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Audit Committee Meeting No. 109 held on 29 June 2016 at 3.00 pm in Civic Centre

- Present:** A Roberts, External Member
S Naylor, External Member
Cr Bentley, Councillor Member
Cr Carli, Councillor Member (arrived 3.07 pm)
- Chairperson:** A Hall, External Member
- Attendance:** K Tori, Chief Executive Officer
L Tripodi, Internal Auditor (arrived 3.11 pm)
M McCullagh, Internal Auditor
D Caligari, Manager Capital Projects
S Thuraijah, Finance Manager
C Denyer, Manager Legal Services
M Noor, Management Accounting Co-ordinator
C Santoro, Senior Administration Officer

Welcome

The Chairperson officially opened the meeting at 3.00 pm.

1. Apologies

S Naylor, External Member
L Shannon, General Manager Corporate Services

2. Declaration of interests and/or conflict of interests

No pecuniary interest, other interest or conflict of interest were declared.

3. Confirmation of minutes of previous meeting

A Roberts advised that he, 'commented', not 'enquired' on the average number of audit reports at other Councils, stipulated in the 'in-camera' minutes.

Motion

A Roberts /Cr Bentley

That the minutes of the Audit Committee meeting dated 27 April 2016, incorporating the above correction, be confirmed as a true and correct record.

4. Report Back From Council on Consideration of Previous Meeting Minutes

Cr Bentley advised the Committee that Councillors considered and unanimously adopted the recommendations of the previous minutes of the Committee.

5. Business Arising From Previous Minutes

5.1 Other Council's Governance & Compliance framework – Internal Auditor

Chairman deferred this item to later in the meeting, awaiting L Tripodi's (Internal Auditor), attendance at the meeting.



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6. Risk Management

Past Due Risks in Risk Register Summary

Update on Previous Internal Audit Reports Recommendations

A Roberts commented on the fact that regarding the fraud risks there was the different percentage changes but management comments were identical.

K Tori informed the Committee that components on each of these risks are different and some have progressed further than others.

Discussion took place on risk no. 2276, office accommodation, and the proposed treatment of this in the current budget.

Cr Carli arrived 3.07 pm

A Roberts enquired whether risk no. 2469 will be completed by 30 June 2016, one day away, as it's progression was at 5%.

C Denyer informed the Committee that following a restructure this risk will be transferred to her and will be completed.

As there were no questions raised, the Committee noted the Past Due Risks Summary and Previous Internal Audit Reports recommendations reports.

Noted

7. Audit Committee Work Plan

As there were no questions raised, the Committee noted the Audit Committee Work Plan.

Noted

L Tripodi arrived 3.11 pm

8. Monthly Finance Report for period ended 31 May 2016

Note – The Monthly Finance Report for 31 May 2016 incorporates analysis and comments and is considered by the Audit Committee “in-camera”.

Recommendation 1:

That Council note the Monthly Finance Report for Period Ended 31 May 2016.

D Caligari departed 3.26 pm

Due to the arrival of L Tripodi, the Internal Auditor, agenda item 5 was discussed

9. Business Arising

Other Council's Governance & Compliance framework

L Tripodi informed the Committee that some larger Councils are ahead with the Advent software system compared to Melton.

Clarification provided by C Denyer that the Committee's enquiry was on different systems that were being used by other Councils apart from Advent, that are working well to address governance and compliance obligations.

L Tripodi informed the Committee that she was aware of Riskware and Interplan.

A Hall suggested L Tripodi provide the Committee with a summary of alternatives of what other Councils are using and who is doing it well.



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As there were no further questions raised, the Committee noted the information provided by L Tripodi in relation to other Councils governance and compliance framework.

Noted

Action: L Tripodi

10. Council Annual Action Plan - 3rd Quarter Exception Report

A Hall enquired whether the listed activities behind schedule can still be achieved by 30 June 2016.

K Tori informed the Committee that these activities due for completion by 30 June 2016 are achievable.

As there was no further discussion, the Committee noted the Council Annual Action Plan – 3rd Quarter Exception report.

Noted

11. VAGO's Interim Management Letter 2015/2016

A Roberts enquired whether the external auditors had conducted an audit on rates and revenue.

S Thurairajah informed the Committee that the External Auditors were present at Council last week and are due to return end of July but could not confirm whether rates and revenue were part of the interim audit conducted last week.

A Roberts suggested that future year end processes include a checklist to ensure that recommendations emanating from the previous year's management letter are implemented.

S Thurairajah informed the Committee that the suggestion would be included in year end processes.

A Hall enquired on the progress of purchase order compliance.

S Thurairajah informed the Committee that focus on raising purchase orders prior to work being conducted is ongoing, and IT are developing a report to extract these non-compliance issues. Also a project proposal for approval in the new financial year to implement an invoice scanning and automated approval process will be submitted to address this issue. Council's current financial software system is not capable and an updated version could be approximately 2 years away.

As there were no further questions raised, the Committee noted the summary of Council's strategic risks report.

Noted

Action: S Thurairajah

12. Council's Draft Budget for 2016/2017

K Tori informed the Committee that the draft budget for 2016/2017 was adopted by Council at the Council meeting on Monday last, 27 June 2016.

S Thurairajah also informed the Committee that 11 submissions were received, 4 submissions were heard by the Committee, with recommendations of minor changes to the draft budget.

The following items were discussed in relation to the 2016/2017 budget:

- Capital Works budget
- Retirement Village land differential rates



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- Growing Suburbs fund not-factored into budget

As there were no questions raised, the Committee noted Council's budget for 2016/2017.

Noted

12. Council's Strategic Resource Plan 2016/2017 – 2019/2020

A Hall informed the Committee that the graph on page 7 contains dollar signs, but is in fact depicting numbers of staff.

A Hall enquired on the increase on staff expenditure.

K Tori informed the Committee this increase is due to the new EBA due 1 July 2016, band movements and 10 new staff members included within new budget.

As there was no further discussion, the Committee noted Council's Strategic Resources Plan 2016/2017 – 2019/2020.

Noted

M Noor departed 3.47 pm

13. Verbal confirmation by the Internal Auditor that their work has not been obstructed in any way

The Internal Auditor, L Tripodi, advised the Committee that there were no obstructions to report.

Noted

14. Internal Audit Program progress report including 2016/2017 Annual Internal Audit Program

In relation to the 2016/2017 Annual Internal Audit Program, A Hall suggested the Financial Sustainability and Budgeting report, currently scheduled to be tabled at the August meeting, be moved to the October Committee meeting, due to the draft annual financial statements being presented at the August meeting.

This was agreed and program to be amended.

As there was no further discussion, the Committee noted the Internal Audit Program progress report including 2016/2017 Annual Internal Audit Program.

Noted

15. Draft Internal Audit Scope on Planning Processes (Permits & Statutory Planning)

L Tripodi informed the Committee that the scope for the Planning Processes review will assess whether Council's current planning controls are operating effectively and addressing legislative requirements, and also consistency with current procedures and State planning policy framework.

A Hall said the Committee would like 'timeliness' and its impact included. He said the Committee would like a number of projects reviewed in terms of timeliness and benchmarking against other Councils.

As there was no further discussion, the Committee approved the draft audit scope on planning processes (permits & statutory planning) with the extended scope regarding timeliness.

Noted



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16. Internal Audit report on 'Councillor and Management Expense' review

M McCullagh informed the Committee that overall this was a positive review, with only 3 minor instances of technical non compliance being identified, primarily relating to payment based on statements rather than original tax invoice.

S Thurairajah informed the Committee that further awareness training for approving Officers is to take place, to ensure the difference between a tax invoice and a statement is understood.

As there was no further discussion, the Committee noted the Internal Auditor's Councillor and Management Expense report.

Recommendation 2:

That the recommendations and management comments in the Councillor and Management Expense report be adopted by Council.

17. Report on Published Statements/Reports (if any)

Ombudsman Report on 'Misuse of Council Resources' - Published June 2016

K Tori informed the Committee of the above Ombudsman's report that dealt with protected disclosure complaints related to 3 Victorian Councils which involved misuse of Council resources. It was noted that Melton City Council has systems in place to guard against such misuse, and Council Officers have referenced the report as an "educational tool".

As there was no further discussion, the Committee noted the Ombudsman report on 'misuse of Council resources'.

Correspondence from Vision Super – 'Superannuation Fund (Defined Benefit Plan)'

K Tori informed the Committee that earlier today he met with the CEO of Vision Super to discuss the performance of Vision Super, current market risks and how it is managing the Defined Benefits. As long as the VBI remains over 100%, which for the March 2016 quarter was 102.4%, no action is required, but close monitoring will continue.

As there was no further discussion, the Committee noted correspondence received from Vision Super in relation to Superannuation fund (defined benefit plan).

Noted

VAGO's – Annual Plan 2016-17

As there were no questions raised, the Committee noted VAGO's Annual Plan 2016-17.

Noted

VAGO's Report on 'Managing & Reporting on the Performance & Cost of Capital Projects'

K Tori informed the Committee that Council has a fully operational project management framework system that must be completed prior to any project being delivered. The project management process assists Council with budget costs and splitting projects over financial years.

As there were no questions raised, the Committee noted VAGO's report on 'managing and reporting on the performance and cost of capital projects'

Noted



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18. Other Matters as Determined by the Chief Executive Officer/Committee Chairperson

Note – Matters discussed under this Agenda item were dealt with “in-camera” as it relates to contractual, legal and personnel matters.

19. General Business

A Roberts informed the Committee of a “scam” or “fraud” operating which occurred at an undisclosed organisation recently, where a request was made, via email, to change bank account details of a supplier, which resulted in a payment of approximately \$1 million and enquired on Council’s position if such a request was made.

S Thuraijah informed the Committee that an email would not be accepted, an official letter, on letterhead would be requested, and also an exception report with the amended bank account details would be generated.

S Thuraijah also mentioned of a news item on the ABC news website of an investigation into fraud at the City of Ballarat.

The Committee members requested the website on this information be forwarded for their information.

Action: S Thuraijah

As there was no further General Business raised, the Chairperson officially closed the meeting.

Next Meeting

The next meeting is to be held on 31 August 2016 commencing at 3.00 pm in conference room.

Close of Business

The meeting closed at 4.36pm.