



MINUTES

Audit Committee Meeting No. 115 held on 30 August 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
- Chairperson:** A. Roberts, External Member
- Attendance:** K. Tori, Chief Executive Officer
L. Clark, External Auditor
J. Lau, External Auditor (*arrived 12.15 pm*)
D. Caligari, Manager Capital Projects
S. Rumoro, Finance Manager
N. Teuma, Co-ordinator Accounting Services
M. Noor, Management Accounting Co-ordinator
C. Santoro, Senior Administration Officer, Legal & Governance

The Chairperson officially opened the meeting at 12.10 pm.

1. Apologies

M. Peters, External Auditor
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 28 June 2017 meeting

R. Tommasini advised of the following corrections:

- page 2 of the Minutes in relation to Internal Audit Program Status Report, in relation to liaising with other Councils, by amending the word from 'currently' to 'recently';
- page 3 of the Minutes in relation to the Draft Audit Scope for 'Business Continuity Planning and IT Disaster Recovery Planning' with the inclusion of the words 'regarding the' in relation to the type of minutes required from relevant meetings.

Motion

A Hall/R. Roberts

That the minutes of the Audit Committee meeting dated 28 June 2017, incorporating the above corrections, be confirmed as a true and correct record.

Carried

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

Cr. Carli informed the Committee that a Notice of Motion was put forward at the 24 July 2017 Council meeting to distribute and seek recommendations from members of the Audit Committee, on Council's motion in relation to not capping a budget provision for a guest speaker at the International Women's day event, which the motion was lost.



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Cr Hardy informed the Committee that an amount for a guest speaker was raised and rectified at the Policy review meeting.

Cr Carli disagreed with the information provided by Cr Hardy.

Cr Hardy informed the Committee that a report on the capping amount for a guest speaker will go back to Council for discussion and may be reviewed by Audit Committee if required.

The Committee suggested that further discussion and consideration is required by Council in relation to this matter.

J. Lau, External Auditor arrived 12.15 pm

5. Business Arising From Previous Minutes

5.1 Results of Audit Committee Performance survey (refer to Agenda Item 13)

As per the minutes of the last Committee meeting, A. Roberts enquired on reporting of any identified fraud concerns and also on any significant financial issues.

C. Santoro informed the Committee that a standing item of identified fraud instances (if any) has now been included under 'Other Matters as Determined by the Chief Executive Officer/Committee Chairperson' agenda item.

S. Rumoro informed the Committee that 'Significant Financial Issues' have now been included into Financial reports, including the report tabled for this meeting. In relation to this matter, an email was received last Monday, purportedly from a staff member, which was not the case, requesting payment of an invoice for an amount of \$52,000. Upon receipt of this email, the Accounts Payable Officer, having no purchase order or documentation regarding this invoice, investigated further, and it resulted that this email came from a UK address. This information is being collated and passed on to the Police

Increased scamming, especially at State and Local Government levels was discussed further.

R. Tommasini enquired whether the reviewed Committee Terms of Reference were adopted by Council.

C. Santoro informed the Committee that the reviewed Terms of Reference was tabled and adopted at the 24 July 2017 Council meeting.

Noted

6. Discussion with External Auditors re Annual Financial Statements and Performance Statement 2016/2017

S. Rumoro informed the Committee that Council's surplus for the 2016/2017 financial year was \$125.6m, due to the following increases:

- Rates and charges
- Statutory fees and fines
- Grants (operating)
- Atherstone land sales
- Employee costs
- Asset impairment loss of Regional Kitchen due to write-off of goodwill

The following items were raised and discussed by the Members in relation to the draft Financial Statements and Performance Statement:



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- Under Note 2, revise User Fees wording, (not expenditure)
- Under Note 2 for Statutory Fees and Fines, explanation should read 'other incomes', not 'Recoveries'
- Note 16 c), Ageing of individually impaired Receivables, how is nominal value calculated
- Statement of Capital Works and exclusion of written off amounts
- Does own source revenue include contributions
- General discussion around Library participation and number of businesses within the municipality

The Committee then sought the External Auditors opinion on their assessment of the audit findings for the draft Financial Statements and Performance Statement 2016/2017. The Committee was satisfied with the auditors' response.

7. VAGO's Closing Report 2016-2017

J. Lau informed the Committee that the key areas the audit focused on were:

- Revaluation of property, plant and equipment;
- AASB 124 related party disclosures;
- Information technology;
- Developer Contributions and
- Risk of fraud through management override of controls

The Revaluation of property, plant and equipment noted some assets not previously recognised by Council totaled \$31.47m. The other four key areas in the report were deemed to be satisfactory.

Overall there were no major significant issues to report.

8. VAGO's Final Management Letter Year Ended 30 June 2017

J. Lau informed the Committee that the audit revealed 1 recommendation, rated Low, in relation to the timeliness of year-end financial reporting, in particular reconciliations for infrastructure assets and the trial balance. Also the status of two recommendations from previous year audit are still open, which is the improvement to the IT control environment and the compliance with procurement policies.

Discussion took place on the timing of the reconciliations of infrastructure assets and also the status of the two open recommendations from previous year audit.

Recommendation 1:

That Council adopt in principle the draft Annual Financial Statements and Performance Statement for year ended 30 June 2017, as amended by the External Auditor following their consideration on the above identified matters.

The Chairperson called for an 'in-camera' meeting with External Auditors.

All Council Officers departed meeting at 1.10 pm

Council Officers returned to the Meeting at 1.16 pm



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External Auditors J. Lau and L. Clark departed meeting 1.16 pm

9. Year End Monthly Finance Report 2016/2017

A. Roberts sought clarification on the discrepancy in amounts relating to Contributed non-monetary assets between the Finance Report and Financial Statements and queried which monetary figure is correct.

L. Clark informed the Committee that the amount in the Financial Statements is correct.

Discussion then took place on the reporting of rolling credits for Contributed non-monetary assets within the finance report.

A. Hall deferred any questions in relation to the Capital Expenditure report, until the year end Capital Expenditure report is presented and discussed at the October Committee meeting.

Recommendation 2:

That Council note the Year End Finance Report for 30 June 2017.

10. Investment Holding Report as at 30 June 2017

As there were no questions raised, the Committee noted the Investment Holding Report as at 30 June 2017.

Noted

D. Caligari/M. Noor departed meeting 1.21pm

11. Council Annual Action Plan – Year End Report

K. Tori summarised the Council Annual Action Plan – End of Year report as follows:

- The action plan contains 149 actions
- 126 actions were completed
- 2 are on track and expected to be completed within current timeframe
- 19 are overdue or behind schedule
- 2 have been postponed

Explanations on the actions overdue or behind schedule and postponed have detailed explanations contained within the report.

R. Tommasini enquired whether action number 30, Abbey Road Bridge, rescheduled completion date end of July, has now been completed.

K. Tori informed the Committee that this project has now been completed.

In relation to action number 74, R. Tommasini expressed his concern of a potential risk, liability to Council, for non-compliance with the Road Management Plan.

K. Tori informed the Committee that this issue has been discussed with Council's service provider and has now been resolved.



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R. Tommasini enquired whether the briefing to Executive had taken place in relation to the development of Macpherson Park Future Directions Plan, as stated in the report under action number 142.

K. Tori informed the Committee that the briefing with Executive on this plan had taken place.

As there were no questions raised, the Committee noted the Council Annual Action Plan – Year End Report.

Noted

12. Risk Management

– Update on previous Internal Audit reports recommendations

C. Santoro informed the Committee that the tabled report is a work in progress, as issues have occurred in relation to extracting data from the previous risk register, WSP, into the new program Nimblex, and staff are currently working with the new provider in relation to this matter.

R. Tommasini sought permission from the Committee members to work with staff and provide input into the formatting of the report.

The Committee agreed and also requested an interim report be circulated to Committee members in approximately 4 weeks' time.

As there was no further discussion, the Committee noted the Internal Audit reports recommendations.

Noted

Action: C. Santoro/R. Tommasini

13. Audit Committee Annual Work Plan

– Summary of Audit Committee Performance Survey

A. Roberts commented that most areas scored well from the feedback provided. In relation to 12.3, and the comment in relation to timeliness and adequacy of minutes, A. Roberts suggested the draft minutes be circulated to Committee members for comment as soon as completed.

As there was no further discussion, the Committee noted the Summary of Audit Committee Performance Survey.

Noted

Action: C. Santoro

14. Draft Audit Scope for 'Events Management'

It was suggested by the Audit Committee that apart from the two risks, fraud and corruption, and public safety, listed in the scope relevant to the area of review, the following also be included:

- Reputational risk
- Environmental impact
- Economic benefit.

K. Tori informed the Committee that the objective of this review is to assess whether controls and processes associated with the running of the events are adequate and the examination and analysis of relevant documentation.



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R. Tommasini suggested reputational risks with respect to events being conducted, be included in the scope of the Events Management review.

As there was no further discussion, the Committee approved the draft scope for Events Management, with the above amendment.

Action: Internal Auditors

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

– VAGO's Report on 'Internal Audit Performance' (published August 2017)

R. Tommasini suggested that future VAGO reports contain only the Audit overview/Executive summary, and not the full report.

As there were no questions raised, the Committee noted VAGO's Report on 'Internal Audit Performance'.

Noted

Cr Hardy departed 1.57 pm

16. Presentation of Ten Year Financial Plan (presented by S. Rumoro)

S. Rumoro presented the Ten Year Financial Plan discussing the following synopses:

- Key financial indicators used
- Income assumptions
- Rates revenue
- Expenditure assumptions
- Statements – profit and loss, underlying surplus, trends, balance sheet and cash flow
- Developer contributions
- External apportionment
- Capital works and
- Learnings/gaps

The Committee commended S. Rumoro on the Ten Year Financial Plan presentation, which should assist Council on future budgeting projections over the coming years.

As there was no further discussion, the Committee noted the presentation of the Ten Year Financial Plan.

Noted

Cr Carli departed 2.07 pm

17. General Business

No General Business was raised.

18. 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.



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19. 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.

Next Meeting

The next meeting is to be held on 25 October 2017 commencing at 12.00 pm in conference room.

Close of Business

The meeting closed at 2.10 pm.