



MINUTES

Audit Committee Meeting No. 116 held on 25 October 2017 at 12.00 pm in Civic Centre

- Present:** A. Hall, External Member
R. Tommasini, External Member
Cr. Hardy, Councillor Member
Cr. Carli, Councillor Member (arrived 12.15 pm)
- Chairperson:** A. Roberts, External Member
- Attendance:** K. Tori, Chief Executive Officer
L. Tripodi, Internal Auditor (arrived 12.03 pm)
M. McCullagh, Internal Auditor
D. Caligari, Manager Capital Projects
S. Rumoro, Finance Manager
M. Stellini, Acting Manager Legal & Governance
M. Noor, Management Accounting Co-ordinator
C. Santoro, Senior Administration Officer, Legal & Governance

The Chairperson officially opened the meeting at 12.01 pm.

1. Apologies

C. Denyer, Manager Legal & Governance

2. Declaration of interests and/or conflict of interests

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

3. Confirmation of minutes for 30 August 2017 meeting

A correction that the motion to confirm the minutes for 28 June 2017 meeting was moved by A. Hall/R. Tommasini, not A. Hall/R. Roberts.

Motion

A. Hall/R. Tommasini

That the minutes of the Audit Committee meeting dated 30 August 2017, incorporating the above correction, be confirmed as a true and correct record.

Carried

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

Cr. Hardy informed the Committee that a Notice of Motion was adopted at the 16 October 2017 Council meeting, that prior to a guest speaker being engaged for the Council International Women's Day event (Mayor's High Tea), a report be presented to Council for approval of any proposed speaker.

The Committee were concerned about reputational risk in relation to this year's event and are optimistic that the above action will address this risk.

L. Tripodi, External Auditor arrived 12.03 pm



MINUTES

5. Business Arising From Previous Minutes

5.1 Report on outcome and actions taken in relation to email scamming incident (S. Rumoro)

R. Tommasini commented on the current processes in place, potentially mitigating the risk with respect to the particular attempted fraud.

A. Hall commented that this matter re-enforces the importance of raising and approving purchase orders prior to receipt of invoices.

5.2 Internal Auditor's Recommendations Report (Risk Reports)

A. Roberts expressed the Committee's concern in relation to delays of addressing Internal Auditor's recommendations, and actions not being completed within the due date timeframes. As per the Audit Committee's Terms of Reference, an important function is to monitor actions being taken to manage identified risks, which impacts the Audit Committee's performance. Management need to take a more serious approach of addressing these recommendations, either by assessing resourcing issues, adjustment of the Internal Auditors findings or risk rating, prior to finalisation of report, and realistic timeframes for completion.

Cr Carli arrived 12.15 pm

R. Tommasini expressed concern that the Committee's ability to monitor past audit recommendations is being hampered by the absence of an effective tracking tool (currently being developed).

K. Tori informed the Committee that Management actions are focused on priorities, and many of the high risk recommendations are complex.

C. Santoro tabled a sample recommendations report in relation to the Procurement review, and enquired whether the Committee were satisfied with the format of the report, as work is still underway with Council's new risk register software provider, to ensure importing of information and reporting is correct.

The Committee suggested a status column within the report be added, and R. Tommasini suggested that the report be named the 'Internal Audit Recommendation Tracking Tool' and will assist with the layout of the new reports for the Audit Committee.

Action: R. Tommasini/C. Santoro

6. Audit Committee Annual Work Plan

As per the Audit Committee Annual Work Plan, A. Roberts enquired on the performance of the external Auditor from management perspective in relation to the annual audit processes.

S. Rumoro informed the Committee that this is his first experience with Council's external Auditors and was satisfied with the knowledge and experience of L. Clark and provided further information on the conduct of the 2016/2017 audit.

A. Roberts enquired whether Council has received and completed the survey from VAGO in relation to the performance of the external auditors.

S. Rumoro informed the Committee that VAGO's survey has been received and completed by Council.

7. 1st Quarter Monthly Finance Report 30 September 2017

S. Rumoro informed the Committee that the forecast as of 30 September 2017 results in an unfavourable variance of \$597k.

The following variance items were discussed:



MINUTES

- Grants Commission funding, with 1st instalment for 2017/2018 received in the 2016/2017 financial year
- Contract Materials
- Program Expenses
- Supplementary rates
- Proceeds from sale of assets
- User fees & charges
- Employee costs

The Committee have concerns that accruals are not being raised on a timely basis, which results in favourable variances within the Quarterly Finance reports.

S. Rumoro informed the Committee that a business partnership model has been implemented in recent months. One of the initiatives is to record major accruals. This initiative has led to improved recording of accruals, but further work and discussions with business units is still required for the improvement of recording accruals.

Recommendation 1:

That Council note the 1st Quarter Finance report for 30 September 2017.

8. End of Year Capital Expenditure Report 2016/2017

D. Caligari presented an overview of the capital project results for 2016/2017.

Discussion took place on the following:

- Pre and post budget carry forward financials
- Growing suburbs funding
- Capital grants
- Monies transferred to reserves

The Committee suggested on the summary page, where it reads 'Total Funds Expended' also include the words 'plus c/fwd' to ensure clarity of the financials.

D. Caligari also informed the Committee that a briefing on Capital projects to Councillors will take place sometime in November this year.

As there was no further discussion, the Committee noted the end of year capital expenditure report 2016/2017.

D. Caligari/M. Noor departed 12.45 pm

9. VAGO's Final Management Letter 2016/2017

The Committee requested that findings emanating from the financial audit be imported into the Risk system to form part of the 'Internal Audit Recommendation Tracking Tool' report.

As there was no further discussion, the Committee noted VAGO's final management letter 2016/2017.

Noted



MINUTES

10. Hospitality & Entertainment Expenses 2016/2017 report

A.Roberts enquired whether all expenses had been approved in line with Council's approval policy/procedures.

K. Tori confirmed that these expenses have been processed through the correct approval processes.

R. Tommasini enquired whether the gifts purchased for the Star Awards and length of long service relates to staff only, and if this is the case, these expenses should be omitted from this report as it does not relate to hospitality or entertainment expenses.

K. Tori confirmed that these gifts are for staff only and should not be included within this report.

As there were no questions raised, the Committee noted the 2016/2017 hospitality and entertainment expenses report.

Noted

11. Investment Holding Report as at 30 September 2017

The Committee noted that the percentage investment holding for NAB is slightly over the allowed maximum, but as no questions were raised, the Committee noted the Investment Holding report as at 30 September 2017.

Noted

12. Credit Card Expenses 2016/2017 Report

Questions were raised and answered in relation to the following expenses:

- State Revenue Office - land tax
- The Perth Mint - purchases by Governance staff.

Cr Carli enquired why expenses relating to the Mayor's credit card was not included.

The Committee suggested that the Mayor's credit card annual expenses should be included within the Councillor Expenses report in future.

As there was no further discussion, the Committee noted the credit card expenses 2016/2017 report.

Noted

Action: S. Rumoro

13. Councillor Expenses 2016/2017 Report

The Committee enquired whether reimbursement/approval of all Councillor expenses were in line with Council's policy.

K. Tori confirmed that these expenses have been processed through the correct approval processes.

As there was no further discussion, the Committee noted the Councillor Expenses 2016/2017 report.

Noted



MINUTES

14. Staff Excessive Annual Leave Report as at 30 September 2017

With the exception of the Procurement Coordinator, the Committee noted that staff with excessive leave do not hold positions that would raise concerns.

K. Tori informed the Committee that the Procurement Coordinator will be taking eight weeks leave commencing next month, as he is getting married.

As there was no further discussion, the Committee noted the staff excessive annual leave report as at 30 September.

Noted

The Chairperson called for a meeting break at 12.58 pm

The meeting resumed at 1.13 pm

15. Internal Audit Program Progress Report

L. Tripodi informed the Committee that all audits scheduled for 2016/2017 have now been completed. In relation to audits for 2017/2018, the Procurement audit has been completed, the Business Continuity Planning and Events Management audits are currently in progress, and the HACC and Project Management draft scopes are being tabled at this meeting for endorsement by the Committee.

As there were no questions raised, the Committee noted the Internal Audit program progress report.

Noted

16. Draft Internal Audit Scope on 'Project Management'

L. Tripodi informed the Committee that the objective is to ensure whether Council's projects are being managed in accordance with Council's project management framework.

Discussion took place on whether the review includes adequacy around post-implementation processes, which vary depending on type and size of project.

As there were no further discussion, the Committee endorsed and noted the draft scope on Project Management.

Noted

17. Draft Internal Audit Scope on 'Home & Community Care (HACC)'

L. Tripodi informed the Committee that the objective is to assess whether Council has established adequate processes and procedures, including compliance and reporting to State Government, to ensure compliance with HACC legislative requirements and whether benefits have been realized from the business unit restructure.

A. Roberts enquired whether privacy issues, which was encountered with the Maternal & Child Health audit, would arise for this audit.

K. Tori informed the Committee that this audit will focus on internal controls, such as policies, procedures, management reporting, legislative compliance, KPI's and assessment of the business unit's restructure. Privacy issues such as viewing client records is not included.

As there were no further discussion, the Committee endorsed and noted the draft scope on Home & Community Care (HACC).

Noted



MINUTES

18. Internal Audit Review on 'Follow Up of Recommendations'

L. Tripodi informed the Committee that sample testing of 37 audit recommendations, high and medium risks only, was undertaken with the following findings:

- 1 audit recommendation did not satisfactorily resolve the audit issue but had been noted as completed
- 1 partially implemented audit recommendation was closed off in the risk register
- VAGO recommendations should be recorded within the risk register.

Further discussion took place on training and revised target dates of recommendations.

Recommendation 2:

That the recommendations and management comments in the Follow Up of Recommendations report be adopted by Council.

19. Internal Audit Review on 'Procurement (including CAATS)'

L. Tripodi informed the Committee on the following findings:

- insufficient management reporting over procurement activities, including a lack of exception reporting and data analytics to identify any irregularities
- purchase orders being raised after invoices had been received by Council
- inadequate review of user access in the Authority Accounts Payable module
- absence of processes for the use of panel suppliers
- inadequate evidence to support higher financial delegations
- copies of quotations could not be retrieved from ECM system.

Further discussion took place in relation staff training, staff access to a centralised list of panel suppliers, CAATS software, management reporting and data analytics.

Recommendation 3:

That the recommendations and management comments in the Procurement (including CAATS) report be adopted by Council.

Cr Hardy departed 1.47 pm

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

No published statements/reports were tabled.

21. General Business

No General Business was raised.

L. Tripodi/M. McCullagh/S. Rumoro departed 1.52 pm



MINUTES

22. Quarterly Legal Report

Note – Matters discussed under this Agenda item were dealt with “in-camera” as it relates to legal matters in order to maintain legal professional privilege.

23. Other Matters as Determined by the Chief Executive Officer/Committee Chairperson (including any identified Fraud instances (if any))

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

Next Meeting

The next meeting is to be held on 6 December 2017 commencing at 12.00 pm in conference room.

Close of Business

The meeting closed at 2.04 pm.