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Audit Committee Meeting No. 112 held on 22 February 2017 at 3.00 pm in Civic Centre

- Present:** A. Hall, External Member
Cr Hardy, Councillor Member
- Chairperson:** A. Roberts, External Member
- Attendance:** K. Tori, Chief Executive Officer
M. McCullagh, Internal Auditor
D. Caligari, Manager Capital Projects
S. Rumoro, Finance Manager
C. Denyer, Manager Legal & Governance
M. Noor, Management Accounting Co-ordinator
C. Santoro, Senior Administration Officer, Legal & Governance
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Welcome

K. Tori assumed the role of temporary Chairperson and opened the meeting at 3.01 pm. Nominations were called for a Chairperson for the 2017 calendar year.

Motion

A. Hall /Cr.Hardy

That Adam Roberts be appointed Committee Chairperson for the 2017 calendar year.

Carried

1. Apologies

Cr Carli, Councillor Member
L. Tripodi, Internal Auditor

2. Declaration of interests and/or conflict of interests

A.Hall declared, once again, that he is a Councillor at Wellington Shire Council, and enquired whether he should declare his position at every meeting in circumstances where he is no longer the Chairperson.

C. Denyer informed the Committee, as with any conflict, it only needs to be declared if relevant to the agenda.

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

3. Confirmation of minutes for 7 December 2016 meeting

Cr. Hardy informed the Committee that a discussion in relation to contract variation processes has not occurred to date as per 6.5 of the minutes of the previous meeting.

K. Tori informed the Committee that a discussion would be organised between Cr. Hardy and a member of staff in Capital Projects.



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Motion

A. Hall /Cr. Hardy

That the minutes of the Audit Committee meeting dated 7 December 2016 be confirmed as a true and correct record.

Carried

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

Cr. Hardy 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 VAGO's Final Management Letter and Closing Report for 2015/2016 (emailed Members 3/02/2017)

Discussion took place in relation to the recommendations emanating from the report, management comments and Council's action to date.

Recommendation 1:

That a status report, addressing all the outstanding recommendations, be tabled at the next meeting of the Audit Committee.

Action: Assigned Responsible Officers

5.2 Letter of Appreciation to Stan Naylor (letter sent 4/01/2017)

The appreciation letter sent to Stan Naylor was noted by the Committee.

Noted

6. Risk Management

Past Due Risks in Risk Register Summary

Update on Previous Internal Audit Reports Recommendations

A. Roberts suggested that a new column be added to show Council's rating of each risk (as opposed to the Internal Auditor's rating).

It was also suggested that the current risk report include a formal note stating why the risk has not been auctioned or why date pushed back.

Further clarification was sought in relation to risk number 2473, of which C. Denyer responded and updated the Committee on the progress.

As there was no further discussion, the Committee noted the Past Due Risks Summary and Previous Internal Audit Reports recommendations reports.

Action: C. Santoro



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7. Audit Committee Work Plan

A. Hall enquired on the external audit planning process timetable that was due to be tabled at this meeting.

S. Rumoro informed the Committee that a meeting with the external Auditors took place last Friday, with the template only recently received, therefore an audit planning process timetable will be tabled at the next Committee meeting.

Action: Finance Manager S. Rumoro

A. Hall also enquired on the long term financial strategy, due to be tabled at this meeting.

S. Rumoro informed the Committee that potential software has been sourced that can produce quality long term reporting, including cash flow and balance sheet statements and work has commenced and is currently underway, with a target date aimed towards the end of financial year. Once implemented, the long term financial strategy will be produced in line with the budget process.

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

Noted

8. 2nd Quarter Finance Report 31 December 2016

S. Rumoro summarised the overall variances within the 2nd quarter finance report.

The following items were discussed in relation to the report:

- Employee costs variances
- Contract expenditure
- Operating grants
- Capital expenditure

Recommendation 2:

That an analysis report on Operating Expenditure be compiled and presented on actual result at year end versus 2nd quarter forecast.

Action: Finance Manager S. Rumoro

The Committee also requested that the 'Accumulated Capital Expenditure' graph within the Financial report, be reviewed for all future reports.

Action: Finance Manager S. Rumoro

Recommendation 3:

That Council note the Quarterly Finance Report for Period Ended 31 December 2016.

Prior to D. Caligari departing from the meeting, D. Caligari enquired on the information required by Cr Hardy in relation to contract variation processes.



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Cr Hardy requested a report on two contracts, illustrating the approved variations.

Action: Manager Capital Works D. Caligari

D. Caligari departed 3.45 pm

The Chairperson suggested agenda item 10 be brought forward for discussion

10. 2nd Quarter Council Annual Action Plan Status Report

K. Tori summarised the 2nd quarter Council Annual Action Plan informing the Committee that from the 149 actions within the plan, 10 are currently not on track and 3 have been postponed.

A. Roberts requested clarification on management comments in relation to action plan numbers 75 and 84 and comments in financial report relating to employee costs and contract materials.

In relation to action plan number 75, K. Tori informed the Committee that due to the departure of enforcement officers, a review and amendment of these position descriptions took place and recruitment is yet to be finalised due to Christmas break.

In relation to action plan number 84, K. Tori informed the Committee that meals on wheels is a demand issue, where Council is competing with frozen meals that can be bought from supermarkets, and currently Council receive funding of approximately \$2 a meal, but cost to supply and deliver a meal equates to approximately \$9 per meal.

As there were no questions raised, the Committee noted the 2nd quarter Council Annual Action Plan Status.

Noted

M. Noor departed 3.54 pm

9. Investment Holding Report as at 31 December 2016

As there were no questions raised, the Committee noted the investment holding report as at 31 December 2016.

Noted

11. Internal Audit Program Progress Report

M. McCullagh informed the Committee that the Asset Management and Rates Management reviews are complete and tabled for discussion at this meeting. The Corporate Management Reporting review is nearly complete and the Developer Contributions review is about to start.

In relation to emerging themes identified at other Victorian Councils, as mentioned on page 3 of this report, M. McCullagh briefly discussed the following challenges:

- Monitoring of staff leave
- Inconsistent contract management practices, especially medium sized contracts and contracts with low risks



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- Absence of adequate safeguards in contracts in regards to cloud service providers especially disaster recovery, ownership of data, security controls and cost to transition out of contract.

K. Tori informed the Committee that 90% of Council's data is currently in the cloud with little left to transition. Disaster recovery and ownership of data is well covered in the current contract, which is hosted within Australia through Telstra.

As there were no questions raised, the Committee noted the internal audit program progress report.

Noted

12. Internal Audit Review on Rates Management

M. McCullagh informed the Committee that this review found that Council has adequate procedures and controls in place for accurately calculating, recording and invoicing of rates revenue. Through sample testing, it was evidenced that key controls are in place for operating effectively and are being consistently applied. Sufficient reporting is being used by management to ensure timely and informed decisions are made, including ongoing monitoring on the timeliness of rate payments and monthly reviews of uncollected debts.

As there was no further discussion, the Committee noted the Internal Auditor's report on Rates Management.

Recommendation 4:

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

13. Internal Audit Review on Asset Management

M. McCullagh informed the Committee that Council has established an Asset Management Strategy, Asset Management Plan and an Asset Management Policy to manage and maintain its assets, however some opportunities to strengthen controls and processes were identified. There were no clearly defined and documented processes in place for undertaking notification of completed projects and recording of asset in the asset management system, the disposal of assets and the completion of condition assessments and revaluations. There is no clearly defined timeframes for the notification and capitalisation of assets after the completion of the project and completed projects were not capitalised with sufficient regularity into Authority system, currently occurring once a year, during the financial year-end closing process.

S. Rumoro informed the Committee that a process to ensure capitalisation of completed projects are being captured and entered into the financial system on a regular basis is currently being set-up.

M. McCullagh also informed the Committee that the routine maintenance data recorded within the road maintenance contractor's system is unable to be integrated into Council's asset management system as required under the current contract. This represents some risk to Council until integration is achieved, and Council needs to invoke mitigation strategy in the interim to avoid possible adverse consequences.

As there was no further discussion, the Committee noted the Internal Auditor's report on Asset Management.



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Recommendation 5:

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

14. Report on Published Statements/Reports (if any)**14.1. Victorian Ombudsman report on 'Investigation into the Transparency of Local Government decision making' - Published December 2016**

K. Tori informed the Committee that Council has amended its approach in relation to decisions being made in closed Council meetings. A high volume of decisions being made in closed meetings traditionally relate to contracts and Audit Committee 'in-camera' minutes. Prior to the Ombudsman releasing her report, Council changed its process regarding contractual matters. Council now reports its contracts in open meetings, and information relating to the assessment of these contracts is attached in a confidential appendix. The Audit Committee 'in-camera' minutes will not change, as these may include issues of a sensitive nature such as legal or staff matters.

As no questions were raised, the Committee noted the Victorian Ombudsman report on 'Investigation into the Transparency of Local Government decision making'.

Noted

14.2. Correspondence received from Local Government Victoria in relation to '2015-16 Audit Snapshot – Response to Issues' – dated January 2017

Discussion took place on the timing issues in relation to addressing matters in a timely manner, and as no questions were raised, the Committee noted the correspondence received from Local Government Victoria in relation to '2015-16 Audit Snapshot'.

Noted

M.McCullagh/S. Rumoro departed 4.20 pm

15. 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.

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

No matters were raised under this agenda item.

17. General Business

- **Cr. Carli requesting change of time for future Audit Committee meetings, suggesting 10.00 – 12.00 or 12.00 – 2.00 pm**

K. Tori informed the Committee that a request for consideration has been made by Cr. Carli in relation to changing the current time of Audit Committee meetings in the future, due to her commitment of picking up children from school, with a preference of 10.00 –



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12.00 or 12.00 – 2.00 pm. If the times cannot be changed, then she will need to step down and the appointment of another delegate will need to occur.
Cr Hardy submitted it be changed to 2.00 pm.

C. Denyer asked the members to consider the fact that it is more likely women who perform caring responsibilities and that having the meeting at school pick up time, even 2.00 pm, would limit the ability of women to be members of the Committee and thus limit gender diversity.

After further discussion, the consensus from the Committee members was to change the Audit Committee meeting times to 12.00 – 2.00 pm.

Agreed

Cr Hardy queried the approval process around variation to development costs under the Atherstone joint venture agreement.

K. Tori informed the Committee that a detailed paper on performance under the joint venture agreement is being prepared by P. Bean, General Manager Corporate Services, and the report will be circulated to Committee members when finalised.

Action: P. Bean

Next Meeting

The next meeting is to be held on 26 April 2017 commencing at 12.00 pm in conference room.

Close of Business

The meeting closed at 4.33 pm.