

Minutes of the 92nd
Audit Committee
Meeting Held on 23 August 2013 3.00 pm
Conference Room

Present:

| | |
|---------------|-------------------------------------|
| Alan Hall | External Member (Chairperson) |
| Mark Holloway | External Member |
| Adam Roberts | External Member |
| Cr. Majdlik | Councillor Member (Arrived 3.23 pm) |

Attendance:

| | |
|--------------|---|
| M. Heaney | Acting Chief Executive Officer |
| M. Thompson | Internal Auditor |
| P. Delahunty | External Auditor |
| I. Stewart | Acting General Manager Corporate Services |
| Shan | Finance Manager |
| D. Caligari | Manager Capital Projects |
| D. Banneyake | Acting Management Accounting Co-ordinator |
| A. Brae | Co-ordinator Accounting Services |
| C. Santoro | Senior Administration Officer |

The Chairperson officially opened the meeting at 3.01 pm.

1. Apologies

| | |
|------------|------------------------------------|
| Cr. Ramsey | Councillor Member |
| K. Tori | Chief Executive Officer |
| P. Bean | General Manager Corporate Service |
| M. Noor | Management Accounting Co-ordinator |

2. Declaration of any Pecuniary Interest, Other Interest or Conflict of Interest of any Committee Member

No pecuniary interest, other interest or conflict of interest were declared.

3. Confirmation of Minutes for Meeting held on 12 June 2013

Moved: M. Holloway Seconded: A. Roberts

That the minutes of the Audit Committee meeting dated 12 June 2013 be confirmed as a true and correct record.

Carried

4. Report Back from Council on Consideration of Previous Minutes

Acting Chief Executive Officer advised the Committee that Council considered and unanimously adopted the recommendations of the previous minutes of the Committee.

Noted

5. Discussion with External Auditors re Annual Financial Statements, Standard Statements & Performance Statement for 2012/2013

The Finance Manager informed the Committee on some of the major highlights emanating from the 2012/2013 Financial Statements:

- Income from Rates and Charges increased 9.3%
- Interest Income down by \$1 million
- Employee Benefits expenditure down by \$3 million
- Capital Grants up due to Library Learning Centre and BACE projects
- Increase of \$20 million due to Developer Contributions non-monetary assets

The External Auditor informed the Committee on the following key issues:

- Drainage Assets revalued and have not yet been reviewed by Auditors
- Recreation assets have not been revalued since 2009
- Revenue systems were assessed with no major items reported
- Balances recorded for the performance of financial investments were matched to records of the financial institutions.

The following items were raised by Committee members in relation to the Annual Financial report:

- Pg 5 –Include in first paragraph ‘Formerly Melton Shire Council’
- Pg 24-26 Note 21 – disposals to be deleted from at cost line and included fair value
- Pg 26 – Correction to Drainage Works at cost and accumulated depreciation
- Pg 29 – Note 23a include date of valuation
- Pg 36 – Sixth paragraph change word from ‘this’ to ‘any’
- Pg 45 – Note 37 change Councillor Mammarella’s date from 2013 to 2012
- Pg 48 – Note 41 Check calculations on debt commitment ratio
- Pg 49 – Note 41 change working capital ratio 2012 figure should be 1.57 and adjusted working capital ratio to be checked.

The following items were raised by Committee members in relation to the Performance Statement report:

- KSA no. 10 – under performance column move 656 contacts figure under 23 schools

The following items were raised by Committee members in relation to the Standard Statement report:

- Grammar and spelling checks to be completed
- Note to Standard Statements, fifth paragraph include a 'positive or negative variance of \$250k
- Additional Notes to reflect any variances above \$250k
- Income Interest explanation to be reworded
- Cash and Cash Equivalents explanation to be expanded

The Co-ordinator Accounting Services informed the Committee that the items raised would be amended accordingly.

The Committee had no further enquiries.

Recommendation 1:

That Council adopt in principle the draft Annual Financial Statements, Standard Statements and Performance Statement for the year ended 30 June 2013, as amended by the External Auditors following their consideration on the above identified matters.

6. Interim Management Letter – Financial Audit 30 June 2013

The External Auditor discussed the following matters in relation to the 'Closing Report to the Audit Committee Financial year ended 30 June 2013':

- Revaluation of Recreation and other Infrastructure class has not been revalued since 2009.
- Recommendations for improvements in the Performance Statement will be included in final management letter, in line with VAGO's directions regarding best practice.
- In relation to audit adjustments and unadjusted differences, it was noted that changes were made to the financial statements since last audit visit concluded to account for drainage assets. These changes have not yet been reviewed by Audit. A final QA review will be undertaken.
- The Audit Committee Charter does not set out a required review frequency, and need to update the Charter to incorporate review timeframes.

Alan Hall suggested the Audit Committee Charter be reviewed, determining the required review frequency and table at the next Audit Committee meeting for discussion.

Action: Senior Administration Officer

As there were no questions raised in relation to the Interim Management Letter Financial Audit 30 June 2013, the Committee agreed to meet “in-camera” with the Internal and External Auditors. All Council Officers departed the meeting.

Departed at 4.05 pm: Acting Chief Executive Officer, Acting General Manager Corporate Services, Finance Manager, Manager Capital Works, Co-ordinator Accounting Services, Acting Management Accounting Co-ordinator and Senior Administration Officer

Council Officers returned to the meeting at 4.21 pm with the exception of Co-ordinator Accounting Services.

External Auditor departed 4.21 pm

7. Year End Monthly Finance Report

Note – The Monthly Finance Report incorporates analysis and comments and is considered by the Audit Committee “in Camera”

8. Update on Status of the Construction of Westwood Drive Contract

Note – Matters discussed under this Agenda item were dealt with “in-Camera” as it relates to contractual, legal and personnel matters.

9. Business Arising From Previous Minutes

- Response on the Adjustment of \$466k in Rate Balances & Collection Details report

The Finance Manager informed the Committee that the \$466k adjustment was a calculation error and the amended Rate Balances & Collection Details report reflects this adjustment.

The Committee raised no questions and noted the response of the \$466k

Noted

- Status Report on Project Management

The Manager Capital Projects explained to the Committee the concept of the project management practice improvement roadmap, illustrating procedures, strategies, training, timeframes and reviews.

As there were no questions raised the Committee noted the report.

Noted

Adam Roberts enquired when the HACC Services audit review would be circulated to the Committee members, as requested at the last Committee meeting.

The Acting Chief Executive Officer informed the Committee that this review will be circulated to the Committee as per requested.

Action: Acting Chief Executive Officer

10. Risk Management**- Past Due Risks in Risk Register Summary****- Update on Previous Internal Audit Reports Recommendations**

Alan Hall expressed his concern on the number of overdue risks being pushed out, where 16 risks within the past due risk report, dates have changed with minimal modification to the completion of risks.

Alan Hall suggested that the scope for the internal audit review on Management Reporting incorporate overdue high and medium risks and the issues relating to these risks, including the reasons for the delay, the exposures to Council and an effective process to ensure these risks are finalised.

The Internal Auditor informed the Committee that the Management Reporting scope can be amended to include overdue high and medium risks, but the hours for this scope will need to be expanded to ensure this proposal is adequately addressed.

Alan Hall suggested the Internal Auditor amend the Management Reporting scope with the proposed hours and circulate to the Committee for approval.

Adam Roberts enquired whether the overdue risk report incorporate the current due date in brackets in the same column as the revised date.

The Senior Administration Officer informed the Committee that this is plausible and will amend the report accordingly.

As there were no further questions raised, the Committee noted the Past Due Risks in the Risk Register Summary report and the Update on Previous Internal Audit Reports Recommendations.

Noted

Action: Senior Administration Officer

11. Fourth Quarter Council Action Plan Performance Report

The Committee expressed their concerns on the unachieved actions from the 2012/13 and 2011/12 Action Plans.

Mark Holloway enquired on risk number 58 in relation to 500 pools within the municipality without a permit and the exposure to Council.

The Acting Corporate Services General Manager informed the Committee there is limited exposure to Council, as aerial images were taken of the municipality, and blue areas were identified as pools. Pool barriers are only required for depths greater than 300mm. Further work is being undertaken to entail whether these swimming pools are greater than 300mm in depth and whether a permit formed part of the original building permit. Letters have been forwarded to residents in relation to this matter.

As there were no further questions raised, the Committee noted the report.

Noted

12. Verbal Confirmation By the Internal Auditor That Their Work Has Not Been Obstructed in Any Way

The Internal Auditor advised the Committee that there were no obstructions to report.

Noted

13. Internal Audit Progress Report July 2013 – June 2015

The Internal Auditor informed the Committee that the internal audit reviews are on track and in line with Council's internal audit program.

Alan Hall enquired whether the audit hours for the User Fees and Charges review can be decreased, therefore increasing the hours for the Management Reporting review.

The Internal Auditor informed the Committee that the User Fees and Charges review is quite a comprehensive audit and suggested the current 100 hours remain and the Management Reporting review be increased 15 – 20 hours to accommodate this the overdue risks.

As there were no further discussions, the Committee noted the report.

Noted

14. Internal Audit Strategic Audit Plan 2013/2015

With the exception to the amendment of the Management Reporting review, the Committee noted the Internal Audit Strategic Plan 2013/2015.

Noted

15. Internal Audit Review Scope for ‘User Fees & Charges (Non-statutory)’

As there were no questions raised, the Committee noted the draft User Fees & Charges (Non-statutory) scope.

Noted

16. Internal Audit Review Scope for ‘Management Reporting’

The Internal Auditor informed the Committee that this review will assess the adequacy of the quality and appropriateness of management reporting.

Alan Hall suggested the review incorporate significant variations of budgeting and capital works.

The Internal Auditor informed the Committee that the current objectives will cover these suggestions. The draft scope will be amended to incorporate overdue high and medium risks and the draft scope will be circulated to the Committee members for approval.

As there were no further discussions, the Committee noted the report.

Noted

Action: Internal Auditor

17. Internal Audit Review – ‘Cash Receipting & Handling’

The Internal Auditor informed the Committee that this review highlighted 5 high risks, with concern on the risks identified at the Melton Recycling Facility (MRF). The other two sites are managed in-house with satisfactory controls in place, but the MRF is currently managed by external Contractors and requires a number of control risks to be addressed to reduce the risk of fraud. The MRF currently collects on Council’s behalf approximately \$1.5 million with 70k visitors per annum, with little or no segregation of duties.

The Committee expressed their concerns on these risks and will monitor the enhancements addressing the recommendations through the risk register.

Recommendation 3:

That the recommendations and management comments in the Cash Receipting & Handling report be adopted by Council.

18. Report on Published Statements/Reports

- **'Amendments to the Audit Act 1994 following reforms to Victoria's Integrity System' - VAGO**

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

Noted

- **Age Newspaper Article 23/06/2013 – 'Scams Fleece Council of up to \$1 Million'**

- As there were no questions raised, the Committee noted the report.

Noted

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

No matters were discussed under this agenda item.

20. General Business

As there was no general business raised, the Chairperson officially declared the meeting closed at 5.24 pm.