



MELTON CITY COUNCIL

Minutes of the Audit Committee Meeting of the Melton City Council

11 December 2019

MINUTES OF THE AUDIT COMMITTEE MEETING

11 DECEMBER 2019

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11 DECEMBER 2019

MELTON CITY COUNCIL

MINUTES OF THE AUDIT COMMITTEE MEETING
OF THE MELTON CITY COUNCIL
HELD IN THE CIVIC CENTRE,
232 HIGH STREET, MELTON
ON 11 DECEMBER 2019 AT 12:00PM

Present: Mr R. Tommasini (Chairperson)
Mr F. Mansoor
Ms C. Gregory
Cr K. Hardy

Attendance: Mr K Tori, Chief Executive Officer
Ms C. Denyer, Manager Legal and Governance
Mr S. Rumoro, Manager Finance
Ms M. McCullagh, Internal Auditor
Mr M. Oroszi, Internal Auditor

1. WELCOME / ELECTION OF CHAIR (IF REQUIRED)

The Chairperson opened the meeting and welcomed the committee members.

2. APOLOGIES AND LEAVE OF ABSENCE

Cr L. Carli (Mayor)

3. DECLARATION OF INTEREST AND / OR CONFLICT OF INTEREST

Nil.

4. MINUTES OF PREVIOUS MEETINGS

Motion

Mr Mansoor/Cr Hardy.

That the Minutes of the Audit Committee Meeting held on 30 October 2019 the recommendations within which were adopted by Council at the Ordinary Meeting held on 9 December 2019 be confirmed.

CARRIED

MINUTES OF THE AUDIT COMMITTEE MEETING

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5. OTHER BUSINESS CARRIED OVER FROM A PREVIOUS MEETING

Nil.

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6. PRESENTATION OF STAFF REPORTS**6.1 FINANCE REPORT ENDED 31 OCTOBER 2019****Author: Sam Rumoro - Manager Finance****Presenter: Sam Rumoro - Manager Finance****PURPOSE OF REPORT**

To present the 2019/2020 Finance report for the 4 months ended 31 October 2019 (the Report).

OFFICER RECOMMENDATION:

That the Audit Committee note the report.

Recommendation 1

Cr Hardy/Ms Gregory.

That Council note that the Audit Committee reviewed the report and that no further action is required.

CARRIED

REPORT**1. Executive Summary**

This monthly report compares 4 months ending 31 October 2019 YTD results with the profiled YTD approved budget for the same period.

2. Background/Issues

Detailed analysis of the following financial information is outlined within this report:

The operating surplus for the October YTD period was \$92.0 million. This compared with the profiled budgeted result of \$97.8 million resulted in an unfavourable variance of \$5.8 million. The main reason for the unfavourable variance is the Commonwealth Government bringing forward the payment of \$8.50 million of the 2019-20 financial assistance grants in June 2019.

The actual capital expenditure completed at the end of October was \$14.30 million which is 19.1% of the total Council capital expenditure budget including carry forwards.

Council's total cash position at month end is \$201.5 million. This balance includes general and restricted investments representing carry forward expenditure, employee entitlements, and developer contributions received for future capital works. The working capital ratio for the YTD period is a healthy 1:7.54.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

17. Financial Reporting including Capital Works Progress

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4. Financial Considerations

Note the operating surplus/deficit for the October YTD period.

5. Consultation/Public Submissions

N/A.

6. Risk Analysis

Financial reporting will ensure Council's continued compliance with the legislative requirements.

7. Options

The Audit Committee can:

1. Note the report as per the recommendation;
2. Request further information/clarification if deemed necessary.

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1. 2019/2020 Finance Report - 4 Months ended 31 October 2019

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**6.2 INTERNAL AUDIT STATUS REPORT AS AT DECEMBER 2019 INCLUDING
PROGRAM CALENDAR**

Author: Cheryl Santoro - Senior Administration Officer
Presenter: Christine Denyer – Manager Legal & Governance

PURPOSE OF REPORT

To present the *Internal Audit Status Report as at 4 December 2019* (the Report)

OFFICER RECOMMENDATION:

That the Audit Committee note the Report at **Appendix 1**.

Recommendation 2

Cr Hardy/Ms Gregory.

That Council note that the Audit Committee reviewed the report and that no further action is required.

CARRIED

REPORT**1. Executive Summary**

Attached at **Appendix 1** is the *Internal Audit Status report as at 4 December 2019* including program calendar.

The *Strategic Internal Audit Plan 2019/20 to 2021/22* is approved by the Audit Committee and reviewed on an annual basis in June.

2. Background/Issues

The Annual Plan requires a progress report in relation to internal audits be provided to each meeting. Further, the Annual Plan requires that the *Strategic Internal Audit Plan 2019/20 to 2021/22* is approved by the Audit Committee and reviewed on an annual basis in June.

Attached at **Appendix 1** is the Internal Audit Status report as at December 2019 including program calendar.

The internal auditors will be in attendance at the meeting to answer any questions in relation to this Report.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

9. Internal Audit Reports/Scopes/Progress Reports

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4. Financial Considerations

A provision has been provided in this year's budget for Council's Internal Audit contract fees.

5. Consultation/Public Submissions

N/A

6. Risk Analysis

The *Strategic Internal Audit Plan 2019/20 to 2021/22* identifies the top seven strategic and corporate risks on page 2 of the Report.

7. Options

The Committee has the option to accept or seek further information from the internal auditors in relation to this Report and adjust the work plan before the planned review in June as it sees fit.

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1. Internal Audit Status Report as at December 2019 including Program Calendar

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6.3 DRAFT TERMS OF REFERENCE (SCOPE) ON ROAD MANAGEMENT PLAN

Author: Cheryl Santoro - Senior Administration Officer
Presenter: Christine Denyer – Manager Legal & Governance

PURPOSE OF REPORT

To present the draft *Terms of Reference (scope) Road Management Plan Internal Audit* (the Terms of Reference).

OFFICER RECOMMENDATION:

That the Audit Committee approve the Terms of Reference at **Appendix 1**.

Recommendation 3

Ms Gregory/Mr Mansoor.

That Council:

1. note that the Audit Committee reviewed the report; and
2. approve the Terms of Reference.

CARRIED

REPORT**1. Executive Summary**

Internal audit Terms of Reference (scopes) are presented to the Audit Committee in February, April, June, October and December pursuant to the *Melton City Council – Audit Committee Annual Plan*.

The timing of each audit and corresponding report is determined by the approved *Strategic Internal Audit Plan 2019/20 to 2021/22*.

The draft *Terms of Reference Road Management Plan Internal Audit* is presented to the Audit Committee as per that approved plan.

2. Background/Issues

Internal audit Terms of Reference (scopes) are presented to the Audit Committee in February, April, June, October and December pursuant to the *Melton City Council – Audit Committee Annual Plan*.

The timing of each audit and corresponding report is determined by the approved *Strategic Internal Audit Plan 2019/20 to 2021/22*.

The draft *Terms of Reference Road Management Plan Internal Audit* is presented to the Audit Committee as per that approved plan.

The draft Terms of Reference states the objective is, 'assess whether adequate processes and internal controls are in place to manage compliance with MCC's Road Management Plan and the Road Management Act 2004'.

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3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

9. Internal Audit Reports/Scopes/Progress Reports

4. Financial Considerations

A provision has been provided in this year's budget for Council's Internal Audit contract fees.

5. Consultation/Public Submissions

Consultation will occur with relevant staff members throughout the review process of this internal audit review.

6. Risk Analysis

The Terms of Reference identify one strategic risk, 'failure of business partner which is rated as medium and one corporate risk, 'failure to comply with legislated duties' which is also rated as medium.

7. Options

The Committee has the option to accept, amend or reject the draft Terms of Reference.

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1. Draft Internal Audit Scope on 'Road Management Plan'

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6.4 INTERNAL AUDIT REPORT ON FINANCIAL CONTROLS (PAYROLL) 2019/20

Author: Cheryl Santoro - Senior Administration Officer
Presenter: Christine Denyer – Manager Legal & Governance

PURPOSE OF REPORT

To present the Internal Audit Report, *Financial Controls (Payroll) 2019/20* ('The Report')

OFFICER RECOMMENDATION:

That the Audit Committee recommend to Council that:

1. the Report at **Appendix 1** be noted
2. the recommendations and management comments contained in the Report be formally endorsed.

Recommendation 4

Cr Hardy/Ms Gregory.

That Council:

1. note that the Audit Committee reviewed the report; and
2. approve the recommendations and management comments contained in the report.

CARRIED

REPORT**1. Executive Summary**

Internal audit reports are presented to the Audit Committee in February, April, June, October and December pursuant to the *Melton City Council – Audit Committee Annual Plan*.

The timing of each audit and corresponding report is determined by the approved *Strategic Internal Audit Plan 2019/20 to 2021/22*.

According to that Plan the internal auditors conducted a review of financial controls (payroll) and the resulting Report dated 4 December 2019 is attached at **Appendix 1**.

2. Background/Issues

Internal audit reports are presented to the Audit Committee in February, April, June, October and December pursuant to the *Melton City Council – Audit Committee Annual Plan*.

The timing of each audit and corresponding report is determined by the approved *Internal Strategic Internal Audit Plan 2019/20 to 2021/22*.

According to that Plan the internal auditors conducted a review of financial controls (payroll).

The objective of the Audit was to assess adequacy of controls and processes in place for payroll processing and management.

The Report dated 4 December 2019 is attached at **Appendix 1**.

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The summary of findings is set out on page 7 of the report.

The report contains 7 recommendations with management comments. In relation to those comments, the Manager of People and Culture, Nicole Misurelli is on standby to attend the meeting to answer any questions.

The internal auditors will also be present at the meeting to answer any questions.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

9. Internal Audit Reports/Scopes/Progress Reports

4. Financial Considerations

N/A

5. Consultation/Public Submissions

Consultation occurred with relevant staff members throughout the process of this internal audit review. The Key Personnel Interviewed is set out on page 20 of the Report.

6. Risk Analysis

The key risk associated with this report, fraud and corruption, is set out on page 3 of the report and is rated medium.

A medium rating is defined in the report as, *'the controls, processes, or strategies contain inadequacies which do not mitigate risk to an acceptable level and/or Multiple instances of non-compliance were identified.'*

7. Options

The Committee may accept, or request further information in relation to this report tabled by the Internal Auditors.

The Committee may also suggest amendment to the management comments and/or due dates.

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1. Internal Audit Report on Financial Controls (Payroll)

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6.5 INTERNAL AUDIT RECOMMENDATION TRACKING REPORT FOR DECEMBER 2019

Author: Cheryl Santoro - Senior Administration Officer
Presenter: Cheryl Santoro - Senior Administration Officer

PURPOSE OF REPORT

To present the *Internal Audit Recommendation Tracking Report for December 2019* (the Report).

OFFICER RECOMMENDATION:

That the Audit Committee note the Report at **Appendix 1**.

Recommendation 5

Cr Hardy/Mr Mansoor.

That Council note that the Audit Committee reviewed the report and that subject to minor updating no further action is required.

CARRIED

REPORT**1. Executive Summary**

An updated report on the current status of recommendations emanating from Internal Audit reports is required to be presented to the Audit Committee pursuant to the *Annual Plan* and pursuant to the *Strategic Internal Audit Plan 2019/20 to 2021/22*.

The Report is attached at **Appendix 1** for the Committee's consideration.

2. Background/Issues

Pursuant to the *Annual Plan* and the *Strategic Internal Audit Plan 2019/20 to 2021/22* Council's internal auditors conduct planned audits.

In order to track and report on these audits and the resultant reports, the recommendations accepted by Council, upon the Audit Committee's recommendation, are recorded in Council's Risk Register.

Each internal audit recommendation is assigned an Action Owner. It is the responsibility of the Action Owner to action and report on the progress of addressing the recommendation.

Attached to this report at **Appendix 1** is the *Internal Audit Recommendation Tracking Report for December 2019*.

Recommendations shaded in green are those that have been completed since the last report to the Audit Committee.

Actions from last meeting:

A number of Actions were agreed to by the Audit Committee at its last meeting. The actions have been addressed in the Tracking report as follows:

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1. 2525 recommendation to be closed off
2. 2588 update on whether the drill for MIRC, scheduled for September 2019 had taken place.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

11. Status of Internal Audit Recommendation Tracking Report

4. Financial Considerations

Nil.

5. Consultation/Public Submissions

Nil.

6. Risk Analysis

Recommendations from each internal audit are recorded in Council's Risk Register for the attention of the respective action owners. Not all recommendations are associated with risk although many are. Nevertheless, the risk register is considered the best place to store and track this information.

Each audit report sets out the main risk and any other risks in relation to the findings and recommendations.

7. Options

The Audit Committee can:

1. Note the report as per the recommendation;
2. Request further information as deemed necessary.

LIST OF APPENDICES

1. Internal Audit Recommendation Tracking Report for December 2019

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**6.6 SCHEDULE OF AUDIT COMMITTEE MEETINGS AND ANNUAL PLAN FOR 2020
CALENDAR YEAR**

Author: Cheryl Santoro - Senior Administration Officer
Presenter: Cheryl Santoro - Senior Administration Officer

PURPOSE OF REPORT

To present to the Audit Committee the proposed Meeting Schedule and Annual Plan for the 2020 calendar year.

OFFICER RECOMMENDATION:

That the Audit Committee:

1. approve the proposed Meeting Schedule 2020 at **Appendix 1** (provided there has been no change to the proposed Ordinary Council meeting schedule 2020 at its 9 December 2019 meeting).
2. Approve the proposed Annual Plan 2020 at **Appendix 2**.

Recommendation 6

Ms Gregory/Mr Mansoor.

That Council:

1. approve the proposed Meeting Schedule 2020 with the amendment to change the February meeting from Wednesday 26 February 2020 to Tuesday 25 February 2020.
2. approve the proposed Annual Plan 2020.

CARRIED

REPORT**1. Executive Summary**

Item 5 of the Audit Committee Terms of Reference (Charter) which was reindorsed by the Audit Committee in June 2019 sets out that a schedule of meetings and an annual work plan will be developed and agreed by the members annually.

2. Background/Issues

Item 5 of the Audit Committee Terms of Reference (Charter), requires a schedule of meetings and annual work plan to be developed and agreed to by the members.

Insofar as the meetings area concerned, these should, as much as possible, coincide with Council meetings and other relevant deadlines. The proposed schedule attached at Appendix 1 has been drafted with both of these factors in mind, noting that at the time of publication of this report, Council has not yet formally adopted its meeting schedule for 2020.

The 2020 Council meeting dates will likely be set at the ordinary meeting of Council on 9 December 2019 and the proposed dates at **Appendix 1** are based on the proposed ordinary Council Meeting dates as set out in the Council Meeting Agenda. Insofar as other relevant

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dates, most noteworthy are the draft annual financial and performance statements for submission to the Minister for Local Government within the legislative timeframe.

The proposed Annual Plan is attached at **Appendix 2** with all proposed changes showing in redline.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

13. AC Charter

4. Financial Considerations

N/A

5. Consultation/Public Submissions

A consultation process took place with Council's Finance Manager to ensure the completion and submission of the financial reports is achievable. Also with Council's Governance Coordinator in relation to the proposed ordinary meetings of Council for 2020.

6. Risk Analysis

N/A.

7. Options

The Audit Committee can:

1. Approve the proposed Meeting Schedule 2020;
2. Amend the proposed Meeting Schedule 2020.
3. Approve the proposed Annual Plan 2020.
4. Amend the proposed Annual Plan 2020.

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1. Schedule of Audit Committee Meetings for 2020 Calendar Year
2. Annual Plan 2020

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7. MEET WITH AUDITORS IN THE ABSENCE OF MANAGEMENT

Meeting not required.

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8. PUBLICATIONS**8.1 PUBLICATIONS**

- VAGO Report on Council Libraries published November 2019
- VAGO Report on Results of 2018-19 Audits: Local Government published November 2019

OFFICER RECOMMENDATION:

That the publications as attached are noted.

Recommendation 7

Ms Gregory/Cr Hardy

That Council:

1. note that the Audit Committee reviewed the publications; and
2. request Council officers prepare the following reports for the consideration of the Audit Committee.
 - A. In relation to the VAGO report on Council Libraries, the following recommendations on page 13 of the report to be addressed, namely:
 - i. improve library service planning by:
 - documenting service plans
 - conducting detailed and regular community consultation to understand community expectations for library services
 - linking delivery of library services to identified community needs and overall council objectives (see Sections 3.3 and 3.4)
 - ii. identify the full costs of their library services, including indirect costs, to inform benchmarking, planning and monitoring services (see Section 3.2)
 - iii. work with Public Libraries Victoria to ensure the cost data it reports as part of its annual survey is consistent and comparable (see Section 3.2)
 - iv. investigate ways to achieve cost-efficiencies such as through alternative library service delivery models, shared service arrangements or outsourcing (see Section 3.6).
 - B. In relation to the VAGO report on the Results of the 2018-19 Audits : Local Government, the following recommendations on page 8 of the report to be addressed, namely:
 - i. monitor the impact and progress of Cladding Safety Victoria's rectification works and continue to identify buildings at risk (see Section 1.2).
 - ii. work with the state government to explore sustainable, innovative and longer-term solutions to recyclable waste (see Section 1.2)
 - iii. ensure they have strong frameworks, policies and controls in place for the use of corporate and procurements cards (see Section 3.2).
 - iv. maintain sufficient oversight of activities outsourced to external service providers (see Section 3.2).

CARRIED

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1. VAGO Report on Council Libraries - dated November 2019
2. VAGO Report on Results of 2018-19 Audits: Local Government - dated November 2019

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9. OTHER MATTERS RAISED BY THE COMMITTEE

K. Tori informed the Committee that R. Tommasini was successful in the appointment for the vacancy of an independent external Audit Committee member for the next three years.

Cr. Hardy advised the Committee that in relation to the sale of land at Abey Road Cobblebank, considered by the Council at its meeting held 9 December 2019, that Councillors were not provided with a copy of the full valuation including a description (plan) of the site.

Christine Denyer undertook to obtain and distribute the document.

M. McCullagh, Internal Auditor, advised she would be taking maternity leave in 2020.

MINUTES OF THE AUDIT COMMITTEE MEETING

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10. CONFIDENTIAL BUSINESS

Nil.

11. NEXT MEETING

The next Audit Committee meeting will be held on Tuesday 25 February 2020.

12. CLOSE OF BUSINESS

The meeting closed at 1.15 pm.

Confirmed

Dated this

.....CHAIRPERSON