



MINUTES

Audit Committee Meeting No. 113 held on 26 April 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. Tripodi, Internal Auditor
M. McCullagh, Internal Auditor
M. Peters, External 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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The Chairperson officially opened the meeting at 12.01 pm.

1. Apologies

Nil

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 22 February 2017 meeting

A. Roberts advised of a typo correction on page 2 of the Minutes, stating the third last paragraph should read 'action', not 'auction'.

Motion

A. Hall /A. Roberts

That the minutes of the Audit Committee meeting dated 22 February 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. Carli advised the Committee that Councillors considered and unanimously adopted the recommendations of the previous minutes of the Committee.



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5. Business Arising From Previous Minutes

5.1 Status Report on VAGO's Management Letter

The Committee members noted the progress taken to date on the recommendations within the report and sought the opinion of the External Auditor, M. Peters. M. Peters informed the Committee that the work undertaken to address the recommendations will be assessed and reported on at the next interim audit.

As there was no further discussion, the Committee noted the Status Report on VAGO's Management Letter.

Noted

Cr. Hardy arrived 12.07 pm

5.2 Audit Strategy 2016-17 (presented by External Auditor, M. Peters)

M. Peters outlined the following changes to the 2016-17 audit:

- Updated model financial accounts
- Related party disclosures (AASB 124)

The audit focus will be on the risk of material misstatement and focus on:

- Revaluation of property, plant & equipment
- AASB 124 related party disclosure
- Information technology
- Developer contributions
- Risk of fraud through management override of controls
- Focus on identifying any Suspected corrupt conduct

Further discussion took place in relation to material misstatements, revaluations and ASIC checks for contractors.

As there was no further questions, the Committee noted the Audit Strategy 2016-17 report.

Noted

5.3 Two Contract Variation Reports

D. Caligari presented to the Committee reports in relation to two contracts for Melton Town Centre Stage 2 and Abey Road & Bridge Construction. These had been discussed in a meeting with Cr. Hardy.

As there was no further questions, the Committee noted the two contract variation reports.

Noted



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6. Past Due Risks in Risk Register Summary

Update on Previous Internal Audit Reports Recommendations (including re-risk ratings)

A. Roberts enquired on the closing of risk number 2475, 'exception reporting on non-compliance of legislative requirements'.

A. Roberts said that that a register of any breaches should be kept.

C. Denyer agreed, and register will be established.

Recommendation 1:

That a "Register of Breaches of Legislation Requirements" be established.

Action: C. Denyer

The Long Term Financial Plan (risk no. 2486) was discussed and S. Rumoro informed the Committee that a first draft has been produced but refining is required with further data needed. Once this has been finalised, prior to year-end, this will be tabled to Executive then to the Audit Committee.

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

Noted

Strategic Risk Summary Report

A brief overview of the strategic risks report was provided by K. Tori, and as there were no questions raised, the Committee noted the report.

Noted

7. Audit Committee Work Plan

R. Tommasini sought clarification on items 3, 9 & 19 within the Work Plan, and clarification was provided.

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

Noted

8. 3rd Quarter Finance Report 31 March 2017

S. Rumoro provided an overall summary of the 3rd quarter finance report, including the following:

- March year to date position is \$9.9 million favourable to budget due to higher number of supplementary rates, unbudgeted grants, higher user fees and charges around planning fees and regulatory fees and higher interest from cash balances.
- Revenue is \$3m higher than budgeted
- Expenditure is \$4.870m lower than budgeted, due to timing variances for employee cost, contract materials, program expenses, utilities and maintenance
- Atherstone land sales higher than budgeted by \$2.1 million
- Forecast surplus \$1.974m higher than budgeted.



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S. Rumoro informed the Committee that rate debtors are increasing, and a new trial process is now in place with Council's collection agency to try and improve collection rates, engagement with customers and customer information database.

The Committee raised their concerns on whether the forecasting is realistic, and requested a year end report on forecast versus actuals.

Action: Finance Manager S. Rumoro

Recommendation 2:

That Council note the Quarterly Finance Report for Period Ended 31 March 2017.

M. Peters, D. Caligari & M. Noor departed 1.06 pm

9. Investment Holding Report as at 31 March 2017

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

Noted

10. 3rd Quarter Council Annual Action Plan Exception Report

K. Tori summarised the 3rd Quarter Council Annual Action Plan report and informed the Committee that 13 projects are currently behind schedule, and 3 have been postponed, but one of the postponed projects, the development of the Toolern Employment Area Urban Design Framework, has now been re-initiated, following the release of the Plan of Melbourne 2017-2050, and the tender documents are currently under preparation and will be tendered in May 2017.

From this report 90% of projects have been achieved or are on track, and the 4th quarter report should show an improvement.

As there were no questions raised, the Committee noted the 3rd Quarter Council Annual Action Plan Exception report.

Noted

11. Internal Audit Program Progress Report

L. Tripodi informed the Committee that the 'Corporate Management Reporting' review was due to be tabled at this meeting, but Management have requested a meeting to clarify some of the findings/recommendations emanating from the draft report, and this meeting is scheduled for 18 May 2017.

It was clarified that 3 reports will now be tabled at the June Committee.

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

Noted

12. Staff Excess Annual Leave Report

The Committee noted that the staff listed within the report are not in high risk positions.

K. Tori informed the Committee that the excess annual leave is being monitored, and is fairly reasonable considering Council has approximately 650 staff.



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As there was no further discussion, the Committee noted the Staff Excess Annual Leave report.

Noted

13. National Asset Management Assessment Framework Report Card (NAMAF)

K. Tori informed the Committee that assessment of Council's Roads have reached core maturity, and is progressing well at enhancing the levels of maturity across the various classes.

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

Noted

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

14.1. VAGO's Report on 'Managing Victoria's Planning System for Land Use & Development' - Published March 2017

K. Tori informed the Committee that the recommendations from this report focused on the Department of Environment, Land Water and Planning, with recommendation 3 involving their work with Councils.

As no questions were raised, the Committee noted the VAGO's report on 'Managing Victoria's Planning System for Land Use & Development'.

Noted

14.2. IBAC's Report on 'Operation Liverpool' – dated March 2017

K. Tori informed the Committee that this report found that corrupt conduct, including collusion, was found against two Officers of Bendigo Health, one being the CEO. This report identified that a thorough review of their code of conduct, gifts, benefits and hospitality, conflict of interest and audit risk management be addressed.

As no questions were raised, the Committee noted the IBAC's report on 'Operation Liverpool'.

Noted

M. McCullagh informed the Committee that a report had also just been released from IBAC on an investigation into the corrupt conduct of a former senior Victorian prison officer, finding that this officer failed to comply with proper procurement processes, declare a conflict of interest, influenced the successful recruitment of his son and awarded contracts to another son.

K. Tori tabled a recently released report conducted by Local Government Investigations and Compliance Inspectorate on the 2016 Council elections. The report revealed that during this election period, more than 2000 enquiries and 409 formal complaints were received.

15. General Business

Cr Hardy enquired whether an explanation on how revenue entitlements are processed under the Atherstone joint venture agreement.



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K. Tori provided the Committee members a summarised version of how costs, sales revenue and profit are calculated and distributed. Also, as part of the Agreement, Council will appoint an auditor to review the developer's costs and records for this project.

No further items were raised under General Business.

L. Tripodi, M. McCullagh & S. Rumoro departed 1.55 pm

16. 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.

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

A. Roberts enquired on the Mayor's High Tea event and the costs involved in relation to this running the event.

C. Santoro informed the Committee that an oversight to have this item listed on the agenda was made, but a report, that was tabled at the April Council meeting, including itemised expenditure, will be circulated to the Committee members.

Action: C. Santoro

A. Roberts commented that there should have been a resolution of Council prior to the High Tea.

A. Roberts suggested that a policy be adopted to ensure that prior to any entertainment or hospitality event, whether it includes one Councillor or all Councillors, that approval from Council be appropriately sought.

Recommendation 3:

That Council develop a Councillors Entertainment & Hospitality Event Policy.

Next Meeting

The next meeting is to be held on 28 June 2017 commencing at 12.00 pm in conference room.

Close of Business

The meeting closed at 2.09 pm.