?

28 A. I've never thought of that, so I haven't - it could
29 have and it mightn't have. I just don't recall that, you
30 know, like, if the freeze did hamper anything or not. See,
31 that's operational and, as you have most probably been told
32 by a lot of the other councillors, you know, like what
33 operational is - and even going back to Gosford council, if
34 you asked about a staff matter, I can remember one of the
35 CEOs saying, "If you've got a question about staff, you
36 come and see me and I'm the only person you see". You
37 know, sort of bit my head off a bit, you know, and that.
38 And that's been all the way. That's most probably a good
39 CEO: go to the top and ask them a question. So, no,
40 I didn't - I didn't know about what, you know, with the
41 staff freeze, if that hampered or not.

42
43 Q. What about the need to get everybody on to the same
44 pay rates? Do you think that might have affected the
45 council's ability to make savings?

46 A. Well, yeah, it could - it could have, but the thing
47 that - all I heard was Gosford people weren't on the same

1 pay rate as Wyong people, so they were up in arms a bit
2 about that, wanted that to get fixed up. But with that pay
3 rate, I didn't - you know, I had left - I left that to the
4 people that do the job. I wasn't going to make a decision
5 on that. I wasn't able - I wouldn't have been able to
6 change any of that, so, yes, that was operational again.

7
8 Q. Now, you were one of the people who was on the
9 selection committee for the general manager?

10 A. Yes, I was, yes.

11
12 Q. Did you think it was a fair process?

13 A. Yes. I thought it was a very fair process. It was.
14 There was - we were helped - I'll just get my notes on that
15 if you don't mind. I can't find it, but it doesn't matter.
16 Yes, I thought it was a very fair process. I think it was
17 Matthew from - you'll have to help me out. What was the
18 company's name?

19
20 Q. It's in the record, so don't worry.

21 A. I'm sorry, but I've been away for four months as
22 a grey nomad and I just got back on Saturday. So
23 I couldn't get here earlier. When I was travelling in our
24 motorhome, we didn't have electricity most of the time. We
25 were what they call free camping, so I couldn't get on to
26 this. But with the selection panel, I thought it was done
27 fair and equitable, and I went down to Sydney on about
28 three occasions and everything worked - I thought worked
29 out pretty well.

30
31 I thought it was - as a councillor it was the biggest
32 job that I had and I wanted to get it right, to pick the
33 right person for the job, and I think we did pick the right
34 person. So - yeah. I was quite amazed, there was four of
35 us, five of us, went down to Sydney, and I thought a lot
36 more of the councillors would have wanted to get involved,
37 but for some reason, they didn't. So - yes. But I really
38 took it seriously and - we had appointed Paul Anderson,
39 I think it was, from the Gosford council, so I knew how
40 important it was to get the right person and that's why
41 I was on the selection committee. That's why I put my hand
42 up.

43
44 Q. And at the beginning of that process, did you
45 understand that there would only be one candidate that the
46 whole of the council would interview?

47 A. No, not at the start, no. What happened - I think it

1 started with 100 applicants and then the company culled it
2 to about 50, then it was 25, then it got down to 10. We
3 were getting all the resumes of all the applicants. Then
4 we eventually got down to - we went down to Sydney and it
5 was on Zoom, we interviewed 10 of them. Then it got down
6 to four. Now, when it got down to four, Gary Murphy was
7 the lead candidate in every one of those. He was head and
8 shoulders above the rest and so, you know, I thought he was
9 the best candidate.

10
11 When we got down to that four and we'd interviewed
12 Gary on - you know, with the other 10, we did that on
13 video, then we got them in personally; I think we got down
14 to four and did that on a personal basis. They came in.
15 And then we decided that let's go and take Gary Murphy
16 because, you know. He just kept coming up trumps all the
17 time, the person for the job.

18
19 So we said, "Let's get Gary up and present him to the
20 full council." And with that we said, with the proviso,
21 "If the council don't accept Gary, we will go out to the
22 market again". And everyone of the councillors understood
23 that. So, yes, so then he came up, he presented, and he
24 got the job.

25
26 Q. What did you think of his performance as a general
27 manager?

28 A. I thought he did a very good job. I have, you know,
29 since that time, gather - I've been with other CEOs,
30 Peter Wilson was at for 21 years, then there was Paul
31 Anderson, and even the interim people that were there -
32 there was Paul Anderson. We had a guy named Stephen Glenn.
33 Then we had Brian Glendenning, and they were all very
34 strong people as CEOs. They didn't muck around. They
35 didn't take - we also had acting CEOs, Rob Noble, we had
36 Brian Bell, and then we had Ian Reynolds as the
37 administrator and they were all - didn't take any nonsense
38 - straight down the line, and I liked that.

39
40 With Gary, he didn't like conflict and that. When we
41 were doing some reviews of Gary, you know, it was brought
42 up that he had to be a bit firmer with different people,
43 councillors and things like that. He took that on board
44 but it wasn't my job, I wasn't there - it wasn't my job to
45 really tell him, you know. We could just suggest things
46 and it was up to him to go further. But as a CEO I found
47 him quite good and - with his directors, I found them good

1 too.

2

3 Q. Was it only with councillors that you asked him to be
4 a bit firmer, or was it staff as well?

5 A. No, only - we asked Gary - I asked Gary to be firmer,
6 sorry, with councillors, not staff.

7

8 Q. And was that because --

9 A. Just suggested to him.

10

11 Q. Was that because of behaviour in the council chamber?

12 A. Yes, it was, most definitely.

13

14 Q. Can you tell me about that, what you observed?

15 A. What I observed? What it came down to, there were
16 certain councillors there who were very strong willed and
17 I don't think they wanted the merger to happen very well.
18 They were stirring things up all the time and, yes,
19 that's - that was about it.

20

21 Unfortunately, it became very, very political and
22 there was - you know, there was the Labor, the Greens, the
23 Liberals and there was - it was very, very - it was
24 a political council. I can only go from the experiences
25 I had with Gosford. It was political, you know, like
26 Labor, Liberal, Independents, and that, but when it came
27 down to the community, we always agreed and did the best
28 thing for the community. I wouldn't say that happened with
29 the Central Coast Council. As I said, it became - and
30 I just don't know if people didn't know or what they did,
31 but they just - it was very political.

32

33 There was eight - there were six Labor and two Greens.
34 So there were eight people, and they sort of had a group,
35 you know, so - and then - so we were behind the eight ball
36 the whole time. There was only - maximum we could get was
37 seven votes. So for, you know, those three years, we
38 didn't make any decisions for the council, it was all done
39 by Labor and the Greens.

40

41 Q. So some of the more controversial decisions that came
42 before the council - one of those was the Warnervale
43 airport matter and the decision to cancel the contract, the
44 lease?

45 A. Yes, that's right. Yes. Very controversial.

46

47 Q. Was that reflective of controversy within the

1 community as well?

2 A. Very much so. Very much so, yes, in the community.

3

4 Now, when I - can I just - when I got on the council,
5 I - and I was in the Wyong ward, and that's smack bang in
6 the middle of, you know, Warnervale and Wyong. Now, I -
7 when I was going around trying to get votes, I did
8 door-knocking. I did door-knocking of about 300 people in
9 Wyong and Warnervale, and I'd say, "How can I assist you?"
10 And they said, "We don't want an airport. If you want our
11 vote, then, you know, you go along - we don't have an
12 airport".

13

14 They were very stringent with that, as Wyong people
15 and Warnervale people can be. So I gave a commitment that
16 I would - I would be going and helping them, I wouldn't be
17 going for the airport. And that's what I did. And that
18 was a party policy - Liberal Party.

19

20 Q. That exercise, cancelling the lease, cost the council
21 more than a million dollars?

22 A. Yes, about 1.2 I think, yes.

23

24 Q. Do you think in the long run that was a better
25 decision for the council to make than to continue with the
26 contract?

27 A. I think it was. I believe it would - the way it was
28 explained, if we don't do anything now, then it could get
29 bigger and bigger. I've seen that happen when I was at
30 Gosford council and a couple of different situations, and
31 the payouts got bigger and bigger.

32

33 So I thought the best thing would be to bite the
34 bullet and then move on. So - and that's what happened.
35 It was put with the solicitors and they negotiated and, you
36 know, that's how that happened.

37

38 Q. Another controversial one was the Regional Performing
39 Arts Centre.

40 A. Yes.

41

42 Q. What was your position in relation to that project.

43 A. Well, I'm with Gosford council - I was on the Gosford
44 council. I was - really wanted that to go ahead and
45 I was - but in the long run, I think it started off at
46 20 million, it escalated to do it, 40 million. Then
47 I think it was 60 million, and that, and it just got out of

1 control. So, you know, I then voted against it with my
2 fellow councillors, because I saw what happened to
3 Port Macquarie. They started off at 20 million and I think
4 that was the - was it the - I don't know, it was
5 a performing arts place there. It started off at 20,
6 finished up at 100 million and, you know, I think they
7 dismissed the council on that one. So I thought it better
8 to go on the side of caution with that particular centre.
9

10 Q. Now, just in relation to the way that Central Coast
11 Council dealt with its - the money collected under the
12 Water Management Act, did you just assume it would be
13 following the same procedure that Gosford City Council had?

14 A. Yes, I did, yes.
15

16 Q. So you assumed it would be in its separate pot and
17 couldn't be used for purposes not related to water,
18 sewerage and drainage?

19 A. Yes, exactly. Yes. I thought it would be restricted
20 funds and it'd be put in a separate bucket. But it appears
21 that everything got thrown in the same bucket, which
22 I didn't find that out until October, you know, October 20,
23 I think it was.
24

25 Q. Now, each month you'd get an investment report, or
26 most months you'd get an investment report?

27 A. Yes.
28

29 Q. That told you what investments the council had,
30 including cash, and it would tell you what the unrestricted
31 cash position was?

32 A. Yes. Mmm-hmm.
33

34 Q. Do you remember when those investment reports changed
35 and it no longer had that - didn't disclose that
36 information anymore?

37 A. No, I can't remember seeing that at any time. Maybe
38 I wasn't looking for it or whatever. It wasn't discussed.
39 It didn't come out openly that it was - you know, it wasn't
40 going to be there anymore, and then that would have been
41 a feature. But it just sort of - it slipped through the
42 cracks a bit and I wasn't aware of it.
43

44 Q. What did you understand the role of ARIC to be in
45 relation to council's finances?

46 A. Well, with ARIC, I just - sorry, I'll just find that
47 if you don't mind. Yes, ARIC, the audit, risk,

1 investment - well, it was basically checks and balances so
2 I had no problems with it.

3
4 When the names were put up, it was by the
5 administrator, and I said, "I've been around for about
6 20 years, that's good, I'll see - have a look at the names
7 of the people", and everything like that. When we - when
8 they were appointing them, I did not know one person. So
9 I wasn't for it, just only that I'm voting on something and
10 I don't know the people who are there. And that's nothing
11 against them, they were most probably - in their
12 profession, they were experts, but I didn't know them,
13 them, so I didn't vote that way.

14
15 Q. You weren't on the ARIC committee ever, were you?

16 A. No, I wasn't on the ARIC committee, yes.

17
18 Q. What role did you understand council's external
19 auditors would play with the council's finances?

20 A. Well, there was - with the auditors, they were always
21 there. When I say that, we had quite a few - we had
22 internal auditors, external auditors, then - and as you
23 most probably know, and I'll just get those people that
24 I've written down - everyone was really basically, you
25 know, having a look, which I was happy with, they were
26 having a look at our finances all the time. As I said,
27 internal, external auditors; we had a couple of people,
28 I think we had Peat Marwick.

29
30 And then - and that's to - I think Gary did that very
31 well, in that, you know, especially just after 20 October,
32 or even before that, we had a lot of people that came in
33 that were in the audit area. So I thought all the -
34 basically, the checks and balances, you know, with the
35 auditors and everything like that - it always came back
36 with a clean skin.

37
38 I remember even with Gosford council - and this is
39 when we were in there - everything went down to the Local
40 Government, and it came back all nice and clean. Because
41 I was - because everyone was saying things about Gosford
42 council, I was the only one sticking up for them, I made
43 sure that, you know, everything was kosher and clean.

44
45 Q. Now, with the budgets, they started out initially
46 there was a small surplus in your first budget and then
47 they became successive deficit budgets?

1 A. Yes.
2
3 Q. Were you concerned about that?
4 A. No, I was not concerned. I just saw that we were the
5 third-largest council in New South Wales, sixth in
6 Australia, and I believed that with those budgets we had
7 double the amount of people, double the funds, you know,
8 and everything like that, and I just believed that we would
9 make it up after a short period of time, so, you know, no,
10 I wasn't concerned.
11
12 Q. Were you satisfied that when council made resolutions,
13 the staff implemented them and then came back and reported
14 on them?
15 A. Yes, I was. I was happy with that. They did a good
16 job.
17
18 Q. Just excuse me for a moment, please.
19 A. Yes, sure.
20
21 Q. Mr Burke, do you think that the council acted in a
22 manner to maximise the success of the merger and gaining
23 efficiencies from the merger?
24 A. Do you mean the councillors or do you mean the staff
25 and everything like that?
26
27 Q. The decisions of the council, the councillors, yes.
28 A. No, I think they could have been better decisions. As
29 I said, there was - we didn't make the decisions; the six
30 Labor and two Independents or two Greens made all the
31 decisions. So there was a lot of controversial decisions
32 that really upset me, but I had to go along with it.
33
34 Q. You have mentioned the support - the fight for
35 Wallarah 2. Were there other decisions that you didn't
36 agree with?
37 A. Yes, could you just repeat that? You sort of froze
38 there for a sec.
39
40 Q. Sorry. You say in your submission that you didn't
41 support the money being given to assist a case against the
42 Wallarah 2 coal mine?
43 A. Yes.
44
45 Q. But were there any other decisions that you were
46 concerned about that you didn't support?
47 A. Decisions - oh, well, yes, there was a decision, and

1 that was at the Winney Bay, where we got a grant. We got
2 a \$4.6 million grant and it was voted down and voted
3 against, so I was very, very upset with that. I am -
4 I live around the area and that was, I know, a lot of - and
5 this goes down to it irritates staff and eats at the staff.
6 They worked on that for two years with Adam Crouch. He got
7 the biggest ever grant we received, 4.6 million for Winney
8 Bay, and they just tore up the cheque. I just couldn't
9 believe it, and that really upset me.

10
11 Mainly another reason with that is that it was - that
12 was for the community as well, because Winney Bay, that
13 4.6 million, was to help the trail that they were doing
14 there.

15
16 There is a thing called the 5 Lands Walk. I don't
17 know if you have heard of that. Has anyone brought that
18 up? They have?

19
20 Q. I have read that, yes.

21 A. Well, that was - yes. The 5 Lands Walk was over five
22 different areas of Avoca, Terrigal, Macmasters, and that.
23 And what would happen, the indigenous people there, they
24 supported it - this has been going on for 15 years and
25 I used to - I went for it for about eight years, I'd do the
26 walk, and they'd get 20,000 people there over the weekend
27 and it was fantastic for the community. Everyone, all the
28 businesses made a dollar. It was fantastic for tourism.
29 To throw that cheque out and - I don't know the reason.
30 I'm pretty sure it was political. I really felt for
31 Adam Crouch. I felt for the staff that worked so hard on
32 it. So, you know, I couldn't fathom what it was. All I
33 could see that that was a political thing, but it was, yes,
34 very disappointing and very disappointing in the community
35 as well.

36
37 Q. Are there any other matters where you think the
38 council behaved in a way that damaged its reputation with
39 the community?

40 A. I think we've gone through them. I'll just have a -
41 no, I don't think so. There was quite a few different
42 ones, but they're the ones that really affected me and
43 I was very, very upset about them. No, I don't think
44 there's anything else that I could bring up right at the
45 moment, Madam Commissioner.

46
47 Q. Thank you, Mr Reynolds. They are my questions for you.

1 I will just check with Ms Annis-Brown whether she has any
2 questions.
3 A. I'm Mr Burke, not Mr Reynolds.
4
5 Q. Sorry, Mr Burke, I'm getting ahead of myself.
6 A. No, the same sort of hairstyle. It's okay. I've been
7 called worse names than that.
8
9 Q. I do apologise.
10 A. That's all right.
11
12 THE COMMISSIONER: Ms Annis-Brown?
13
14 MS ANNIS-BROWN: Thank you, Commissioner, no questions.
15
16 THE COMMISSIONER: Thank you. Ms Bulut, do you have any
17 application to make in respect to Mr Burke?
18
19 MS BULUT: No questions, thank you, Commissioner.
20
21 THE COMMISSIONER: Thank you. Thank you very much,
22 Mr Burke. I'm glad you have returned safely from your
23 holiday and your evidence is concluded now.
24
25 THE WITNESS: Thank you.
26
27 THE COMMISSIONER: We will just take a very short break.
28 We will be back at 10am with the real Mr Reynolds.
29
30 THE WITNESS: Right. Thank you, Madam Chairman.
31
32 <THE WITNESS WITHDREW
33
34 SHORT ADJOURNMENT
35
36 THE COMMISSIONER: We will resume and hear from
37 Mr Reynolds. Mr Reynolds, could you come on camera and off
38 mute.
39
40 MR REYNOLDS: Morning, Commissioner. How are you?
41
42 THE COMMISSIONER: Thank you. Could I ask Ms Annis-Brown
43 to swear you in as a witness, please.
44
45
46
47

1 <IAN REYNOLDS, sworn: [10.01am]

2

3 <EXAMINATION BY THE COMMISSIONER:

4

5 THE COMMISSIONER: Q. Thanks, Mr Reynolds. I'm getting
6 a message that your bandwidth is low and I've heard that
7 also people are having difficulty with my video, so we'll
8 have to persevere.

9 A. Yes, there have been some gremlins. There have been
10 some gremlins.

11

12 Q. I believe I'm being quoted, yes.

13 A. I have turned my microphone and speakers as much as
14 I can. If it helps, can I go off camera? Would that help
15 with the bandwidth or how does that work?

16

17 Q. I'm not very techie, I'm afraid. I don't know whether
18 that would help. But I'm sure our transcription people
19 will let us know if it gets to the point where you can't be
20 transcribed.

21 A. Okay. We will press on.

22

23 Q. Yes, thank you. So you were the administrator
24 appointed by the government to administer Central Coast
25 Council from its formation until the council was elected in
26 September 2017?

27 A. That's correct, yes.

28

29 Q. Mr Reynolds, what was your background? How did you
30 come to this position?

31 A. Well, I've been working in the Local Government and
32 the State Government sector since 1980. My original area
33 of employment was in the planning sphere, in the department
34 of planning. I then moved to Blacktown council in the
35 planning sphere again and became a director there of
36 strategic planning, both land use and corporate planning.

37

38 Subsequently I became the general manager of Blacktown
39 Council for five or six years, following which I went back
40 to the State Government as the general manager of
41 operations at an agency called the Growth Centres
42 Commission, and from there into the department of planning
43 as a deputy director general.

44

45 I left the state sector in 2012, set up my own
46 consulting practice, essentially in the areas of strategic
47 land use, planning and governance, and local government

1 governance in particular. In that role I was approached
2 and played a role in the merger inquiries and subsequently
3 was appointed as administrator of the Central Coast.
4

5 Q. Now, you've given me a short note with your
6 observations of your period of administration. Can I just
7 go through a few of those points with you?

8 A. Yes, certainly.
9

10 Q. You said in your view, whilst a uniform administration
11 period was implemented for all amalgamated councils, the
12 period of 16 months was not adequate to bed down the new
13 Central Coast Council, given the complexity of issues
14 involved in the merged entity. Can you just expand on what
15 those issues were and why you think it should have taken -
16 or you should have been given a longer opportunity?

17 A. Well, I appreciate the fact that this was a government
18 program of, you know, a large-scale amalgamation program,
19 and there needed to be perimeters around that, so it was
20 appropriate, I think, for the government to select
21 a period. It's just that for the Central Coast, as we were
22 there and in retrospect, the 16 months was not enough to
23 really bed down a lot of the change that needed to be made.
24

25 It may well have been sufficient in other councils,
26 I can't comment on that, but just the size of the new
27 council, you know, it became one of the largest in the
28 state; the size of the budget; the complexity of the
29 operations including both water and sewer and, you know,
30 the normal ordinary local government operations.
31

32 But also there are peculiar characteristics -
33 I shouldn't put it that way - particular characteristics of
34 the coast which make it a very challenging area to
35 administer, and a lot of those are just the geophysical
36 biophysical nature of the coast, the coastline itself. And
37 soon after we were amalgamated there was a major storm,
38 about three weeks later, which impacted heavily at
39 Wamberal. So there were coastline issues. There were
40 inland waterway issues, both of water quality and
41 maintenance.
42

43 We had significant hinterland and significant
44 biophysical and ecological issues surrounding, and the
45 settlement history of the coast was in large measure old
46 holiday camps or, you know, fishing villages, those sorts
47 of things - by their nature, very scattered and very

1 expensive and difficult to service, long lead-in roads,
2 those sorts of things. So it was a complex area and
3 dealing with all those issues was always going to be
4 a significant challenge.
5

6 I found when we arrived, if I can put it that way,
7 that the two councils, even though they had coexisted - and
8 in fact I think back in history there might have actually
9 been one council, back in the 1940s, I think, and they were
10 subsequently divided, so in a sense it was back to the
11 future.
12

13 But both councils operated in very different ways and
14 they had different staff policies, different salary
15 systems, different computing systems, and you may well ask
16 me about those, I guess, I'm not sure. But melding two
17 quite differently run organisations was also a significant
18 issue. So that's a potted summary, I suppose, and the more
19 the period went on, the more we understood about those
20 issues, of course.
21

22 Q. So I will just take you up on your invitation to talk
23 about the IT problems. Both councils seemed to have been
24 aware of the shortcomings of their own systems before they
25 merged. What was the particular problem for you trying to
26 get them to assimilate into one system?

27 A. Perhaps I will just make one further comment about my
28 initial point about the time. We - and I understand you've
29 raised this issue with other witnesses. We did establish
30 a project management office to prosecute the various work
31 streams involved in amalgamation, and my recollection is -
32 I don't have those documents with me, but my recollection
33 is there were somewhat over 40 of those significant work
34 streams, and we'd developed a prioritised program which ran
35 out probably about five years to deal with all those
36 issues. And I'm not suggesting that the amalgamation - you
37 know, the administration period should have gone for five
38 years, but that just gave - it gives you an idea of the
39 scope of the issues that we were facing.
40

41 I was very conscious that we had replaced two elected
42 councils, so it was incumbent on us to do the job that we
43 had to do as quickly as possible and, in that respect
44 a short period of administration is a good thing. So these
45 things are always a balance but I just felt in terms of the
46 administration side of things, 16 months was a very big
47 challenge.

1
2 So back on to your question about the computing
3 systems, the advice to me - and I had actually worked at
4 Gosford for a period of four or five months in I think it
5 was 2015. I was filling in a role while they were
6 recruiting a planning manager, and I did have some
7 experience of the computing system which I found difficult.
8

9 But when I came to administration, the advice to me
10 was that both councils had got to the stage where if the
11 amalgamation hadn't occurred, they probably would have had
12 to have renewed their systems anyway. So from my point of
13 view, the need to invest in new IT systems and equipment
14 was not necessarily a cost I'd attribute to the
15 amalgamation; it was in fact an opportunity to do things
16 more efficiently, because both councils would have had to
17 have done the same, it seems, in terms of the advice that
18 I received.
19

20 So that was the initial situation that we faced.
21

22 Q. In terms of IT, it was particularly problematic in
23 transferring information into the new systems and getting
24 reports out of it, was it?

25 A. Look, I had that difficulty. As I referred, I did
26 work at for a short time, about four or five months, and
27 I did find it difficult. It's partly my lack of tech
28 savvy, I suspect, but coming in to the position as
29 administrator, you know, we were running two different
30 salary systems, two different IT systems, two different HR
31 systems, planning policies were different. So the fact
32 that, you know, laid on top of that two ageing IT systems,
33 it just didn't help and we needed to rationalise those.
34

35 I think part of our role we saw in going in to
36 the administration period, knowing that we had only the
37 16 months, was to set the foundation for the new incoming
38 elected council to have the best chance to prosecute the
39 success of the amalgamation, so there were fundamental
40 things we felt we needed to get into place. One was
41 a unified IT system to provide the basis for best
42 management possible of the council going into the future,
43 and we felt that that was a decision we needed to make;
44 rather than leave that task to the new incoming elected
45 council, who would have their own issues to deal with, we
46 felt that we needed to have that in place for them to build
47 on.

1
2 Q. Do you know how far it had progressed by the time your
3 period of administration finished?

4 A. In detail, no. Like our amalgamation project office,
5 there were a wide range of tasks involved. My experience -
6 and I have been, in terms of my history which I related to
7 you, I've been involved with or in the imposition or the
8 introduction of new IT systems in various places, and
9 I haven't been to one - in one where it went smoothly, and
10 I suspect that's probably the experience of most people,
11 with particularly big corporate systems.
12

13 The options around at the time, to my recollection,
14 are there were things like TechnologyOne suite, there was
15 Civica. We went for another solution because of our size.
16 You know, none of - even when you - even if you buy
17 solutions off the shelf, you always have to tailor them to
18 your organisation. So there are never - it's never smooth.
19

20 But to answer your question in detail, I wasn't aware
21 in detail of how - you know, how it was progressing apart
22 from hearing that, yes, there were issues, but we were
23 addressing them, we had a program to do it.
24

25 Q. So if you had your way, would you have preferred to
26 have had an option to request an extension of the period of
27 administration?

28 A. That's a difficult question to answer, Commissioner,
29 in hindsight. Look, I - probably no is my answer. We were
30 part of a suite of amalgamations. I highly value local
31 democracy. Local Government is an institution that I love,
32 and I was 21 years at Blacktown council and I saw
33 first-hand and was involved first-hand in the sorts of
34 things that a well-operating council can do for its
35 community. It can be a great thing.
36

37 So I was keen, as far as we were able to in the time,
38 to establish the foundation and to return the management of
39 the council to the elected body, to the people of the
40 coast. It's not to say that - I mean, I was out and about
41 with my GM and staff on the coast, in public meetings and
42 pop-up stalls at shops, listening to people on the coast.
43 So even though I was essentially a bureaucrat, I was
44 playing the public-facing role of the council as well. So
45 I found that highly enjoyable, but I felt, and since you
46 ask me the question, I think probably it ought not to have
47 been extended, although from an administrative point of view

1 that might have been ideal. But we're talking about local
2 democracy here and I think the return to local democracy
3 was a valuable thing.
4

5 Q. And perhaps do you think, then, maybe the periods of
6 administration might have been tailored to the particular
7 councils rather than having a blanket period of
8 administration?

9 A. Look, I suppose in short, yes, I think so. There are
10 a number of very, very significant amalgamations that
11 occurred, clearly, you know, councils like the Northern
12 Beaches, like Inner West, like the Central Coast, resulting
13 in really significantly large administrations; even
14 compared to the private sector in Australia, they are large
15 corporations.
16

17 Conversely, there were some amalgamations where the
18 population of the amalgamated council was, you know, less
19 than 10,000, and I'm not saying that they wouldn't have had
20 significant issues, but the scope of the program, the scope
21 of the issues faced by some of the larger amalgamated
22 councils perhaps would have benefited by an additional
23 time. But I don't think - if that had been established at
24 the beginning, then everyone would have had an expectation
25 and understood where we were heading, but to change that
26 halfway through I don't think would have been a good idea.
27

28 Q. Your next point is state funding assistance to support
29 the merged entity. What's your view on the adequacy of the
30 money that was provided to the council?

31 A. Look, I think I would take a similar view to my view
32 on an appropriate time for the amalgamation, for the
33 administration period to have lasted.
34

35 There was a very significant government program which
36 was allocating money to all the merging councils, and we
37 were grateful to receive that money. It was fairly clear
38 that the actual cost of the changes to the administration
39 were going to be higher than that, so it would have been
40 helpful, from our point of view, if we'd had access to
41 extra funding. How much that would have been, like,
42 I mean, I was a GM of a council before and there was an old
43 adage: never stand between a GM and a pot of money. If
44 governments were handing out grants, then, you know, it
45 would have been - we would have received it thankfully.
46

47 I think one of the issues in establishing an amount to

1 grant each of the amalgamating councils was that the actual
2 costs of all the changes required by amalgamation, in
3 administering the amalgamated entity and introducing new
4 systems and so on - the actual cost is actually only known
5 after the fact, so you can make the best estimate up-front
6 and manage it as it goes along. So in hindsight, we would
7 have loved more money, as I suppose all the merging
8 councils would have.

9
10 Q. Do you think that's another example of where there
11 should have been some tailoring of funding according to
12 perhaps the size of the council or the complexity of the
13 council?

14 A. My recollection of the program is that there was some
15 tailoring. I'm a bit hazy on the details now, it's about -
16 you know, it's five and a half, five or six years ago. But
17 I think some of the larger councils did actually receive
18 more than some of the smaller ones. But even so, I think
19 ours was around 20, or whatever it was, 25 or something, in
20 the context of an entity whose annual budget, you know, is
21 pushing three-quarters of a billion at the time once
22 merged, that was actually a small contribution. So some
23 tailoring might have been good but how - you know, to what
24 extent, benefit of hindsight is marvellous, I think.

25
26 Q. Yes. Your next point is about the impact that the
27 wage freeze had on the ability to achieve structural
28 efficiencies.

29 A. Well, I wouldn't call it a wage freeze. The Act, for
30 reasons which I quite understand, offers some protection to
31 staff other than executive staff; when councils are merged,
32 there's roughly a three-year period, I think, under the
33 Act. So basically if I'm part of a merged council then my
34 role, my job, is protected for three years. And I can
35 understand that, particularly, I suspect, in a regional
36 context where alternative employment might be quite
37 difficult to find.

38
39 I think when you have that provision - and we were -
40 in our first week, the GM, the executive and I, visited all
41 our depots and spoke to the internal staff of both the
42 former councils and that was an issue of concern to people
43 about, you know, "What's going to happen to me?" And
44 basically we were able to say, which was helpful to us in
45 enlisting support for people in the new entity, that their
46 job was safe; provided they, you know, performed well and,
47 you know, performed to expectations, that sort of thing,

1 their job was safe for three years.

2
3 What it does do, though, coupled with the policy which
4 applied in terms of effectively freezing the rate
5 trajectory, it didn't enable the amalgamated council in its
6 early stages to really achieve efficiencies that might have
7 been achieved.

8
9 I guess part of the issue there is because the staff
10 were protected in that respect, possibly we may not have
11 paid much - oh, it's a bit hard to say, how much did we
12 look at efficiencies that might be gained, because we
13 couldn't do it in our period, so we were in a bind.

14
15 One thing I would say on the ratings side, though, my
16 understanding is before the merger, the former Wyong
17 council had secured an SRV, a special rate variation, for
18 a number of years. They had actually - the year of the
19 amalgamation was the last year of that SRV is my
20 recollection, and Wyong council had resolved not to take
21 that SRV increase that year.

22
23 The councils were amalgamated in the May, so that
24 decision - if Wyong had continued, I presume that decision
25 would have carried over and been implemented that year.
26 The advice to me at the time from my general manager was
27 that we needed to not continue with that policy, and we
28 should take that SRV that year, because it was an important
29 component to addressing backlogs of infrastructure in the
30 north.

31
32 So that was an early decision I made in terms of the
33 ratings structure, to take that SRV, the final instalment,
34 that year. Otherwise, we proceeded with the state policy
35 for the period of our administration in terms of just
36 utilising the previous rating structures, which were, my
37 recollection is, lower than surrounding councils and also
38 different between the two.

39
40 Q. Then you make a point about the financial status of
41 the former Gosford council. What were you concerned about
42 there?

43 A. Look, one of the tasks we had when we took office
44 in May was to wind up the books of the former two councils.
45 My recollection is, and I stand to be corrected, that we
46 were required to use one of the external auditors of one of
47 the former councils to do that, I think; but if not,

1 anyway, we had PricewaterhouseCoopers do the final accounts
2 for both Wyong and Gosford.

3
4 The Wyong accounts, the resolution of those was
5 straightforward, the audit was issued. However, the
6 Gosford accounts were particularly troublesome for us.
7 They were - it was very unclear to us, and I'm not an
8 accountant, but the finance staff - it was very difficult
9 to interrogate the systems, so much so that we had to
10 engage, and I can't remember who it was but one of the
11 bigger firms, it wasn't Price Waterhouse, because they were
12 doing the audit, to actually "reconstruct" the accounts for
13 Gosford so that they can audited.

14
15 In the end, that process went through until February
16 or March of 2017, so we weren't actually able to wrap up
17 the books for Gosford until into the next year. Even at
18 that stage, when it came to the final wrap-up, we were not
19 able to certify as management the accounts, so we
20 disclaimed the audit and the auditors did the same.

21
22 So it was particularly problematic for us. It was big
23 headlines at the time. We wrote down the asset value
24 significantly. There appeared to have been double-counting
25 of some of the assets in the water and sewer accounts,
26 such - in general terms, the physical asset register didn't
27 match the financial asset register. There were also issues
28 with the valuation of land under public assets, like roads.
29 So there was a significant downgrading or write-down of the
30 value of the assets that was troublesome for us at the
31 time.

32
33 In looking back on it, what that - the amount of time,
34 and, as I say, I was observing this as the administrator,
35 I wasn't involved in the day-to-day work on trying to sort
36 this out, that would have involved significant resources
37 and time from the finance staff of the amalgamated council,
38 to try and resolve this issue so we could move on. That
39 would have - apart from the issue itself, which was
40 troubling, that would have potentially compromised their
41 ability to, you know, move forward with the financial
42 structure and basis for the new council. That was
43 a concern to me.

44
45 Q. In the Wyong accounts that were certified, there is
46 a note in there that there'd been a decision taken to
47 unrestrict funds that had previously been treated as

1 restricted. Were you aware of that?
2 A. That wasn't drawn to my attention, no. I mean,
3 sitting here today I would say I relied on the advice of
4 the auditors, the external auditors, and that wasn't drawn
5 to my attention.

6
7 The only - the time I became aware of that is only in
8 recent times, under the just-gone administration period.
9 No, I wasn't aware of it and it wasn't drawn to my
10 attention as far as I can recall at all.

11
12 Q. When the auditors were having problems with the
13 Gosford accounts, they raised a number of matters about the
14 security and the ability to prevent changes to the accounts
15 being made. Were you aware of those concerns that the
16 auditors had?

17 A. They certainly drew those to my attention, yes. That
18 was of great concern.

19
20 Q. Do you know what changes were made to the systems
21 within Central Coast Council to prevent that from
22 continuing?

23 A. Well, my understanding at the time, and I'm going back
24 a number of years, part of the concern was - and I stand
25 corrected but this is my recollection - there wasn't
26 necessarily an audit trail that you could track back
27 through the then IT, finance IT system, and that was
28 changed at Central Coast. Once that was found - well, it
29 clearly hadn't been an issue at Wyong, so my presumption is
30 that whatever the process that they were using at Wyong was
31 was instituted from day 1 anyway. So this was a historic
32 issue at Gosford as far as I was aware.

33
34 Q. So as far as you were aware, the risks in the
35 accounting system had been eliminated?

36 A. Going forward, yes.

37
38 Q. Going forward. And the value of assets had been
39 adjusted to what was considered appropriate?

40 A. We understood so, yes, or I understood so, yes.

41
42 Q. Were you aware of the amount of debt that both of the
43 councils carried before merger?

44 A. Look, in short order, no, I wasn't.

45
46 Q. Were those figures available in the audited accounts?

47 A. Look, they would have been, but I don't recall looking

1 for them myself or being directed to them. I know that
2 when I first took over, the first few financial reports
3 regularly coming to council were both from - you know, as
4 per previous Wyong and previous Gosford, and I found the
5 Gosford ones - how can I put it - not as transparent as
6 I wanted them to be, so I had asked that to be changed and
7 dealt with more clearly for my understanding.
8

9 Q. A number of councillors, or former councillors, have
10 said that they weren't aware of the debt at the councils
11 prior to the merger. In your view, would there have been
12 public documents that would have enlightened them on those
13 matters?

14 A. Look, my experience - debt is always an issue for
15 councils, so it's generally known, or should be known, what
16 a council's debt is. My previous council, Blacktown, had
17 a policy for probably the best part of 15, 20 years of no
18 debt, so, you know, a scintilla of debt would have made
19 a big headline. But, no, generally speaking, I would have
20 thought as part of the investment reports that might have
21 been known.
22

23 Q. I'll take you back to finish off your statement. The
24 end of state report which you recommend, can you describe
25 what you think that would have incorporated?

26 A. Look, I did, and I suspect every administrator did, do
27 an end of term report as the council, and I did one of
28 those for the coast at my last meeting, which would have
29 been, I suppose, the end of August or something like that.
30 But I thought it would have been useful, perhaps, for the
31 government to have a separate report from an administrator,
32 not just me but from the administrator of any amalgamated
33 council or any council under administration in other
34 circumstances, as to issues that might impinge on the
35 government's relation to the council.
36

37 So it might have - and it might just have been
38 personal observations about the campaign leading up to the
39 election issues that might come before the state arising
40 out of the election - those sorts of things as headlight
41 warnings to council - to the government about, you know,
42 things they needed to keep an eye on, particularly,
43 I suppose, in our case and the case of the amalgamated
44 councils, all of them would have had issues at the end of
45 their 16 months, which I presume would have involved
46 liaison with the state. So for the state to have had, you
47 know, a reasonably concise, I suppose, report from an

1 administrator on those sorts of issues, not internal issues
2 for the council necessarily but issues that might impinge
3 on the state, would have been useful, I suspect.
4

5 Q. Now, do you think it would have been useful to have
6 some continuity in the role of general manager or, as it is
7 called at these councils, CEO?

8 A. CEO. Look, in a way, I suppose so - well, certainly
9 after the administration period. When - and I understand
10 you might be speaking with my general manager, Rob Noble,
11 later in the proceedings, and I'd leave him to speak on his
12 own behalf, but he had been at Wyong a short period of time
13 as an interim GM, I think - I can't remember who it was had
14 left and they had employed him for probably six or eight
15 months, I suppose, before the amalgamation occurred.
16

17 So he had come there on a short-term basis, and
18 I don't want to speak on his behalf, but the fact that he
19 was then appointed by the state under the proclamation as
20 the general manager meant that he had an unexpected
21 extension of time on the coast and, you know, that may well
22 have impacted on his other life. So I was quite
23 understanding when, towards the end of our period, he
24 indicated his intention to resign. I was very sad about
25 that, because I got on well with him as a GM, thought he
26 was a good GM.
27

28 So knowing that was going to be the case, we - under
29 the Act, you'd appreciate, you can appoint someone for
30 a position, into an executive position including GM, up to
31 12 months without going through a merit selection process.
32 We were very fortunate, we thought, that the neighbouring
33 council to the north, Lake Macquarie, very experienced GM
34 there, Brian Bell, had recently retired, so we approached
35 him with a view to appointment at Central Coast following
36 Rob for a period of up to, you know, that statutory
37 12 months. He agreed and we appointed him. He actually
38 started before Rob left, so they had a short handover
39 period, which I thought was a good idea.
40

41 Subsequent events, of course, he fell ill and was not
42 able to continue beyond I think three or four months,
43 whatever it was, which was a very short time, and obviously
44 not - you know, not a desirable outcome either for him or
45 the council, really.
46

47 So his departure was sudden and unexpected. The

1 council was then in the zone, I presume - this was after my
2 time - of appointing a similar person, you know, a similar
3 executive for up to 12 months, whatever, while they went
4 through the appointment process. So the net result was,
5 you know, in less than 12 months or so, roughly, four CEOs,
6 four GMs. In the overall scheme of things, that's not a
7 good - it's not good. You need continuity of leadership
8 and just the circumstances were really unfortunate.
9

10 Q. Would you have had any hesitancy in appointing
11 a permanent general manager knowing that a new council was
12 coming in?

13 A. Look, in the end - well, I can answer your question
14 two ways. I would have had hesitancy because, as
15 I mentioned before, I value local democracy highly and
16 I think it would have been - the best outcome would be for
17 the new elected council to choose their own general
18 manager, CEO. In that respect, the provisions of the Act
19 are quite helpful because it enabled me to appoint someone
20 for a, you know, short period, but not an insignificant
21 period, say a year, whilst the council bedded itself in and
22 went through a selection process, which they ultimately
23 did.
24

25 Did I have the luxury of selecting a new GM? No,
26 I didn't. By the time Rob had decided that he was going to
27 resign, that wouldn't have left the time, anyway, to do
28 a recruitment process. But the bigger picture is I don't
29 think it would have been appropriate for me to appoint
30 a GM, a long-term GM for the new council. I thought that
31 was their role.
32

33 Similarly with a range of other things - you know,
34 there were a couple of major projects you have been
35 mentioning or you have had discussions with other people -
36 I felt that our role was to set groundwork so that the new
37 incoming council could make a decision as best informed as
38 possible without wasting time getting more background
39 information on things. So that was an approach I took and
40 I felt that for those major projects, we would do
41 groundwork but the incoming elected council should be
42 appropriately making the final decisions on some of these
43 major things.
44

45 Q. I'll come back to them in a minute. I know as an
46 administrator you wouldn't have been appointing staff, it
47 would have been the role of the general manager, but

1 I assume that you and Mr Noble worked quite closely and
2 probably in a closer relationship than perhaps a councillor
3 and a general manager?

4 A. Look, I think that's probably a fair assessment. One
5 of the first things we obviously had to do once amalgamated
6 was determine a structure for the council and appoint
7 people to it, which we did. That was - we were amalgamated
8 in May, I think. My recollection is not a hundred per cent
9 but I think we'd determined a structure, you know, June or
10 within a few weeks and there were a - utilising again the
11 provisions in the Act to make appointments of up to a year,
12 we did that. They were available - some people in the
13 former councils opted out, didn't want to contest any of
14 the positions, some did, staff from both the former
15 councils. Some were successful, some weren't. I worked
16 closely with my general manager on that.

17
18 Subsequently, one of our appointees, who had been an
19 executive at Gosford, resigned in around about, I think,
20 probably September or so that year, 2016, so we went
21 through an external merit-based appointment process for
22 that, held interviews for that, in November. The reason
23 I remember that was because it was the presidential
24 election day in America and the results of that were coming
25 through between our interviews, so that is indelibly
26 printed on my mind.

27
28 So we made - that was an external process. We
29 probably had upwards of 30 applicants for that and we made
30 an appointment there from the - a highly qualified
31 executive from the former Wyong council.

32
33 Of course, by the time we had finished in September
34 the next year, the 12 months rule had come into play as
35 well under the Act, so around about, you know, April/ May,
36 we had to go through an appointment process as well,
37 appointing "new or replacement" executive leadership team,
38 as they called it, people to those positions. And
39 I worked - I was involved, because, you know, I was the
40 council, it was more feasible for me to be involved with
41 interviews for the executive roles.

42
43 In my experience, that's not uncommon in councils,
44 for, call it director-level appointments, for councillors
45 to be involved in that process as well as the GM. So that
46 wasn't out of the ordinary', it was just that I was the
47 council, so it was logistically much easier.

1
2 Q. The position of chief financial officer, CFO, was not
3 filled initially; is that right?
4 A. Oh, now, you're testing my memory. Certainly there
5 was a person in the position, whether it was called CFO
6 I can't remember. But there was an officer who had been
7 the - call it the finance director, if you like, from the
8 previous Wyong council, who continued through into the
9 amalgamated entity. He had overseen the SRV process, is my
10 understanding, in Wyong and so he was, to my mind at the
11 time, eminently qualified to continue through. So there
12 was somebody in the position. Whether it was called CFO
13 I can't recall.
14
15 Q. That was Mr Naven, was it?
16 A. That's correct. That's correct, yes.
17
18 Q. And then he departed at about the same time as you; is
19 that right?
20 A. Just a bit before.
21
22 Q. So had you started any actions to appoint a new CFO?
23 A. No, not at that stage. I think when he left, my
24 recollection is one of his - his 2IC was acting after that,
25 from memory.
26
27 Q. Ms Louie?
28 A. That's correct, yes.
29
30 Q. There seemed to be an inordinately long time that the
31 council was without a CFO, probably partly due to the fact
32 that it was going through its changes with its general
33 manager?
34 A. Look, I really couldn't comment on that. My
35 recollection of my dealings with Ms Louie were that she was
36 a very capable financial officer. So once I left the
37 council in, you know, September, I did cast an eye every
38 now and again because, you know, I loved the place, but
39 I didn't get involved in detail, you know, in keeping tabs
40 on things.
41
42 Q. No. Now, I'll take you back to those major projects
43 where you said you laid the groundwork but you didn't
44 implement major decisions --
45 A. Yes.
46
47 Q. -- knowing that the council was coming on.

1 A. Yes.

2
3 Q. What projects were they?

4 A. Well, things like the RPAC in Gosford, the library in
5 Gosford, two that come to mind; the airport in Wyong - they
6 were three significant ones. If I can just run briefly
7 through each of them, if you like.

8
9 Q. Yes, please.

10 A. When I arrived in - when the council was amalgamated
11 in May 2016, my understanding is that the RPAC had been on
12 foot as a project for more than a decade, and almost
13 anywhere I went, you know, meeting people or whatever,
14 people would ask me what am I going to do about the RPAC.

15
16 There appeared to be anecdotally a lot of support for
17 such a project. The council, the former Gosford council,
18 my understanding, had received or had been promised a grant
19 from the Federal Government of 10 million towards the
20 project, so there was an expectation from the federal level
21 that it would proceed. However, the more that we looked
22 into it, the less detail we could find about a business
23 case for the facility and, you know, those things, unless
24 they're sort of fairly tightly conceived and planned, they
25 can get out of control, as we've seen elsewhere, and lead
26 to a bit of grief.

27
28 A site hadn't even been selected. There were a number
29 of candidate sites. So the view I took, you know, whether
30 rightly or wrongly in hindsight, was that as an
31 administrator - a council under administration rather than
32 an elected body, the best service we could be to the people
33 of the coast was to identify a site, a potential site for
34 the facility, and start to do the detailed assessment of
35 costs and, you know, business cases, design, all that sort
36 of stuff.

37
38 So my recollection - I can't remember when I made that
39 decision - it would have been early 2017, I suppose, and
40 I selected a site towards the Gosford waterfront which
41 enabled the council then to start actually - because this
42 had been a candidate site, it was one of several, for
43 I don't know how long. It enabled the council to actually
44 start doing what I would call geotech work just to see -
45 because it was quite potentially, you know, fairly
46 unconsolidated land, alluvium, it was down by the shore, so
47 they needed to understand what was under the ground in

1 terms of if they were going to build anything there.

2
3 That work had commenced by the time we finished. So
4 my intention with that was that there would be a body of
5 information so that the council incoming would be in the
6 best position to determine what they wanted to do with that
7 project, either continue on, do further investigations,
8 further details, or can it.

9
10 The regional library in Gosford was another one. That
11 had been around for - the proposition had been around for
12 some time. Again, I determined that the best thing for the
13 council under administration to do was to select the best
14 possible potential site for a facility like that, and we
15 chose a site to the south of the major central park in
16 Gosford, so looking on to the park, and that enabled the
17 administration then to start doing work in detail as to,
18 you know, would it proceed there, what would it be, you
19 know, how large - all of that sort of stuff, a business
20 case. So that work was ongoing at the end of our
21 administration period. To be quite honest, I don't know
22 where that is up to now.

23
24 The other project, which if I heard it once a week, it
25 would have been a miracle, it was probably three or four
26 times, was the airport. The former Wyong council - and
27 again this is my understanding - had at one stage
28 a significant proposal for a new airport, not at
29 Warnervale, not at the current Central Coast Airport, but
30 an entirely new one, and that was - that did seem to have
31 a lot of opposition, from what I could judge. However, the
32 Warnervale airport to my mind actually potentially was
33 a significant facility that could underpin a fair amount of
34 economic development on the coast, particularly given what
35 was happening with general aviation in the Sydney basin
36 with, you know, the second Sydney airport liable, in my
37 view, to have - you know, the GA airports in Sydney were
38 successively closed, Schofields was gone; Camden was under
39 pressure, I think; Bankstown would be in the middle of
40 Kingsford-Smith and the new Sydney - second Sydney airport,
41 so I wondered to myself whether, you know, how - is that
42 going to be constrained in the future?

43
44 Once we went outside the Sydney basin, there is
45 a general aviation airport which is run by Shellharbour
46 Council, south of Wollongong, so that's, you know, 80,
47 a hundred Ks south of Sydney, and when you go north, you

1 had you to go to Newcastle, Williamtown.
2

3 I felt in principle, having a general aviation
4 airport, not the you beaut airport. Was potentially an
5 economic development opportunity for the coast. So the
6 work that happened under the administration period was on
7 developing a master plan for the potential development.
8 Again to the stage of presenting it to the newly elected
9 council so they could determine what they wanted to do.
10

11 So they were three headline projects, if you like,
12 that were afoot for the whole of our time and, rightly or
13 wrongly, the view we took was we would progress to the
14 stage of getting information together for the newly elected
15 council to make informed decisions.
16

17 Q. With the airport, was the lease that was subsequently
18 abandoned by the councils signed under your administration?

19 A. Look, my recollection is yes, it had been
20 substantially negotiated, is my recollection, under the
21 former Wyong council, so it had proceeded to a stage of
22 execution. So yes, that was, from my memory. But
23 obviously events transpired that it didn't proceed.
24

25 Q. Did you have any groundwork or early involvement in
26 the Winney Bay walkway proposal?

27 A. No, I knew of it, and there were - you know, I knew
28 there was - if I've got the right one, there was
29 a \$5 million grant potential from the state. Designs had
30 progressed, which I knew about. That was still ongoing
31 when I left, when we - I mean, our period of administration
32 finished. And, yes, I was aware of it, but we - my
33 recollection is we weren't, as a council, or I wasn't, as
34 the council, called to make any decisions on the matter.
35

36 Q. Were you aware of the community sentiment about it
37 during your period of administration?

38 A. Look, if I was to summarise it, most of the sentiment
39 I heard was positive towards the thing. I think there
40 might have been, you know, the usual concerns about details
41 and design, that sort of thing, but as a concept, the
42 majority view I received probably I would describe as
43 positive.
44

45 Q. Do you know whether - was the loan - sorry, the grant
46 made during your period of administration?

47 A. Look, I think, and again testing my memory, I think

1 the offer of the grant was there. Whether we had
2 actually - we or the former Gosford had actually taken the
3 grant, I can't recall.

4
5 Q. And do you know whether it had any conditions?

6 A. No, look, I can't - I can't recall. If I knew,
7 I can't recall now.

8
9 Q. Do grants for specific projects normally have some
10 sort of conditions?

11 A. Oh, look, I think, you know, if a government, either
12 federal or state, is granting something to a council, they
13 usually - there'll be expectations about, you know, timely
14 performance and those sorts of things. How specific they
15 might have been in this case I don't know.

16
17 Q. Thanks. Do you think there may have been any benefit
18 in you having a handover to the councillors as a council?

19 A. Possibly. Look, the difficulty I was in - well,
20 I suppose not difficulty, the statutory position I was in
21 was when they were elected, I was out, I was finished.
22 I started when they left and I left when they started. So
23 I wasn't statutorily enabled to do anything.

24
25 My general manager and I both understood from our
26 talking to people around the coast that there was likely to
27 be quite a number of people wanting to stand for or
28 interested in standing for the new council who may not have
29 had any experience of local government, so we ran several -
30 I think three - substantial seminars in the lead-up to the
31 nomination period around what it's like to be a councillor.

32
33 I remember giving presentations on issues that they
34 might have to deal with if they were elected, substantial
35 issues, like the ones we've been talking about, I suppose,
36 some of them. So there were issues like that. What does
37 it mean to be a councillor? How do you - my recollection
38 is we also talked about the issue of, which can be fraught,
39 access to staff and that sort of thing; relations between
40 the executive and councillors. So we ran three of those
41 and, again, my recollection is not precise, but between
42 70 and 80 people came to those, some of whom ended up
43 nominating and some didn't. Whether we scared them,
44 I don't know. So prior to the election, we felt we were
45 doing as much as we possibly could to equip people who
46 might want to stand to understand what they might be
47 getting in for.

1
2 Would it have been helpful if I'd been asked to do
3 stuff afterwards? I don't really know. Mainly, I suppose,
4 you know, I had appointed a new general manager, at least
5 for that interim year, I thought, and it was going to be
6 his role to interact with the council, it wasn't mine. And
7 he would have his own way of doing things, his own style.
8 So to have someone like me coming in and potentially
9 muddying waters possibly is not helpful.

10
11 Q. I see. Now, you also ran a type of committee with the
12 former councillors of both of the former councils?

13 A. That's right.

14
15 Q. What did that involve?

16 A. Well, the State Government, as part of the
17 amalgamation, process required, is my recollection, each
18 of the amalgamated councils to have what they called local
19 representation committee, I think it was called, involving
20 the former councillors if they wished to be involved.
21 So one of the first tasks I remember doing was contacting
22 all the previous councillors and canvassing their interest
23 in that sort of body.

24
25 At that stage there were 19 councillors. One of the
26 councillors from Wyong had resigned and there hadn't been
27 a by-election so they weren't replaced. There were nine at
28 Wyong and 10 at Gosford. The previous mayor of Gosford
29 declined the invitation to be involved. So in the end
30 I had 18 former councillors who expressed an interest.

31
32 I didn't feel it was my place to, you know, select and
33 leave some out and include some, so I ended up including
34 all 18, which can be unwieldy. So the structure we adopted
35 was a quarterly meeting with all 18 of them and myself and
36 the general manager, and probably the executive, I think,
37 I can't recall. But in between times on a monthly basis
38 I had divided the group into three interest areas - one was
39 economic issues, financial issues; one was community
40 issues; one was environmental issues. So what we were
41 doing was using those groups and the bigger group as
42 a sounding board for issues.

43
44 I have to say in the beginning, that caused us some
45 difficulties. We had some correspondence from people who
46 weren't fans of some of the previous councillors and they
47 actually found - and they had welcomed the amalgamation and

1 they found it odd that the previous councillors, from their
2 point of view, were now back involved. So at the beginning
3 we had a bit of an "education" campaign, to do with some
4 people, to say they are not involved in a determinative
5 capacity, but why wouldn't I, as an administrator, tap in
6 to, you know, in some cases, years and years of experience
7 in terms of local government on the coast and get advice on
8 issues. So that's the way we used them.

9
10 Q. And did you find it useful?

11 A. In some respects, yes; in some respects, no. It was
12 not an easy process to administer. Like, it was just on
13 a purely machinery level we had a lot of work to do for the
14 amalgamation, but to organise these monthly meetings,
15 minuting, all those sorts of things, is an extra task. It
16 did provide - so it was useful in the fact that it provided
17 a focal point for getting advice, sometimes quite frank and
18 forthright, others, you know, sometimes not so frank and
19 forthright, but - yes. So it was useful in that respect.

20
21 Also useful because I had - when we amalgamated, both
22 councils had been in the practice I think of having
23 fortnightly meetings, formal council meetings, so that was
24 40-something a year in toto. When we were amalgamated, the
25 proclamation required us to adopt the Wyong council code of
26 meeting practice, which basically meant we would never have
27 met at Gosford, we would always meet at Wyong. So
28 I determined very early in the piece that we would meet "at
29 both ends of the coast". So I alternated meetings.

30
31 The Act only requires effectively 10 or 12 meetings
32 a year of the council, so I resolved to meet on a monthly
33 basis, alternating, but I coupled that with introducing
34 live streaming of the council meetings so that people from
35 anywhere on the coast could access the council meetings.
36 My understanding is that hadn't been the case at either of
37 the former councils. So in some respects, the council
38 meetings, even though it was only me, were more accessible
39 to the general people of the coast than had been the case
40 before, which is a roundabout way of getting away from the
41 local representation committee.

42
43 But so it was around the - I wanted the staff to be
44 able to concentrate on the tasks at hand, which were
45 amalgamation tasks, and transformation of business
46 processes and that sort of thing, rather than using a lot
47 of time and resources in having meetings. So that was my

1 thinking behind that.

2
3 Q. How did you feel as a general position that the merger
4 had progressed when you finished your term?

5 A. Look, I think we'd made a lot of headway. Clearly
6 there are still issues remaining outstanding, as we know,
7 particularly now in hindsight, but we felt that there
8 seemed to be a growing support for the elected - for the
9 amalgamated body.

10
11 I gave an end of term report which some might say is
12 glowing. I suppose, you know, we wanted to concentrate on
13 the things we had achieved. We had made some minor savings
14 along the way, which you can do fairly easily, but I think,
15 you know, the longer term savings would be realised down
16 the track. So those things were yet to come.

17
18 I think - in my own mind, and I would say this,
19 I suppose, I think we laid the strongest foundation we
20 could for success down the line, on the basis of what we
21 knew at the time.

22
23 The other issue, I guess, is there was - during the
24 second half of the amalgamation period, so coming into
25 2017, there were differing levels of support for merger and
26 demerger generally across New South Wales, and they
27 reflected in some areas of the coast as well. So we felt
28 by the end of 2016 probably people were generally accepting
29 of the merger; they might not have liked it but they were
30 accepting. Back into 2017 some of that bubbled to the
31 surface again across a number of amalgamated councils, is
32 my understanding, and on the coast as well.

33
34 Q. And do you think that became part of the election
35 process as well?

36 A. Look, I did not make it my business to inspect
37 election platforms, but one would suspect that maybe so,
38 depending on the views people held.

39
40 Q. You don't feel you are in a position to comment on the
41 behaviour of the council after you left as administrator,
42 do you?

43 A. No. The only meeting I observed, because I was
44 particularly interested in it, was the initial mayoral
45 election meeting. So I observed that. But I then - I felt
46 like it wasn't "my council" anymore. I know that's
47 sounding very pompous, I suppose, but it was the elected

1 body's council, working with the staff, and they needed to
2 chart their own course. You know, I felt - in fact, I had
3 moved on to many other things, I suppose as well. So
4 I didn't have the "luxury" of observing, so I didn't, no.
5

6 THE COMMISSIONER: Thank you, Mr Reynolds. That has been
7 really useful. I don't have any further questions for you,
8 but if you hang on a second, I will check whether
9 Ms Annis-Browns does.

10
11 MS ANNIS-BROWN: Thank you, Commissioner, no questions
12

13 THE WITNESS: Thank you so much.
14

15 THE COMMISSIONER: Thank you, Mr Reynolds. Now, we'll
16 take a break and --
17

18 THE WITNESS: I just leave now, do I?
19

20 THE COMMISSIONER: Yes. You may go off camera and on
21 mute, thank you.
22

23 <THE WITNESS WITHDREW
24

25 THE COMMISSIONER: We will resume again at 11.50,
26 thank you.
27

28 SHORT ADJOURNMENT
29

30 THE COMMISSIONER: Thank you. The hearing will now
31 resume. Our next witness is Natalia Cowley. Ms Cowley,
32 could you please come on camera and off mute. Thank you.
33

34 MS COWLEY: Good morning, Commissioner.
35

36 THE COMMISSIONER: Good morning. Ms Annis-Brown, could
37 you swear in Ms Cowley, please.
38

39 <NATALIA COWLEY, affirmed: [11.50am]
40

41 <EXAMINATION BY THE COMMISSIONER:
42

43 THE COMMISSIONER: Q. Thank you, Ms Cowley. Could you
44 tell me what your position is at the council now?
45

46 A. I am council's director of corporate affairs and chief
47 financial officer.

1 Q. Are you also the responsible accounting officer for
2 the purposes of the Local Government Act?
3 A. Yes, I am.
4
5 Q. I believe you started in November 2020?
6 A. That's correct, 27 October.
7
8 Q. 27 October. Okay. When did the recruitment for your
9 position commence?
10 A. That's a good question. Maybe around July.
11
12 Q. So the council had it in mind that they needed a chief
13 financial officer. Were you aware of the history of that
14 role before you took the job?
15 A. Look, I applied a year before, two years before, and
16 I was unsuccessful, and then the role came up again and so
17 I applied the second time. I didn't have any - I knew that
18 it was one of the biggest councils, but I didn't know that
19 it had any financial issues and, in fact, the financial
20 issues that occurred on 20 October happened seven days
21 before my start date and I had already, you know, resigned
22 and --
23
24 Q. Nice little present for you to start work with?
25 A. Yes.
26
27 Q. What is your past experience and your qualifications?
28 A. I am a chartered accountant and I have spent most of
29 my career in the big four audit firms with Ernst & Young
30 and Deloitte. I started as a graduate. Then I also
31 worked in the financial services industry in the banking
32 industry for five years before starting, coming to
33 University of Newcastle, and then also a previous council.
34
35 Q. What previous council were you at?
36 A. At Muswellbrook Shire Council.
37
38 Q. So it was pretty small by comparison?
39 A. Very small, yes.
40
41 Q. But the university, presumably, was a larger
42 institution?
43 A. Look, yes, everything that I have worked for has been
44 really big, and the university is a huge institution and so
45 are the banks, with millions of dollars under management.
46 And also when I was auditing the firms, I was auditing
47 massive international hedge funds from Bermuda, so I'm used

1 to big-scale organisations. And while Muswellbrook Shire
2 Council might be one tenth of the size of Central Coast, it
3 also has water and sewer and it has been able to turn
4 itself around. It is actually harder to turn around
5 a council with less amount of money than it is with lots
6 amount of money.

7
8 Q. Just on Muswellbrook, how did they treat the funds
9 that they receive under the Water Management Act?

10 A. So every council in New South Wales is in a very
11 different situation from Central Coast Council. We are the
12 only ones that are under two Acts, the Water Management Act
13 and the Local Government Act. So Muswellbrook isn't under
14 that, like every other New South Wales council, and so as
15 a result, the funds are absolutely restricted, but you
16 don't have the, I guess, additional tensions that occur
17 when you have a water authority. You don't have to go
18 under IPART, for example; we issue our fees and charges
19 like every other council and the water charges are issued
20 that way as opposed to having to go through IPART.

21
22 Q. What did you know about the finances of Central Coast
23 before you started?

24 A. Well, I did my homework, so I knew everything in terms
25 of - everything that is available, so the financial
26 statements. And I spent numerous hours watching council
27 meetings as well, just to get a flavour of what's to come,
28 and I guess I had my own view on what the issues could be
29 and how they could be fixed.

30
31 Q. What did you expect to be the issues when you started?

32 A. I expected that the issues would be budgetary
33 mismanagement and inability to really make financial
34 decisions that might be a little bit less appetising to
35 make.

36
37 Q. Was that realised when you started work there?

38 A. Absolutely. I mean, nothing - nothing new appeared.
39 Obviously additional information came to hand, I was able
40 to understand different nuances and probably some were a
41 little bit more surprising, like the voluntary policy that,
42 you know, they might bring up.

43
44 Q. Sorry, I missed what you said then?

45 A. The voluntary policy was something that I was
46 expecting to be seeing, and I hadn't seen it, because
47 I didn't go back five years of financial statements to look

1 at. So there wasn't, I guess, the IPART - the impact of
2 the IPART submission was something that I wasn't expecting
3 that it would have had that significant of an impact
4 without a subsequent management decision to
5 apportionately [sic] reduce the expenses to match the
6 reduced revenue in order to sustain the council, but other
7 than that, there was nothing else that was, I guess,
8 massively mind-blowing that occurred.
9

10 Q. So that was the 2019 IPART decision --

11 A. That's correct.
12

13 Q. -- for water, sewer and drainage? So would you have
14 managed it more conservatively, do you think?

15 A. Hindsight is a good thing.
16

17 Q. With the benefit of hindsight?

18 A. Yes. Look, I am quite a stickler, so once it's known
19 in May that revenue will be reduced by \$39 million,
20 absolutely, it would have been something that I would have
21 gone to reduce the revenue by - the expenditure by
22 \$39 million in order to neutralise the budget.
23

24 There are numerous times that this has had to occur
25 ever since I've started and while it isn't pleasant or
26 while, you know, you have to care about people's moral and
27 the culture, you have to balance the books and so that is
28 non-negotiable for me.
29

30 Q. Because the adjustments that were made to that budget
31 in progress didn't offset the reduction in rates by any
32 stretch?

33 A. No, they didn't.
34

35 Q. Were you aware, in terms of the prior councils,
36 Gosford and Wyong - were you aware with Gosford that they
37 had experienced the use of restricted funds in the past?

38 A. No. No, until I read subsequently the developer
39 contributions report, if that's what you're referring to?
40

41 Q. What about the inflation of the value of assets in the
42 initial accounts approved under the administrator?

43 A. Look, this is something of, I guess, an accounting
44 issue that isn't unrealistic. It regularly happens. In
45 fact, this financial year we have just had an expected
46 massive blowout. When you have a valuation, there is an
47 expectation, with a massive, I guess, infrastructure load,

1 that the amount of the valuation change could also be just
2 quite as materially a huge number, but percentage-wise,
3 there is an expectation that it could go up or it could go
4 down. That's something that, yes, you can kind of predict,
5 but in many cases, it's a non-cash impact and you manage it
6 that way until such point in time that you don't have
7 sufficient reserves and then it has to hit your P&L and
8 then obviously consequences occur that you have to make
9 other adjustments.

10
11 Q. So it won't affect the cash position in the short
12 term?

13 A. No. No.

14
15 Q. Were you aware that auditors had found that there were
16 insufficient controls within Gosford to prevent, I think
17 the term is scripting of the accounts?

18 A. Yes, I was; after I started, yes, I was. And that was
19 the reason why the previous management, I guess, made
20 a disclaimer of their statements. That was a concern to me
21 when I first started and I needed to get to the bottom of
22 that, which was the reason why we also undertook that
23 forensic review, but also got an external very qualified
24 audit partner, who was able to really dig down into the
25 journals to provide us with a sense of satisfaction that
26 there weren't any - that the flow of information between
27 the systems was one that is reliable and there were no
28 breakages in it, and so I am satisfied with that.

29
30 But with any - as with every situation, you can't
31 quite go back in time and ensure that, at that particular
32 time, that all of those journals would have happened
33 exactly as they should have.

34
35 Q. So who was that partner who did the forensic digging
36 for you?

37 A. His name is - great, on the spot. Can I give you -
38 it's from Nexia, and I forget the name. Can I come back to
39 you with that?

40
41 Q. Yes, certainly. Certainly. Did that person or that
42 company do a report for the council?

43 A. Informally. That was an informal report. We had
44 a formal forensic report done through KPMG via Clayton Utz,
45 and that was the formal. This was more of a contract
46 arrangement that you would normally do with any contractor
47 when you want to get - so they act as if they work for you

1 and you don't generally have to request a formal report;
2 they provide you an assessment, in analytical terms.

3
4 Q. Following that assessment, you were satisfied that, to
5 the best that you could be, the accounts were accurate?

6 A. Yes, that's correct. Absolutely.

7
8 Q. When did you become aware of - sorry. So you didn't
9 read back to the former Wyong Shire Council financial
10 statements when you started. When did you become aware of
11 that change in accounting policy recorded in those
12 accounts?

13 A. Probably about six weeks into my commencement. The
14 new acting CEO, in his regular video messages, had made
15 a message calling out the fact that we have erroneously
16 treated this as unrestricted, and a staff member of mine
17 contacted me and said, "We haven't been erroneously
18 treating it. We were in line with the voluntary policy
19 that was put and was proposed to council by PwC. That's
20 why we were treating it this way", and that's how we were
21 made aware of that and that whole investigation process
22 commenced.

23
24 Q. So when was that decision made and by whom to change
25 the accounting policy?

26 A. Look, I guess it will probably all change depending on
27 who you speak to. So I'll give you the story that
28 I understand. It's normal for auditors, they can't audit
29 their own books, so therefore, they wouldn't put anything
30 in writing to tell you you've got to do this. But at the
31 time that Wyong and Gosford put their financial statements,
32 you need to be aware that one of them was audited by
33 another audit company, and another one by PwC.

34
35 At the time, just before amalgamation, they both ended
36 up being changed over to PwC, and the two councils had two
37 different PwC teams, one from Sydney and one from
38 Newcastle, so two different. But they all had one common
39 denominator and that one common denominator was a PwC
40 contractor that was regarded as a local government
41 specialist, and by conversations with my team and looking
42 at the - some of the commentary that was provided, that
43 person had suggested that this voluntary policy should be
44 put in place. And when you look at the long term, the long
45 report, audit report that was issued, it was called out
46 that the cash position has improved, and you can see the
47 significant changing in cash and one could assume that this

1 might have helped with the Fit for the Future ratios,
2 because it certainly made it so much more realistic that
3 a huge council like that will have \$93 million in
4 unrestricted assets rather than 5, which is what it should
5 have been, or 4.7 million.

6
7 So as staff and as - when you're on the other side of
8 the audit, you take the advice of the auditors and you have
9 the ability to dispute it, which is what has happened also
10 this time around with us, when we've disputed the legal
11 opinion, but generally that doesn't necessarily
12 100 per cent go that well for you.

13
14 Q. Just so that I understand, was Gosford already
15 treating the money collected under the Water Management Act
16 as unrestricted?

17 A. So, both councils were treating it correctly. So both
18 Wyong and Gosford were treating it as restricted. Gosford
19 was treating the water and sewer as restricted and Wyong
20 was treating the water and sewer as restricted.

21
22 At the time just before the amalgamation and with the
23 change of the audit firms, they both ended up with
24 a voluntary accounting policy, and that voluntary
25 accounting policy in both cases changed that.

26
27 Now, what happens, whenever you have to put a change
28 to your policy, a significant change to prior periods as
29 well, you have to provide a justification for such
30 a material change and that means you have to provide
31 a legal opinion that would justify that or you have to
32 provide an audit paper, a paper that the council prepares
33 for the auditor's review to justify why they're making this
34 policy change. None of those had been done, and the
35 auditors themselves, as far as I understand it, did not
36 also seek a legal opinion on that.

37
38 So come all the way to last year when we said, "Hang
39 on. This was incorrect, it should never have been there.
40 We would have actually known that this was a problem a year
41 ago if it was treated correctly. We are going to change
42 it". And we said, "We are going to get a legal opinion",
43 and we got our legal opinion, then, I guess, the
44 auditor-general got their own. Presumably, if that was
45 being appropriately audited and tested, that legal opinion
46 should have been existing from five years ago to justify
47 why that change of position was correct or why it made

1 sense, because it wasn't just some policy that we just
2 create; it's a policy that it's actually written in the
3 financial statements, in both financial statements. So you
4 have to have that justification, supporting documents, and
5 there was none of that.

6
7 Q. There is a note, though, in the Wyong accounts, about
8 the change of policy. I might be missing something, but
9 I couldn't see an equivalent note in the Gosford.

10 A. Yes, there is. So there is a note in both. Now, let
11 me - where's the voluntary policy? It's note - so it's
12 note 20 in the Wyong Shire Council's, and they are in the
13 2016 council's, and in Gosford, it's also note 20, and it's
14 in the 12 May 2016 council's - note 20.

15
16 And when I referred to another audit firm auditing
17 them, Gosford was the one that was previously audited by
18 UHY Haines Norton, and they had the same treatment as what
19 Wyong had, and they were audited by PwC and they both were
20 restricting water and sewer.

21
22 Q. Until this point?

23 A. Until this point when they both were audited by PwC
24 and they both ended up with the same voluntary policy note.

25
26 Q. So at the point where they made the decision to change
27 the treatment, the accounting treatment, who was in charge
28 of the council? Was it a council or was it under
29 administration?

30 A. Oh, that's - look, I think I'd better not speculate
31 but I think that was under administration. But I'll be
32 able - I don't have the front page of that financial
33 statement, so I'll be able to tell you, if I can take it on
34 notice and I'll come back to you on that.

35
36 Q. Thank you, that would be great, if you could.

37 A. Yes, yes.

38
39 Q. Were any amounts of money collected under the Water
40 Management Act treated as restricted?

41 A. All money was treated as restricted in the books.

42
43 Q. Initially. But after the change in accounting policy?

44 A. Look - and that's where it gets a little bit tricky,
45 so you have to bear with me. So they are all treated as
46 restricted. They are shown in the financial statements as
47 unrestricted. But internally for accounting purposes,

1 they're treated as restricted. Nothing changed in the
2 internal management of those funds, other than the fact
3 that, in the investment report when you were reporting it,
4 recording it, that's how - that is the reason why then
5 you'd notice the line disappear, because we - that hadn't -
6 I guess there is always a little bit of a difference
7 between how it's reported at the end of the year and how we
8 reported it internally. I shouldn't say there always is
9 a difference, but in our case there has been.

10
11 Q. So is it correct to say that restricted funds were
12 spent?

13 A. You are technically correct, in - I mean, that's
14 without a doubt, because we had less - so in September,
15 when the issue - or October, when the issue was shown, we
16 had essentially used up all of our internal restrictions
17 and gone into the external restrictions.

18
19 Q. And I should have said "spent on purposes other than
20 for the purpose for which they were restricted"?

21 A. That's correct.

22
23 Q. So for unauthorised purposes, okay. My question is
24 because the notation - this is the Wyong notation - says:

25
26 Council has de-recognised certain cash
27 receivable and payable restrictions in line
28 with current restriction disclosures
29 recorded in the financial statements of the
30 water supply authority.

31
32 Can you explain what that means to me?

33 A. A red herring. Yes, again, this is - so whenever you
34 have restrictions that end up being then treated a certain
35 way in the financial statements and you say these are
36 external, when you have payables that you have to pay or
37 you have receivables, they generally - they generally
38 account to the same way.

39
40 So if you have a grant that you have to still receive
41 and that grant fee is for water and sewer, well, that
42 grant, that portion that relates to that grant will have to
43 be restricted, and then all the other, you know, rates that
44 we might be collecting that have nothing to do with water
45 and sewer, they're unrestricted. So what this is saying is
46 that for the purposes of when we did that reclassification,
47 we also had to make those classifications, because one of

1 them sits, I guess, on the balance sheet, and then the
2 other one is how it hits the P&L. So nothing's changed
3 about that. That's just alignment.

4
5 Q. Okay. So who would have made the decisions to access
6 the restricted funds for purposes other than the authorised
7 purposes?

8 A. So this is a little bit difficult to explain, because
9 it isn't a specific decision that you make to say, "Okay,
10 well, now I'm going to go into this bracket". Maybe if
11 I just explain that. At the beginning of the year when you
12 have to create your budget, you allocate how you are going
13 to fund it, "So we're going to do all these projects and
14 these projects are going to be funded from these
15 restrictions, and these projects are going to be funded
16 from your unrestricted cash".

17
18 Now, for one reason or another, when you're in a
19 situation when you've been making ongoing losses, the money
20 comes out of that unrestricted cash. When your rates are
21 not coming in because there is COVID or whatever, there is
22 not that much cash coming in, when there is fires and
23 everything else, that takes the money from your
24 unrestricted cash. And so unless you have agile
25 accounting, which then says, all of a sudden, "Hang on, we
26 don't have enough money left. These projects need to stop
27 because they are funded out of the general fund reserve,
28 where your unrestricted cash is, and we don't have that
29 money. These projects need to stop."

30
31 This becomes that tension point where a strong finance
32 person will have to bring this up at the ELT and with the
33 CEO and have that discussion and say, "We've got a serious
34 financial situation. Money needs to stop. We're not doing
35 this." And so if that doesn't happen, the money ends up --

36
37 Q. So it didn't happen?

38 A. I'm sorry?

39
40 Q. It didn't happen, you mean?

41 A. Obviously it wouldn't have, because the money kept on
42 being spent.

43
44 Q. The general manager claimed not to have known about
45 the use of restricted funds. Would that have been
46 possible, for him not to know?

47 A. I'm not sure. Do you know, that's something I'm

1 really not sure. I think - okay. Playing the devil's
2 advocate, because that's generally where I go, if I'm - so
3 if I'm the CFO and I know a significant breach under -
4 a significant breach is going to happen, it's going to
5 impact on my ability to have - to keep my role, my CA, the
6 chartered accountancy designation, would I not - would
7 I not escalate it and say, "I'm not doing it. Whether you
8 are supporting or not supporting it, I'm not doing this?"
9 It's impossible for the person to want to hold it on their
10 own and not pass it on. I don't know. For me, I wouldn't
11 imagine why a fully qualified CFO, who presumably would
12 have additional years that they would want to work in the
13 profession, would want to hold that level of responsibility
14 and would want to create that much of a problem without
15 sharing it.

16
17 I think then what might occur is the level of
18 understanding of what to do with that information and
19 therefore sometimes it may be easier to say "I don't know."
20

21 Q. But there was a period when there wasn't a financial
22 officer and the general manager assumed that
23 responsibility. So who would he have been informed by then
24 in that period?

25 A. I guess all I can go from is that at some point in
26 2019, let's say September or October, but I can get you the
27 date, I know at the time when that investment report line
28 disappeared, I could see a track record of questions that
29 were being escalated to say, "We can't have negative
30 unrestricted cash. What are we going to do here?"
31

32 I guess there have been also - you probably already
33 have other documents provided to you where it shows that
34 questions are being raised, "Can we access unrestricted
35 cash?" So I suspect - again suspicion; I'm not sure, but
36 I suspect that the conversation was raised but perhaps
37 there was insufficient understanding to what to do with
38 that information and where to escalate it. And maybe
39 another thing: in September and October, put it this way,
40 every year in accounts --
41

42 Q. Is this, sorry, September/October 2020?

43 A. 2019, when those - when that investment report was
44 changed. There is - rates and money of a council is not
45 a linear situation. So occasionally, anecdotally, I would
46 say, it's expected that there would be times during the
47 year that your revenue could flop below, and then as your

1 rates come in, you'll be able to make it. But I think what
2 has happened in this situation is, okay, they have seen,
3 "Okay, \$14 million we are down. Perhaps our rates, our
4 second instalment of rates and the water rates, is going to
5 come and we'll be out of it." But what ended up happening
6 is suddenly they ended up with floods, extra money spent
7 that was not budgeted. Then we suddenly ended up with
8 COVID, revenue that was expected is not coming in and
9 additional expenses are happening.

10
11 So suddenly you end up perhaps in a perfect storm
12 where what you expect that you might be able to recover,
13 suddenly you're not able to recover to the extent that
14 would normally happen, and suddenly the hole becomes that
15 much deeper rather than going out the other end, and by the
16 time you realise how big the problem is, then that's
17 probably when a CFO steps away and looks for another job
18 and then you're left with an acting situation and then -
19 yes.

20
21 Q. And just on the investment report, was that a report
22 that was manually produced or was it a report generated by
23 the system?

24 A. No, it's a manual - it's a manual report.

25
26 Q. So the missing line item - what's your explanation for
27 why that occurred?

28 A. I guess there would be two. Probably fear, because
29 you don't know what to do. When you know what you're
30 looking at, you could see that - you could calculate that
31 you're obviously in a deficit because the amount of money
32 that you've got is less than what you should have under
33 restrictions. So it's clear that you've got an
34 unrestricted cash deficit, but you have to do the
35 calculations in your head to figure it out.

36
37 I guess the other thing is there could have been some
38 level of consideration that, well, it's actually not
39 unrestricted cash. So on a technicality point of view, we
40 can't have a row to show unrestricted cash and then put it
41 into brackets, because how do we explain that? I don't
42 know. I don't know why. I think definitely it would have
43 been - the information is there if you know how to,
44 I guess, get to it, but it should have never gotten to that
45 point.

46
47 Q. But from a councillors' point of view, the information

1 wasn't available, was it?

2 A. Well, that would be true, yes.

3

4 Q. So it would have been of benefit for the councillors
5 to have known at that point that what had previously been
6 a positive amount had turned negative?

7 A. Yes, I agree.

8

9 Q. And then the decision to continue that would have just
10 compounded the problem?

11 A. That is correct.

12

13 Q. So do you know now what moneys - so now, all moneys
14 collected under the Water Management Act are treated by
15 Central Coast Council as restricted funds; is that right?

16 A. Yes. But again, even though it sounds weird they
17 were - it sounds really weird but yes, but they always
18 were. As weird as that sounds, yes, they were, and yes,
19 they continue to be.

20

21 Q. They're accounted for as restricted funds; is that
22 a better way of putting it?

23 A. Yes, that's a better way of putting it, thank you.

24

25 Q. Okay. In the past, certainly since the 2015/16
26 accounts, they've been accounted for as non-restricted
27 funds; is that right?

28 A. I'm probably not explaining it very well. So they
29 were - maybe let's put it this way: if you can treat
30 audited financial statements as one bucket of accounting,
31 and internal management accounting of how we account for
32 things as another bucket, this bucket was treated as
33 restricted, dipped into unrestricted, and for the purposes
34 of this voluntary accounting policy, kept on going
35 unrestricted for the whole duration of the council.

36

37 That treatment never impacted what happened internally
38 here. It never did. That continued in the way - so we
39 have a complete track record of what should have been in
40 water and sewer and how much is in there and what relates
41 to what - that never changed. It's just that the
42 accounting of it or the reporting of it, on that one
43 page in the financial statements, was the only thing that
44 was manually - that was changed.

45

46 Q. Are you talking about the financial statements, the --

47 A. Yes, yes.

1
2 Q. What about other types of restricted funds -
3 section 94, now section 11 and section 12, and then the
4 Local Government Act section 64 funds - are they also
5 similarly restricted funds, but how are they accounted for?

6 A. Correct. So they are restricted funds and they are
7 accounted for restricted funds. I guess probably the only
8 thing that might help you with the analysis is because
9 there is a difference between cash in the bank and what is
10 journalled as an accounting transaction, people were
11 accessing the cash in the bank, but the correct journalling
12 of tracking where the money should have gone and should
13 have been spent was still correct. It's just that the
14 access of the money that makes sense was made available to
15 be obtained.
16

17 Q. So one of the suggestions - and I think this was by an
18 accountant at the time that the council became aware of how
19 this had arisen - was to have separate accounts for
20 restricted and unrestricted funds. What's your view on
21 that?

22 A. Humungously administratively burdensome. If you
23 imagine the number of funds that we have and the amounts of
24 money, imagine telling a ratepayer, "Can you pay your water
25 and sewer into this bank account, or to this biller code,
26 and can you pay this to there, and when you pay these
27 developer contributions can you pay it into this account",
28 and then when we get invoices, "Now, can this go under this
29 bank account?" I'm going to have to double the financial
30 services department just to manage that.
31

32 A system of a good accounting that does not allow for
33 any flopping into negatives would never have allowed that.
34 That would be your control right there. It's just that
35 that control was being broken.
36

37 Q. So describe to me what that control looks like?

38 A. The control is that when you have allocated your
39 available unrestricted cash and you have that on a monthly
40 basis, and you know that you have to pay your payables and
41 where they come from, they all have to be correctly
42 appropriated, whether they come from a general fund or
43 water fund or sewer fund or drainage fund. So if, all of
44 a sudden once you have appropriated it, you see that you've
45 been left with no more money in the unrestricted funds
46 balance, where you can't - you can't borrow, you can't go
47 on the hope that you are going to get extra money, you just

1 stop spending, which is what we did when we started - we
2 just stopped spending. You can stop. That's something
3 that you can do and you can manage until such point in - or
4 you proceed with the ones that you've got money available
5 in. So you can reposition your projects so that they can
6 use those funds.

7
8 Q. So if the decision had been made to do that back in
9 2019, when it first dipped into negative, do you think that
10 might have nipped it in the bud?

11 A. Absolutely. Look, I am a huge believer that if
12 a problem was being made at the time that it occurred, when
13 we dropped down to \$14 million, the first thing that you
14 would have gone, "Okay" - you've got the ability, just like
15 we did, to write off \$20 million out of internal
16 restrictions, which council has got the right to
17 determine - "we're not going to spend this money on
18 property development, so we're going to wipe it off". So
19 you could have then balanced the books, wiped them off and
20 proactively looked forward and go, "These projects cannot
21 continue. This spending cannot continue, and this - oh, we
22 will need to slow down until such a point in time that we
23 get a general funds buffer again."

24
25 And this is what happened in October. We suddenly -
26 that's why our materials and contracts budgets reduced so
27 significantly. We were able to just stop spending. That
28 could have happened then. In fact, one thing that would
29 have been beneficial, if that was available, by treating it
30 correctly on the financial statements, it would have shown
31 that big change between what was shown if you look at the
32 financial statements for 2019, the unrestricted was shown
33 as \$50.9 million. If water and sewer were being taken out
34 of that, the restrictions would have been \$43 million.
35 That's more manageable. That would have created - that
36 would have hijacked the process and we would have just not
37 got into the situation where we were suddenly \$200 million
38 in unrestricted trying to fix it in October. So that
39 particular reporting would have actually highlighted the
40 issue, but it would have been highlighted right at the time
41 of the change of the investment note.

42
43 Q. How much do you think the fact that there were deficit
44 budgets contributed to the council's woes in the end?

45 A. Well, they did. They were half of the story. You
46 can't keep on - you know, you can't keep on having
47 \$89 million in deficit and then hoping for additional - and

1 looking or forecasting for additional deficits when you've
2 got no unrestricted cash and when you're looking to spend
3 60 or \$70 million extra in capital expenditure, you just
4 don't have that money. So two things for me: it's the
5 losses and the increased speed in capital expenditure are
6 the things that contributed to that blowout.

7
8 Q. And there were also differences between the projected
9 deficits and the actual deficits?

10 A. That is correct, yes. The original budgets included
11 some targeted savings which were, in my opinion,
12 unrealistic unless you really drive it from the front, and
13 advise the business that you have to live within these
14 means, as opposed to hoping to find the solution throughout
15 the year to make that happen.

16
17 Q. So what was the magnitude of that difference between
18 the proposed deficits and the resulting deficit?

19 A. I can only speak, say, for last year. When we
20 arrived, we had a budget, original budget that was
21 provided - that was submitted to council and it had a loss
22 of about \$13 million, which included 70 - seven
23 zero - million in target savings.

24
25 So the amount really should have been \$83 million,
26 because unless you have really identified which areas you
27 are going to be cutting and tell the people that that's
28 what you're going to be living with, you're really not
29 quite - you're not really quite getting to the point of
30 ensuring that you will meet that \$13 million budget. So
31 straight away we wiped that out and had to add the
32 additional amounts for restructuring.

33
34 Q. So what was proposed as targeted savings in that
35 budget?

36 A. Look, they are, I guess, journals and numbers that
37 are - if your materials and contracts for a particular
38 business unit might be X, then there could be a journal
39 there that gives you minus 15 million out of that, so that
40 you come up with a lower amount.

41
42 So that essentially provides you with a view that it's
43 expected that you will drive these savings, but unless you
44 actually go line by line and say, "Okay, actually, I want
45 to drive 15 per cent savings", so every line item is going
46 to be reduced by 15 per cent so that you can see that
47 straight away you've got that. But the line item at the

1 bottom that tells you it's a bulk reduction of that, you
2 don't - generally that's maybe not that easy to really keep
3 people accountable to that because --

4
5 Q. Who would have been responsible for implementing the
6 targeted savings?

7 A. The different business units.

8
9 Q. So within each directorate, I had heard that it was
10 difficult to know whether each directorate was meeting its
11 budget. Was there a structural reason for that?

12 A. Look, I don't really subscribe to that at all. When
13 we started, Rik and I and Dick, we haven't changed an
14 accounting system, we haven't also changed the finance
15 team. In fact, we've kept the same people, reduced them by
16 30 per cent, and all of the monthly reports that you see
17 there are produced by the same financial system, with the
18 same breakdown by business units on the internet, and we've
19 been able to produce the financial statements four months
20 earlier than historically possible, again with the same
21 financial system.

22
23 The information was there. We haven't recreated all
24 of a sudden these special business unit packages. There is
25 a reporting tool that provides that and it decides in every
26 quarter that those amounts were being - so even if on
27 a monthly basis that wasn't provided, which I really - I'm
28 not sure. But even if it wasn't, let's say that it wasn't,
29 the quarter reports provided it in that context. So people
30 would be able to easily see how they are tracking and how
31 they are going. And the information - they have business
32 partners who also provide that information and the
33 information is available. We didn't - so we didn't
34 suddenly create anything new. We just were able to extract
35 everything that is needed with what was already there.

36
37 Q. You just mentioned quarterly reports. Are they the
38 quarterly reports provided to the council or is that
39 something different?

40 A. Yes, to the council.

41
42 Q. So was there any reason why Q4 reports weren't
43 provided to the council?

44 A. Well, look, that's a bit of a - is there a reason?
45 I don't know that there is a reason, but generally there is
46 an overlap between the Q4 and also your financial
47 statements, so your financial statements are already your

1 Q4 but in such a detailed manner. Generally, just like
2 this year, they're available on 25 August. But what
3 happens in the first month of July, for a big organisation
4 like that, there are a lot of journals that occur and that,
5 you know, you have to get all your depreciations, all your
6 adjustments, all your work in progress all fixed.

7
8 So Q4 in itself, or any quarter, undertakes almost,
9 you know, a month's work plus to get it done, which would
10 be duplicated by the fact that you spent the same amount of
11 time doing the financial statements. So it makes sense to
12 just have the financial statements issued at a similar time
13 that normally Q4 would be issued, which would be the second
14 month after the month that is finished, and that would give
15 even more information than any Q4 would have, other than,
16 you know, the breakdown between the business units, but
17 that's again available in the system.

18
19 Q. So it wasn't an attempt to hide information; it was
20 more that it would be duplicative of work and not efficient
21 to provide both a Q4 and the financial statements?

22 A. That's correct. And often - not always, but often,
23 there is that possibility that the auditors will come up
24 with some material adjustments. So sometimes in order to
25 really inform the council, you would want to be able to
26 provide them with this one set of financial statements that
27 make - that present the final view. So sometimes there is
28 that intent of just delaying it to make sure that there
29 isn't something big that would happen.

30
31 So, for example, in our case now, we've issued one set
32 of financial statements that said, "Okay, we're looking at
33 61", and then a change happened and suddenly now it's going
34 to look like 91. So as a matter of discipline, accountants
35 just prefer to be able to issue just the one report after
36 the auditors have had their first look.

37
38 MS ANNIS-BROWN: Commissioner, may I just interrupt? It
39 appears that Ms Cowley's image is frozen on the YouTube
40 feed. I'm unable to see her. I don't know if you are able
41 to see her.

42
43 THE COMMISSIONER: As a frozen image, yes.

44
45 MS ANNIS-BROWN: Yes. All right. I don't know if you
46 would like Ms Cowley to try and rectify that, perhaps, or -
47 I know the audio is very clear.

1
2 THE COMMISSIONER: Yes.
3
4 THE WITNESS: I will just stop the video and I'll restart
5 it.
6
7 MS ANNIS-BROWN: Yes. Thank you.
8
9 THE WITNESS: Is that better? I'm not frozen on my end.
10 I was not frozen, I'm sorry.
11
12 MS ANNIS-BROWN: Yes, apparently you won't see yourself
13 frozen, it's only to external viewers and on the live
14 stream.
15
16 THE WITNESS: I see. Okay.
17
18 THE COMMISSIONER: Ms Cowley, I can't see you at all now.
19
20 MS ANNIS-BROWN: I can't either.
21
22 THE WITNESS: Oh, no, great. Okay, let me try again.
23 I will stop the video and I will restart it, and if you
24 can't see me, I'm happy to rejoin, if you would like. Can
25 you see me now?
26
27 MS ANNIS-BROWN: No, I can't.
28
29 THE WITNESS: Okay. How about I will just leave this
30 meeting and then I will rejoin. Sorry about that.
31
32 THE COMMISSIONER: No, no, no problem, thank you.
33
34 (The witness left the virtual hearing room to try to
35 regain video connection).
36
37 THE COMMISSIONER: Thanks, Ms Cowley.
38
39 Q. Now, I had asked for some specific information about
40 certain matters that have come up in the evidence. If you
41 are able to, can you tell me these things: do you know
42 what the amount of damages paid as a result of breaking the
43 Warnervale airport contract were?
44 A. Yes. I've been advised that it is under \$1.5 million,
45 which is the reimbursement of costs incurred by that
46 company.
47

1 Q. Thank you. And then the cost of supporting the Land
2 and Environment Court case against the Wallarah 2 coal
3 mine?

4 A. Yes, council resolved to contribute 200K to the
5 applicants and then there were no subsequent costs.
6

7 Q. Now, here is a tricky one, the cost of providing the
8 unified IT system for Central Coast Council?

9 A. Yes. That is a little bit of a tricky one. So I will
10 give you the number and I can give you some context, if
11 that's okay.
12

13 Q. Yes, certainly.

14 A. The number is \$50 million, but I just want to really
15 emphasise that this isn't just one system. Council had to
16 consolidate 19 systems into eight, and that amount of money
17 was spent on - a portion of it was on the Oracle ERP
18 system, the property and rating, asset management system,
19 payroll system, document management system, the geographic
20 info system, customer experience and business reporting.
21 So it is not that it is like one system, it is eight
22 systems that have made up that, plus all the integrations
23 that are associated with having all of these eight systems
24 that speak different languages to speak the same common
25 language.
26

27 Q. We heard this morning from the administrator that
28 certain of those costs would have been expected for either
29 council because they were planning to upgrade their stems.
30 You can't quantify what that might be, could you?

31 A. Look, from memory - and I'm going to have to
32 double-check and come back to you - there was an estimation
33 of around \$70 million. But this year we had a review
34 conducted by Ernst & Young and they looked at our costs.
35 For Central Coast Council, which has a population of 344K,
36 with our revenue budget of 540 million that we have now and
37 the IT capitalised costs that are in the financial
38 statements at the moment of 7.2, the IT capital expenditure
39 is 1.3 per cent, and they compared us with Townsville City
40 Council, which has a population of 194, and they were 1.31;
41 Brisbane council was 1.84, and that's per cent. So in
42 terms of expenditure, it appears that we are well in line
43 with what is, I guess, reasonable for a big council.
44

45 Q. They weren't councils that were merged, were they?

46 A. I don't have that information, actually.
47

1 Q. Okay. What is there left to spend in terms of
2 finalising the harmony for the IT systems?
3 A. We've got \$2 million left, and that's for the
4 infrastructure refresh and property and rating. Then if
5 you wanted to know the annual operating expenditure then,
6 then it's ongoing from that, from all of those systems.
7 That is approximately \$4.5 million per annum, and that is
8 made out of licensing costs and hardware support and
9 technical support and also some of those integrations.

10

11 Q. And is that all managed in-house or do you have
12 external staff doing some of that as well?

13 A. Look, we had a whole tonne. Now it is mostly
14 in-house. If it paints a picture, last year we had 68
15 external - we had 109 between fixed term field and fixed -
16 so they are the externals, and at the moment we've got
17 zero. So we reduced our IT group by 52 per cent and we are
18 doing all of that in-house.

19

20 Q. Could you tell me, if you know, how much money was
21 expended towards the RPAC which was subsequently abandoned?

22 A. Yes. 823,000.

23

24 Q. And the comparative cost of staff --

25 A. Oh, sorry, Commissioner, you said "expended". So that
26 was the amount that was written off. I assumed - so that's
27 the amount that was written off. But the council also
28 purchased approximately \$3 million of land, which isn't
29 expended, it is an asset that we are able to resell. So
30 that's not a write-off asset.

31

32 Q. I understand.

33 A. Yes.

34

35 Q. Okay. So the 823 was the waste --

36 A. Yes.

37

38 Q. -- if you like, and the purchase of the land may have
39 improved in value?

40 A. That's right. Yes.

41

42 Q. Then the comparative cost of staff wages and expenses
43 between the time of the merger, then when the councillors
44 were elected, and then when you took over.

45 A. Yes. Well, so I can give you - it's tricky in the way
46 that you have asked the question just because that's
47 particular months, and so I can give you the monthly

1 employee costs for that month but I don't think that that's
2 very useful.

3
4 So what I'm proposing to give you is for 12 May - it's
5 important to note that's only 10.5 months of the year, not
6 your normal 12 months. So in order to compare years with
7 years, for 12 May I have annualised that amount, instead of
8 for 10.5 months, for 12 months, using the 10,75. So that
9 is \$154 million.

10
11 For 30 September, again, the same thing, 30 September
12 is 13.5 months, if I use the 30 June number, so I have
13 annualised the 30 June, so that's 166 million.

14
15 And 31 October, I'm giving you just beforehand, which
16 is 30 June, and that's 221 million. But if you wanted the
17 monthly amounts I could also give you that.

18
19 Q. No, no. What I'm trying to understand is just the
20 magnitude of the cost of the staff increases. It has been
21 suggested that you can't compare the numbers because you
22 can't compare the way each previous council measured its
23 staff numbers, but surely the money will tell me?

24 A. Yes, that's right. No, this isn't audited
25 information, it sits in employee costs. The only trick
26 that happens for those dates is how many months, and
27 I think it's most useful when you take it as an annual
28 basis --

29
30 Q. I agree.

31 A. -- because of overtime and movements. So I think the
32 numbers I've given you actually would give you 154, 166,
33 221 - that is very fair depiction of the movements.

34
35 Q. I don't know if you can answer this: is that
36 consistent with other councils or is that increase in the
37 cost of staff extraordinary?

38 A. I don't have a report that would back what I would
39 say, so I guess from my opinion, I would say that this is
40 excessive but it's only my opinion.

41
42 Q. And do you know what you are currently spending on
43 staff on an annualised figure?

44 A. Yes. Approximately 175. So we are back to the - we
45 have less staff than what we did at the time of merger,
46 1,893 that we have at the moment after that mammoth
47 restructuring program, and we are spending about a million

1 less per week in real cash money, per week, than we did
2 a year ago.

3
4 Q. And that's after harmonisation of awards and things
5 across the council?

6 A. Yes, yes.

7
8 Q. Now, you are a person who gets to observe the staff
9 other than the ELT. Do you see a culture of north and
10 south still existing within the council?

11 A. No, I don't really see that. I think - look,
12 I personally haven't observed that at all other than, say,
13 in some of the depots there may be still a little bit of
14 that north and south that I have heard.

15
16 Because I look after all the corporate affairs, the
17 rest of them hasn't been something that I actually hear
18 that north and south. It's not - you know, I guess people
19 generally would compare what happens in this department and
20 that department but that's not based at all by north and
21 south at all.

22
23 Q. So what is the relationship between the different
24 directorates; is it harmonious or not?

25 A. Look, yes, I think we are all passionate in doing the
26 right thing for the areas that we look after, and I guess
27 when we need information from each other, that is
28 forthcoming and works well.

29
30 Q. Were you aware of any historic conflict between
31 departments, particularly with the finance section?

32 A. Yes, I did hear some of those comments. They were
33 very enlightening. Look, in terms of the whole "us versus
34 them", I was shocked about that. I think what I have
35 observed, heard and been aware of is finance, for obvious
36 reasons in the rotating doors, has never had a strong voice
37 at the table, and because of, I guess, a number of the
38 challenges that have occurred in terms of numerically and
39 I guess the losses, some of the impact has also gone to,
40 I guess, finance.

41
42 In terms of, I guess, the capabilities and the skill
43 of the team, as I said, everything that has been provided
44 and the speed that it has been provided with and how it has
45 been provided now is done with the same people. We didn't
46 suddenly put a new chip in all of those people and they
47 became all of a sudden better. They were just - I think

1 they were leaderless. As a finance person you need to have
2 a certain level of iron in you and you need to be able to
3 not be scared about going against the opinion of everyone
4 else, because the whole point is that you are trying to
5 ensure the financial sustainability of an organisation.
6 What I understand, they just didn't have that voice. They
7 were suffocated.

8
9 So I think there is probably, you know, that saying
10 that every time you point the finger at someone, three
11 fingers are pointing back at you - I think every time the
12 finger is pointed at finance, probably the same thing
13 occurs.

14
15 I think that in terms of the culture, they are
16 a resilient lot. I mean, they have to be. They have
17 copped a lot of the damage from the media and a lot of
18 negative scrutiny, and they have kept on delivering in the
19 middle of all of that. So I don't see that there is a pool
20 of incompetent people that are in this council. I see
21 quite the opposite. I think the reality is that probably
22 just this council was never 100 per cent focused on putting
23 importance on finance, which is probably one of the reasons
24 why you may see, if you look at the council meetings, a lot
25 of the council papers are adopted in bulk. There's hardly
26 any conversation, ever, and so finance was probably never
27 really important enough.

28
29 Q. I think those are the questions that I had for you,
30 Ms Cowley. Thank you very much. Apart from the stuff that
31 you might be taking on advisement, that would be great if
32 you could come back to us with that information.

33 A. Sure.

34
35 THE COMMISSIONER: I will just ask Ms Annis-Brown if she
36 has any questions.

37
38 <EXAMINATION BY MS ANNIS-BROWN:

39
40 MS ANNIS-BROWN: Q. Just one question if I may,
41 Ms Cowley. Just going back to what you just spoke about in
42 terms of staff and the finance unit being able to provide
43 information, would you agree that clearly staff that are
44 under a council that is under administration would be
45 different to a council that has councillors, and so if
46 that's the case, what would you see would be the
47 differences there in terms of being able to provide that

1 information in a fearless and frank manner?

2 A. I don't really see any difference in that. Finance to
3 me is always about factual and giving the numbers, and
4 finance - you just need to be able to ask the right
5 questions and also be able to provide clear leadership of
6 what's expected, when it is expect and how it needs to be
7 delivered and what is absolutely not acceptable. I think
8 this is probably something that was being - that was
9 slightly lacking.

10
11 In terms of councillors, probably as has been
12 mentioned a lot, councillors do bring quite a lot of
13 notices of motion which then require a whole lot of
14 additional information. Sometimes the considerations are
15 around is all of that information that has been requested
16 going to be - if it becomes publicly leaked, is that
17 something that would be of a compromising nature. So when
18 there is some consideration around the level of
19 information, because this council has had that historical
20 pattern, there is a level of consideration of to what
21 extent the information would be prepared in, I guess,
22 a quantifiable manner that wouldn't create confidential
23 issues if it was leaked.

24
25 I think that's really - you know, that's probably the
26 extra workload that currently isn't happening because
27 councillors aren't there. But at the same time, there are
28 just as many, if not more, additional requests that this
29 council is preparing as part of, you know, the level of
30 discipline that we are wanting to show the community and
31 I guess ourselves as well. I think the finance team
32 themselves need to be able to have the opportunity to hold
33 their heads high and prove that they are not that
34 incompetent, you know, that actually they can do the work
35 and they can deliver on time and they can do everything.
36 That's probably where it is at.

37
38 MS ANNIS-BROWN: Thank you. Thank you, Commissioner.

39
40 THE COMMISSIONER: Thank you, Ms Annis-Brown. Ms Bulut,
41 you didn't want to make an application in relation to
42 Ms Cowley, did you?

43
44 MS BULUT: No application, thank you, Commissioner.

45
46 THE COMMISSIONER: Thank you. Thank you very much for
47 your evidence, Ms Cowley, and for the information that you

1 have provided to the inquiry. That concludes your verbal
2 evidence, thank you.

3
4 THE WITNESS: Thank you.

5
6 <THE WITNESS WITHDREW

7
8 THE COMMISSIONER: We will resume at 2.20pm. Thank you.

9
10 LUNCHEON ADJOURNMENT

11
12 THE COMMISSIONER: Good afternoon. We will now resume the
13 hearings into Central Coast Council.

14
15 Dr Gellatly, I believe you are there. Would you be
16 able to come off mute and come on to camera, please.
17 I will just have Ms Annis-Brown swear you in as a witness.

18
19 <COLIN GELLATLY, affirmed: [2.20pm]

20
21 <EXAMINATION BY THE COMMISSIONER:

22
23 THE COMMISSIONER: Q. Thanks, Dr Gellatly. You are the
24 chair of council's ARIC committee, or you were?

25 A. I was, yes.

26
27 Q. Can you just tell me how you came to be in that
28 position?

29 A. We were appointed, I think, in May 2017 and there was
30 a process that the administrator and general manager went
31 through to appoint independent members.

32
33 Q. So did you apply for the position?

34 A. I think so, yes. Yes.

35
36 Q. There was a charter already in place when you applied
37 for the position?

38 A. Yes. Yes, we got - we had that at our first meeting.

39
40 Q. And I understand the committee suggested some
41 amendments to the charter at that point?

42 A. Yes, yes.

43
44 Q. What do you see ARIC's role as? How do you describe
45 it?

46 A. Oh, I think it's a high-level overseeing, oversight,
47 monitoring role, across a range of functions that affect

1 the operations of the council - governance, risk
2 management, financial management is part of the overall
3 situation, and the general operations. And so looking at,
4 you know, ensuring that the - you know, we relied a lot on
5 the internal audit function, the external audit function in
6 terms of the financial accounts, and the internal ombudsman
7 in terms of fraud and corruption and complaints and so on.
8 So it's basically a broad oversight role.

9
10 Q. So it's not solely focused on financial audit?

11 A. No, by no means, yes.

12
13 Q. You said you rely on advice from the internal auditor?

14 A. Yes.

15
16 Q. Was the internal auditor focused solely on financial
17 matters as well?

18 A. No, no, no. Very much on operational things, the
19 effectiveness, corruption-type things, recruitment, you
20 know, ordering, tendering, that sort of stuff. So it's
21 across a broad range of things.

22
23 Q. So it's really the external auditors and the finance
24 people who concentrate on the financial information
25 relating to the council?

26 A. Yes.

27
28 Q. How was the committee comprised when you became its
29 chair?

30 A. There was two other independent members,
31 Carl Millington and John Gordon, and two council
32 appointment members.

33
34 Q. And they were both councillors?

35 A. Yes.

36
37 Q. Had you been on any other ARIC or similar types of
38 committees?

39 A. Yes, I had - you know, I had a long career in the
40 public service, 40 years, and also had three years as one
41 of the administrators at Wollongong council in 2008-2011
42 when we actually set up an ARIC committee and got things
43 going there. At the time I was appointed to the Central
44 Coast one, I was on the Newcastle City Council ARIC
45 committee.

46
47 Q. As an ARIC member were you ever referred to or did you

1 have access to the 2015/16 financial records of the prior
2 councils, Wyong and Gosford?
3 A. No.
4
5 Q. Following the revelations in 2020, some changes were
6 made to the charter of ARIC to perhaps bring a bit more
7 focus to financial matters?
8 A. Yes.
9
10 Q. Was that instigated by the committee or outside of the
11 committee?
12 A. I can't really remember. We certainly endorsed them,
13 but probably - probably a combination of both, I'd say.
14
15 Q. The monthly investment reports came to the ARIC
16 committee as well, did they?
17 A. No, not to my knowledge, no, to council.
18
19 Q. What about the Q reports, the quarterly reports?
20 A. Yes, I think we got those, yes.
21
22 Q. Did you have any inkling that restricted funds were
23 being used for unauthorised purposes?
24 A. No, not - no.
25
26 Q. Were you aware of the change in the accounting
27 practice regarding funds under the Water Management Act
28 back in 2016?
29 A. No.
30
31 Q. Following the revelations in 2020, the Office of Local
32 Government wrote to you to seek your assistance. Was there
33 ever a formal response from you or ARIC to the Office of
34 Local Government?
35 A. I don't think so. There was - I had - certainly had
36 conversations with the Office of Local Government.
37
38 Q. Did you or anyone else from the committee ever address
39 the council to explain your role to them?
40 A. I did. I think it was 2019, maybe. It wasn't the
41 actual council, it was a council workshop, so there was
42 a number of councillors there and I gave a presentation
43 about the role of ARIC.
44
45 Q. And did you describe it as you have to us today?
46 A. Yes.
47

1 Q. Now, you're not an accountant by profession?
2 A. No, I'm an economist.
3
4 Q. There's a requirement that the ARIC committee have
5 certain expertise in aggregate. Does that mean that
6 particular members have one or all of those requirements?
7 A. Yes, I think that's the way I'd interpret it. I mean,
8 the other two independent members are both highly qualified
9 at accounting, either accountants or auditors or - and
10 roles on audit and risk committees, and I guess my broader
11 role in governance and that was more my specialty, yes.
12
13 Q. And it's part of the ARIC charter, is it, that
14 ultimately the responsibility rests with the council;
15 you're just an advisory group?
16 A. Yes, that's right.
17
18 Q. Did you regularly advise the council?
19 A. Not the councillors. I mean, we had councillors on
20 the committee. But most interaction was with the
21 management and particularly the chief executive.
22
23 Q. What was the nature of your advice to those people?
24 Was it, for example, specific to financial matters or was
25 it --
26 A. No, no, it was just broadly about the - you know,
27 across the whole range of activities that we were
28 overseeing and, yes, wasn't specifically on financial
29 matters.
30
31 Q. Did you have any reason to think that the council's
32 accounting controls were permitting people to make entries,
33 unauthorised entries?
34 A. No, not really. I mean, it wasn't - the June 2019
35 accounts weren't actually signed off by the council and by
36 the auditor-general until February 2020. But they didn't
37 raise any flags about any potential problem, and all the
38 ratios seemed okay and that sort of thing. So - yes.
39
40 Q. Did you get to see the budgets before they were
41 adopted?
42 A. No.
43
44 Q. Was it of any concern to you or to the ARIC that the
45 council had entered a couple of deficit budgets before
46 2020?
47 A. I mean, it's not really our role to have a strong

1 position on that personally. I mean, we first became aware
2 of some issues with the budget in the July of 2020, and
3 that was when the Grant Thornton reports or briefings were
4 held and showed that there was - because of a combination
5 of issues, COVID, the bushfires, the flooding, earlier
6 IPART decisions and so on, that the numbers weren't looking
7 all that good. But that was the first indication that we
8 had that there was an issue, and we - I think there was
9 a discussion where, after the briefing, the other two
10 members, in particular John Gordon, suggested it would be
11 worthwhile having someone, a specialist in local government
12 finances, like John Banicevic, come in and --

13
14 Q. Dennis?

15 A. So that was a suggestion raised by - from our
16 committee and particularly John Gordon. And then that was
17 followed up, I think he was engaged probably in July some
18 time by the general manager to start his work.

19
20 Q. That was Dennis?

21 A. And that's when he uncovered the issue with restricted
22 and unrestricted cash issues.

23
24 Q. Sorry, Dennis Banicevic?

25 A. Yes.

26
27 Q. So you had no inkling back in November 2019 that the
28 council had exhausted its unrestricted funds?

29 A. No.

30
31 Q. And you first became aware of that following the Grant
32 Thornton report?

33 A. Yes, briefing in July. Well, yes, that showed that
34 there was an issue with the budget in the sense that it was
35 heading towards a probably bigger deficit than we
36 anticipated. But it really wasn't until September that it
37 became aware the issues about cash and about the shortage,
38 and that's where it really was highlighted.

39
40 Q. Was it your role, then, to make any recommendations to
41 council about what to do?

42 A. We were working with the general manager and I think
43 in between, from probably July to December, we had - there
44 was a number - you wouldn't call them meetings, they were
45 more phone calls with either the CEO and the finance person
46 and then the administrator and the finance person in trying
47 to help them find a way through the situation.

1
2 Q. And those phone calls, was that you and the other
3 committee members?

4 A. Yes.

5
6 Q. All five of you?

7 A. No, I'm - I can't recall precisely, but certainly the
8 independent members were there.

9
10 Q. Did it seem to you that the general manager was
11 genuinely surprised by what had gone on?

12 A. I think he obviously - yes, to the extent that it
13 emerged, I think. I mean, I think he'd become aware that
14 there was going to be an issue with the budget.

15
16 But the other complicating factor I think crucial in
17 all of this was the turnover in the finance staff,
18 particularly the senior finance staff. I mean, that made
19 it - it was a bit of a frustration from our committee's
20 point of view that that turnover was occurring because, you
21 know, you didn't develop a real rapport with one key
22 finance person, and the people who were left were under
23 a lot of pressure, plus, because of the fact that the
24 external accounts were also late, so - I think that
25 complicated the situation.

26
27 Q. And do you know why the accounts were late?

28 A. Beg your pardon?

29
30 Q. Do you know why the accounts were late?

31 A. I think it was - there was issues raised by the
32 auditor, the external auditors, about the quality of the
33 data and more testing was required and so on, that sort of
34 thing. So they just weren't happy with the quality of the
35 accounts.

36
37 Q. I don't know if you've followed the evidence in the
38 inquiry, but a number of councillors assumed that ARIC
39 would be able to pick up on the errors that were - or,
40 first of all, the change in accounting policy that occurred
41 before the council was put in place and, secondly, the fact
42 that the unrestricted cash had been exhausted in November
43 2019, but you were not privy to that information either,
44 I take it.

45 A. That's right.

46
47 Q. Do you feel that you're in a position to comment on

1 the terms of reference? I don't know if you've seen them?
2 A. Yes, I did read them a few weeks ago, but - yes.

3
4 Q. One of the questions is whether the council acted in a
5 manner to maximise the success of the merger process.
6 Would you feel able to comment on that?

7 A. Oh, probably not. I mean, I guess I was just aware
8 from the noise in the background from staff and in the
9 local media about the still north/south split and the still
10 political lines, and so the council meetings seemed, as an
11 external observer, to be a bit counterproductive and to
12 spend a lot of time on internal issues between the
13 councillors rather than the actual managing the council.
14 So - but, you know, look, I've got no direct evidence of
15 that.

16
17 Q. Can you comment on whether there is any other matter
18 that reflected poorly on the council in terms of the
19 community's confidence in the council?

20 A. I think - I mean, I think the way this financial issue
21 emerged clearly would create a lot of concern within the
22 community. I think the general attitude of issues
23 surrounding the council and some of the political
24 controversies that were going on wouldn't have made the -
25 well, certainly it's not conducive to a community being
26 fully supportive of its council.

27
28 Q. You mean some of the hot-potato issues like the
29 airport and RPAC?

30 A. Yes, and some of the - it seemed to become very
31 personal, some of the attitudes.

32
33 Q. You didn't have to attend any council meetings, did
34 you?

35 A. No. Watched a couple online - you know, when they
36 became online, but apart from that, no.

37
38 Q. You were just observing them?

39 A. Yes.

40
41 Q. What did you observe?

42 A. They went for a long time and I don't think were all
43 that efficient.

44
45 Q. Okay, thank you, Dr Gellatly. I don't know that you
46 can help me anymore but thank you very much for coming
47 along. I will just check if Ms Annis-Brown has questions

1 for you.
2 A. Okay.

3
4 MS ANNIS-BROWN: No questions, thank you, Commissioner.

5
6 THE COMMISSIONER: Ms Bulut, do you have any application
7 to make in relation to Dr Gellatly?

8
9 MS BULUT: No application, thank you, Commissioner.

10
11 THE COMMISSIONER: Thank you.

12
13 Thank you very much for coming along, Dr Gellatly.
14 That concludes your evidence and you can go off camera. We
15 are concluded for the day for the public hearings.
16 Thank you.

17
18 <THE WITNESS WITHDREW

19
20 AT 2.36PM THE INQUIRY WAS ADJOURNED TO
21 TUESDAY, 12 OCTOBER 2021 AT 10AM

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