



MINUTES

Audit Committee Meeting No. 114 held on 28 June 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 12.10 pm*)
M. McCullagh, Internal Auditor
D. Caligari, Manager Capital Projects
S. Rumoro, Finance Manager
M. Noor, Management Accounting Co-ordinator
C. Santoro, Senior Administration Officer, Legal & Governance

The Chairperson officially opened the meeting at 12.00 pm.

1. Apologies

C. Denyer, Manager Legal & Governance

2. Declaration of interests and/or conflict of interests

R. Tommasini informed the Committee that as he was previously engaged to work casually by Council, therefore declaring in advance in relation to the Procurement Audit scope. No other pecuniary interest, other interest or conflict of interest were declared.

3. Confirmation of minutes for 26 April 2017 meeting

R. Tommasini advised of a typo correction on page 3 of the Minutes in relation to the Long Term Financial Plan, stating it should read 'first draft', not 'fist draft'.

Motion

Cr Hardy/A Hall

That the minutes of the Audit Committee meeting dated 26 April 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 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 Mayor's High Tea Event Report, Including Itemised Expenditure

Cr Hardy informed the Committee that discussion in relation to this event had taken place and going forward, this annual event will now have a restricted amount which has been agreed upon.



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K. Tori informed the Committee that this event has been included as a line item in next year's budget.

As there was no further discussion, the Committee noted the itemised expenditure report on the Mayor's High Tea Event.

Noted

5.2 Councillors Entertainment & Hospitality Event Policy

The Committee noted the comments received from Management, in relation to the first draft compiled and currently still in progress.

As there was no further discussion, the Committee noted Management comments in relation to this policy.

Noted

6. Internal Audit Program Status Report

M. McCullagh informed the Committee that the Follow-up Recommendations review is due to commence in July this year, but will be presented at the October Audit Committee meeting, not the August meeting as stated in the Status report. This review is on schedule, but as previously discussed, due to the draft financial statements being tabled at August meeting, any internal audit reviews will be postponed to the October meeting.

M. McCullagh also informed the Committee on challenges facing other Councils such as training for contract managers, impact on processes and controls after major re-structures and audit recommendations not being implemented were identified.

L. Tripodi arrived 12.10 pm

Discussion took place on the progress currently underway in relation to contract management, where Council are identifying needs and adequacy of a contract management system to assist in the improvements, efficiencies, effectiveness and consistency of contract management across Council.

Cr Carli arrived 12.15 pm

R. Tommasini suggested Council liaise with other Councils, especially Glen Eira and Brimbank Councils, who have currently undergone work in relation to this subject.

As there was no further discussion, the Committee noted the Internal Audit Program Status report.

Noted

7. Draft Strategic Internal Audit Plan 2017-2020

L. Tripodi informed the Committee that they met with Executive and discussed emerging and strategic issues and drafted the 2017-2020 internal strategic audit plan emanating from the discussion.

A. Roberts enquired on the reasoning behind the movement of some reviews.

K. Tori informed the Committee that the contract management review was moved out until the new system is implemented and in operation. The Events Management review was brought forward as this is a big focus point round Council. Due to regulative and funding changes from Federal Government, the Home and Community Care (HACC) review be undertaken as this is a big service area of Council.

As there were no further questions raised, the Committee endorsed the draft Strategic Internal Audit Plan 2017-2020.

Noted



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8. Draft Audit Scope for 'Business Continuity Planning and IT Disaster Recovery Planning'

M. McCullagh informed the Committee that this review will commence in September 2017 due to the changes in IT infrastructure through the implementation of Council's new cloud environment.

R. Tommasini enquired on the sampling methodology table and how they derived on the frequency and number of samples tested.

L. Tripodi informed the Committee that this was a standard table produced for other Councils.

R. Tommasini also enquired type of minutes required from relevant meetings.

M. McCullagh informed the Committee this could be minutes from debriefs.

As there were no further questions raised, the Committee noted the draft scope for Business Continuity Planning and IT Disaster Recovery Planning.

Noted

9. Draft Audit Scope for 'Procurement Audit including CAATS'

L. Tripodi informed the Committee that this review will also include CAATs data analysis covering 24 months from 1 July 2015 to 30 June 2017.

As there were no questions raised, the Committee noted the draft scope for Procurement Audit including CAATs.

Noted

10. Internal Audit Report on Developer Contributions

L. Tripodi informed the Committee that the overall result from this review was pleasing and operating efficiently compared to other growth Councils audited.

K. Tori informed the Committee that Council has invested extra resources to ensure processes and controls are effective and efficient.

S. Rumoro informed the Committee that the target date for the recommendation in relation to developer contributions information reported in the Annual report has been revised to 30 September 2017, instead of 30 June 2017.

As there were no questions raised, the Committee noted the Internal Auditor's report on Developer Contributions.

Recommendation 1:

That the recommendations and management comments in the Developer Contributions report be adopted by Council.

11. Internal Audit Review on Corporate Management Reporting

L. Tripodi informed the Committee that Council does not have an integrated management reporting framework and there is limited automated management and exception reporting, with reliance on manually generated reports.

A. Hall enquired on who in the sector does this well.

L. Tripodi informed the Committee that she is not aware of any Council who does this well.

L. Tripodi informed the Committee that a lack of structured reporting framework creates a risk that management may not be receiving appropriate information to effectively monitor the performance and the achievement of Council objectives.

K. Tori informed the Committee that Council has numerous IT software systems, of which integration is limited on some of these programs.



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R. Tommasini suggested that future management comments for audit recommendations within a report state why management agree to the recommendation.

In relation to recommendation 7 within the report, R. Tommasini enquired whether sampling of manual generated reports is sufficient, or whether the reports should be independently audited.

L. Tripodi informed the Committee that sampling of the reports would suffice.

As there were no questions raised, the Committee noted the Internal Auditor's report on Corporate Management Reporting.

Recommendation 2:

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

12. 'In-Camera' Discussion with Internal Auditors in relation to Internal Auditors Performance (without Council Officers present)

Council Officers departed meeting 1.10 pm

Officers left meeting to enable Internal Auditors to speak freely with Audit Committee members on their performance.

Internal Auditors departed at 1.22 pm

Council Officers returned to meeting at 1.22 pm

The meeting resumed.

13. Risk Management

13.1. Past Due Risks in Risk Register Summary

13.2. Update on Previous Internal Audit Reports Recommendations

R. Tommasini informed the Committee that he supplied a template in relation to the past due risks summary report to C. Santoro as an alternative, and suggested the report be amended from risks to recommendations.

A. Roberts replied that the Committee is satisfied with the current wording of the report.

C. Santoro informed the Committee that Council's current risk register system terminated as of 30 June 2017, and the new risk register system is currently in test mode, with data being migrated from the old system. Reporting from the new risk register system will be tabled at the next Committee meeting where feedback from the members can be given.

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

Noted

14. Audit Committee Annual Work Plan

14.1. Review of Audit Committee Charter

A. Roberts suggested the following amendments in relation to the Charter:

- The 'and' be deleted in relation to administrative support of the Audit Committee
- The External Auditor may request to meet in-camera, at the convenience of the Committee
- The Audit Committee will evaluate their performance collectively against the Terms of Reference



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R. Tommasini suggested that the '*Chairperson may only Chair meetings for three years consecutively*' be included into the Terms of Reference.

In relation to the Audit Committee Annual Plan, Management to advise the Committee of any concerns in relation to Fraud, even if none to report. Also, every Financial report should include a Management comment of any significant financial issues, even if none to report

Recommendation 3:

That the Audit Committee Charter, incorporating the recommended amendments and above suggestions, be adopted by Council.

14.2. Evaluation of Audit Committee Performance

A. Roberts suggested that the survey questions used in previous years be distributed to Committee members and attending Officers for completion and tabled at the next Committee meeting for discussion.

Action: C. Santoro

15. Monthly Finance Report 31 May 2017

The following items were discussed in relation to the Monthly Finance report for 31 May 2017:

- 48% of the Council Capital budget spent
- Accuracy of forecasting
- Carry forward components for Capital Expenditure
- Year end comparative report on Capital Expenditure between actuals and forecasts including reasons
- Staff costs
- Unbudgeted grants
- Cash on hand and investments

Recommendation 4:

That Council note the Monthly Finance Report for 31 May 2017.

Cr Hardy departed 1.54 pm

16. Draft Budget for 2017/2018

K. Tori informed the Committee that there are no new borrowings planned for 2017/2018 and a significant repayment of current loans to be made.

As there were no questions raised, the Committee noted draft Budget for 2017/2018.

Noted

D. Caligari & M. Noor departed 1.55 pm

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

17.1. Local Authorities Superannuation Fund (Defined Benefit Plan) Vested Benefit Index (VBI)

K. Tori informed the Committee that no action is required as long as the Vested Benefit Index (VBI) stays over 100%, which as of the 31 March 2017 is sitting at 106.6%.



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As there were no questions raised, the Committee noted correspondence received in relation to the Local Authorities Superannuation Fund (defined benefit plan) Vested Benefit Index (VBI).

Noted

17.2. VAGO's Report on 'Public Participation & Community Engagement – Local Government' – (published May 2017)

K. Tori informed the Committee that this report focused on Councils public participation policies and associated resources against the International Association for Public Participation (IAP2) model. This report has been forwarded to Council's Engagement & Advocacy department to address the recommendations emanating from this report.

As there were no questions raised, the Committee noted VAGO's report on 'Public Participation & Community Engagement – Local Government'.

Noted

18. General Business

No General Business was raised.

19. 'In-Camera' Discussion with Management in Relation to Performance of Internal Auditors (without Internal Auditor's present)

Discussion took place on the Internal Auditor's performance, including methodology, capacity and value for money.

The Committee noted Management comments in relation to the performance of the Internal Auditors.

Noted

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

K. Tori informed the Committee that Melton City Council were one of four Councils to undergo a performance audit by VAGO of Local Government and Economic Development. The audit has been conducted and are awaiting the audit report.

Noted

S. Rumoro informed the Committee that the ATO is currently conducting an audit on GST of Council's land sales.

Noted

Next Meeting

The next meeting is to be held on 30 August 2017 commencing at 12.00 pm in conference room.

Close of Business

The meeting closed at 2.10 pm.