



MINUTES

Audit Committee Meeting No. 111 held on 7 December 2016 at 2.00 pm in Civic Centre

- Present:** A. Hall, External Member
Cr Hardy, Councillor Member
- Chairperson:** A. Roberts, External Member
- Attendance:** K. Tori, Chief Executive Officer (arrived 2.15 pm)
M. McCullagh, Internal Auditor
B. Sell, Acting Manager Capital Projects
S. Rumoro, Finance Manager
C. Denyer, Manager Legal and Governance
M. Noor, Management Accounting Co-ordinator
C. Santoro, Senior Administration Officer

C. Denyer informed the Committee that under section 139 of the Local Government Act 1989, the Chairperson of the Audit Committee must not be a Councillor for a Victorian Local Government.

A. Hall informed the Committee that due to current circumstances, he is stepping down as Chairperson of the Audit Committee.

C. Denyer called for nominations for a new Chairperson, which according to the Audit Committee Charter, must be an independent member.

Cr Hardy, after enquiring on A. Roberts experience and credentials, nominated A. Roberts to be Chairperson of the Audit committee.

Motion

Cr Hardy/A. Hall

That A. Roberts be appointed as the Chairperson of the Audit Committee.

Welcome

The Chairperson officially opened the meeting at 2.05 pm.

C. Santoro introduced B. Sell, who is currently acting in D. Caligari's position as Manager Capital Projects, and S. Rumoro who is Council's new Finance Manager.

1. Apologies

- S. Naylor, External Member
Cr Carli, Councillor Member
L. Tripodi, Internal Auditor
D. Caligari, Manager Capital Projects

2. Declaration of interests and/or conflict of interests

A. Hall declared he is a Councillor at Wellington Shire Council. No other pecuniary interest, other interest or conflict of interest were declared.



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3. Confirmation of minutes for June 2016 meeting

Motion

A. Hall /A. Roberts

That the minutes of the Audit Committee meeting dated 29 June 2016 be confirmed as a true and correct record.

4. Record of Proceedings for Audit Committee meeting held 31 August 2016

Motion

A. Hall /A. Roberts

That the Record of Proceedings for Audit Committee meeting held 31 August 2016 be confirmed as a true and fair record.

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

C. Denyer advised the Committee that Councillors considered and unanimously adopted the recommendations of the previous minutes of the Committee.

6. Business Arising From Previous Minutes

6.1 Reconciliation on Capital Items & Cash Flow Statement between end of year Finance report and draft Annual Finance Statements (emailed Members 28/09/2016)

Committee members requested a copy of the final management letter for the Financial Audit 30 June 2016 from VAGO, including VAGO's decision on the appropriate treatment of the \$268m revaluation adjustment.

Committee member noted that Abey Road should have included a design phase, and also noted significant funding received but not expended.

K. Tori arrived 2.15 pm

6.2 Number of audit hours on Rates review from previous Internal Auditors (emailed Members 8/9/2016)

6.3 Internal Auditors to be informed on amendments to planned audit reports and hours (meeting with Internal Auditors & CEO occurred 7/10/2016)

6.4 Rates Revenue scope amended to review Valuation Processes for 2016/17 (Internal Auditors notified 6/9/2016)

M. McCullagh informed the Committee that after discussion with K. Tori, the Internal Audit Strategic Plan was amended as follows:

- deletion of the Home & Community Care Services review
- reduction in hours for the Corporate Management Reporting from 130 to 110 hours
- the Follow-up Recommendations review remain
- Procurement including CAAT's review increase hours from 100 to 110 hours
- Reduction in hours for the IT and Social Media Strategy from 140 to 120 hours
- Reduction in hours for administration from 75 to 45 hours



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- Any reviews that go over the approved hours will be absorbed by the Internal Auditors

Discussion took place as to whether or not the Follow-up Recommendations review should continue.

After M. McCullagh explained the significance of this review, it was agreed the Follow-up Recommendations review should remain.

6.5 Comprehensive Capital Project report

A. Hall informed the Committee that the comprehensive capital project report was appropriately detailed, and the carry forward expenditure is improving each year.

Cr. Hardy enquired on contract variation processes, of which B. Sell informed Cr. Hardy he would make a time to meet and explain Council's processes in relation to variations.

As there was no further discussion, the Committee noted the Comprehensive Capital Project report.

Noted

7. Risk Management

Past Due Risks in Risk Register Summary

Update on Previous Internal Audit Reports Recommendations

A. Hall commented on the pleasing result of the overdue risk summary report and the progress of movement, especially those risks that have now been completed.

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

Noted

Update on Fraud & Corruption Control

As there were no questions raised, the Committee noted the update on fraud and corruption control.

Noted

Annual Risk Management Report

As there were no questions raised, the Committee noted the annual risk management report.

Noted

Progress Report on new Risk Register Software

A. Hall enquired whether the evaluation panel consisted of internal staff

C. Santoro responded that the evaluation panel consists of the Risk & Performance Manager, two Staff members from IT, Capital Projects Manager, and herself.

As there were no further questions raised, the Committee noted the progress report on the new risk register software.

Noted



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8. Audit Committee Work Plan

S. Rumoro informed the Committee that a copy of the final management letter, including the decision on the treatment of the revaluation adjustment, would be forwarded to the Members.

Action: Finance Manager S. Rumoro

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

Noted

9. 1st Quarter Finance Report 30 September 2016

Note – The 1st Quarter Finance Report for 30 September 2016 is attached. Analysis and comments from consideration by the Audit Committee is detailed in the “in-camera” minutes.

Recommendation 1:

That Council note the Quarterly Finance Report for Period Ended 30 September 2016.

B. Sell departed 2.50 pm

10. Hospitality & Entertainment Expenses 2015/2016 report

A. Roberts enquired why the staff functions expenses had nearly doubled from previous financial year.

K. Tori informed the Committee these expenses also include the events for Women's Professional Development group, approximately four events per annum, and also Council's staff reward and recognition annual event.

As there was no further discussion, the Committee noted the hospitality & entertainment expenses 2015/2016 report.

Noted

11. Investment Holding Report as at 30 September 2016

As there were no questions raised, the Committee noted the investment holding report as at 30 September 2016.

Noted

12. Credit Card Expenses 2015/2016 report

A. Hall suggested that future reports include verification that expenditure has been viewed and approved as per current approval processes.

As there were no questions raised, the Committee noted the credit card expenses 2015/2016 report.

Noted

Action: Finance Manager S. Rumoro



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13. Councillor Expenses 2015/2016 report

A. Roberts suggested future reports include comparison expenditure from previous year, and verification that Councillors allowances are paid in accordance with the Victorian Local Government Act 1879.

A. Hall suggested that future reports include verification that expenditure has been viewed and approved as per current approval processes.

As there was no further discussion, the Committee noted the Councillor Expenses 2015/2016 report.

Noted

Action: Finance Manager S. Rumoro

14. Annual National Asset Management Assessment Framework Report Card (NAMAF)

K. Tori informed the Committee that this annual report card is conducted by a Consultant through the MAV Asset Management Step Program, with pleasing results.

A. Roberts suggested that the Audit Committee Annual Plan be amended, listing this report to be tabled at April Committee meetings, not December meetings as currently listed.

As there was no further discussion, the Committee noted the Annual National Asset Management Assessment Framework Report Card (NAMAF).

Noted

Action: C. Santoro

15. Staff Excess Annual Leave report as at 30 September 2016

A. Roberts raised concerns in relation to two staff members and their current positions, being the Debt Recovery Officer and the IT Systems Officer. He also enquired if Council has a policy on the maximum amount of leave a staff member may accumulate.

K. Tori informed the Committee that the current EBA allows staff to cash out part of their annual leave. To be eligible to cash out annual leave entitlements, the employee must have taken at least 3 weeks annual leave in the past 12 months. If the staff member has not taken annual leave in the past 12 months, they must immediately take 3 weeks at the time they cash in the annual leave. If they have taken less than three weeks, they must take the balance of 3 weeks immediately at the time they cash in the annual leave.

As there were no questions raised, the Committee noted the staff excess annual leave report as at 30 September 2016.

Noted

16. Updated Internal Audit Strategic Plan

M. McCullagh informed the Committee that the Strategic Internal Audit Plan has been updated as per amendments discussed in item 6.

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

Noted



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17. Internal Audit Program Progress Report

M. McCullagh informed the Committee that the Asset Management review and the Rates Revenue review are completed and draft reports have been forwarded to Management for comment.

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

Noted

18. Draft Internal Audit Scope on 'Corporate Management Reporting'

M. McCullagh informed the Committee that this review will assess whether Council has the necessary management reporting framework in place to monitor, manage and communicate Council-wide risks effectively to enable informed decision making. Assessment will include the reporting on contract management, risk management, staff, customer relation and finance. The review will also look at the alignment of management reporting processes to Council's risk management framework and major risks.

As there were no questions raised, the Committee noted the draft scope on corporate management reporting.

Noted

19. Draft Internal Audit Scope on Developer Contributions

M. McCullagh informed the Committee that this review will assess the adequacy and effectiveness of processes and controls in place at Council to manage developer contributions in accordance with part 3B of the Planning & Environment Act 1987.

As there were no questions raised, the Committee noted the draft scope on developer contributions.

Noted

20. Internal Audit Review on Financial Sustainability & Budgeting

M. McCullagh informed the Committee that 6 recommendations were noted, 3 identified as low, 2 medium and 1 high.

The high risk relates to Council's long term financial plan which does not include a 10 year projected balance sheet and cash flow statement.

A. Roberts enquired why this recommendation was rated as high.

M. McCullagh informed the Committee the lack of a 10 year projected balance sheet and cash flows beyond 2019/2020 may result in the following:

- management may be unaware of cash balances available to fund the 10 year capital works program beyond 2020;
- possible reductions in the level of cash balances after 2020 are not identified;
- calculation of basic financial sustainability ratios;
- action plans required to address possible issues after financial years 2019/2020 may not be delivered on a timely basis.

As there was no further discussion, the Committee noted the Internal Auditor's report on Financial Sustainability & Budgeting.



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Recommendation 2:

That the recommendations and management comments in the Financial Sustainability & Budgeting report be adopted by Council.

21. Internal Audit Review on 'Planning Processes (Permits & Statutory Planning)'

M. McCullagh informed the Committee that this review has an overall rating of satisfactory with improvements to be made in the following:

- Exception reporting should be produced and reviewed on a monthly basis
- Review and finalise the draft Planning Enforcement/Investigation Procedure Manual
- Creation of Delegation report templates
- Address the 14 outstanding recommendations from the STEP Health Check report
- Ensure delegated staff declare any conflict of interest every six months
- Develop a business case for the need to acquire handheld computing devices for use while conducting site visits.

As there was no further discussion, the Committee noted the Internal Auditor's report on Financial Sustainability & Budgeting.

Recommendation 3:

That the recommendations and management comments in the Planning Processes (Permits & Statutory Planning) report be adopted by Council.

M. Noor departed 3.45 pm

22. Report on Published Statements/Reports (if any)**VAGO's Report on 'Local Government: 2015-16 Snapshot' - Published November 2016**

A summary report was also attached, summarising Melton's financial sustainability on the risk assessment indicators.

As no questions were raised, the Committee noted VAGO's report on Local Government: 2015-16 Snapshot.

Noted

23. Audit Committee feedback Questionnaire Summary

Discussion took place on some of the comments received within the questionnaire.

As no questions were raised, the Committee noted the Audit Committee feedback questionnaire summary.

Noted

24. Schedule of Audit Committee meetings for 2017

The Committee members requested that the proposed dates for 2017 be locked into their outlook calendars. A. Roberts also suggested a letter of appreciation be forwarded onto Stan Naylor, thanking him for his contribution as an independent member of the Audit Committee.



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Action: C. Santoro

25. Draft 'Governance Charter'

C. Denyer informed the Committee that the draft Governance Charter was developed after a recommendation by the Internal Auditors in relation to the review on Governance. This draft has been endorsed by Executive and is awaiting consideration by the Policy Review Panel then endorsement by Council.

C. Denyer informed the Committee that there was a typographical error on page 3 which would be corrected.

The Committee commended the draft charter.

As no questions were raised, the Committee noted the draft 'Governance Charter'.

Noted

M.McCullagh/S. Rumoro departed 3.48 pm

26. 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.

27. 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.

28. General Business

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

Next Meeting

The next meeting is to be held on 22 February 2017 commencing at 3.00 pm in conference room.

Close of Business

The meeting closed at 4.15pm.