

AUDIT & RISK COMMITTEE MINUTES

8:00 – 10:30am Tuesday 11 August 2020

Online meeting via Zoom

Audit & Risk Committee	
Andrew Dix	Independent Chair
Katie Baldwin	Independent Member
John Watson	Independent Member
Councillor Geoff Lake	Audit & Risk Committee Member
Councillor Stuart James	Audit & Risk Committee Member

Other Attendees	
Andi Diamond	Chief Executive Officer
Danny Wain	Chief Financial Officer
Ross Goeman	Manager Corporate Performance
Jarrold Doake	Chief Operating Officer
Jo Robertson	Executive Manager Communications
Leanne Wiebenga	Executive Manager People & Culture
Ossie Martinz	Director Infrastructure
Russell Hopkins	Director Community Services
Peter Panagakos	Director City Development
Simone Wickes	Manager Financial Services
Grant Lapan Walker	Manager People Services
Greg Talbot	Manager Community Amenity
Paul Grobler	Manager Business Technology
Fiona Fernandes	Coordinator Business Assurance
Sharon Tzimokas	Coordinator Risk Management & Insurance
Hirosha De Costa	Financial Accountant
Maria Isabella	Coordinator Corporate Performance and Reporting
Martin Thompson	Senior Partner - Audit and Assurance Crowe
Sanchu Chummar	Acting Sector Director, LG and Planning - VAGO – External Auditor
Jung H Yau	Manager Financial Audit - VAGO – External Auditor

The Chair welcomed John Watson to his first meeting as a member of the Committee

1.1 Apologies

Lynda Cooper – Internal Audit - Crowe

1.2 Disclosure of any Conflict of Interest

None Disclosed

1.3 Confirmation of minutes as circulated – 23 June 2020

Recommendation:

The minutes of the Audit & Risk Committee meeting of 23 June 2020 be accepted.

Moved: Katie Baldwin / Cr Lake. Carried

1.4 Matters Arising

It was noted that all current open actions are either to be completed in the current meeting or are scheduled for completion at future meetings.

Action: Items 4.2 and 1.5 which relate to risk will remain open, with a update to be provided at the Dec 2020 meeting [[Fiona Fernandes](#)]

Recommendation:

The Committee notes the report.

1.5 ARC Annual Work Plan

The Committee noted all the actions on the Work Plan and agreed that the agenda for today's meeting covers all items listed in the Plan for this meeting.

Action: Provide the committee with an updated Work Plan (including track changes) to demonstrate the incorporation of the requirements of the new LG Act 2020 at the Dec 2020 meeting [[Fiona Fernandes](#)]

Recommendation:

The Committee notes the report.

1.6 CEO Briefing

Andi Diamond presented an update to the Committee on several matters including Council's response to the COVID-19 pandemic and in particular the service, financial and OH&S impacts for Council and staff. Council's, Incident Control Group leader, Greg Talbot briefed the Committee on Covid-19 impacts and Council's responses. Dr Diamond also briefed the Committee on the closures of services with Stage 4 restrictions as well as the increased support to staff with regards to supporting mental health. Discussion was also held about the proposed 10% waiver on Council rates for the 2020/21 financial year.

Recommendation:

The Committee notes the briefing.

2 Financial & External Reporting

2.1 Annual Financial Statements (Simone Wickes)

The 2020 draft Annual Financial Report was presented to the Committee along with:

- explanatory notes as supplementary guidance to Council's 2019/20 Financial Statements providing an insight into:
- the purpose of each element of financial report; and
- any material issues that have affected the financial performance of Council; and
- the draft Council report *"2019/20 Financial Statement & Performance Statements"*.

The Manager Financial Services outlined the process for consideration of the 2019/20 Financial Report and Performance Statements, advising the Committee that management will be seeking authorisation from Council that the two Councillor members of the Committee, Cr Geoff Lake and Cr Stuart James, certify the Statements 'in principle' as required by the Local Government Act. Also resolved that should there be any substantive changes to the statements in the period between this meeting and the date when the nominated Councillors certify the statements, that those changes be advised to members of the Committee for review and endorsement before certification occurs

The Committee congratulated management on the standard of the financial accounts and the preparation that had gone into producing them on such a timely basis.

Actions: The following changes/edits were suggested by committee members for management to incorporate into the financial statements with guidance from VAGO [Simone Wickes/Hirosha De Costa]:

- Include a statement on COVID-19 impact into the Overview section on page 7 of statements
- Provide some explanatory disclosure about the increase in WorkCover costs from the previous year under the Employee Note (page 17).

2.2 Annual Performance Statement (Maria Isabella)

The 2020 draft Performance Statement was presented to the Committee. The members were complimentary on the extent of commentary provided for all measure. Committee members were complementary on the standard and completeness of the commentary notes in the Performance Statement and LGPRF report.

Actions: The following changes/edits were suggested by Committee members for management to incorporate into the performance statements with guidance from VAGO [Ross Goeman/ Maria Isabella]:

- For all measures where we have changed the calculation formula, it should be noted in the commentary that the substantial change in results is attributed to the change in methodology, and provide relevant comparatives where possible.
- Review the Asset Renewal targets – with regards to Council Plan/Asset Plan and Financial Plan and prepare for discussion a view on any changes to our long term target that are required (June 2021 meeting)
- Expand on the commentary for indicator "FS1 Time taken to action food complaints" in the LGPRF charts.
- Include in the commentary the reason for the large variance from prior years resulting is due to the change in calculation for indicator "LB5 Cost of library service per population"

Recommendation:

The Committee:

- a) endorses the draft 2019/20 Financial Report and Performance Statement (the Statements), subject to resolution of any outstanding audit issues and minor amendments; and
- b) recommends that Council, at its meeting on 25 August 2020, adopts the Statements “in principle” and forwards the Statements to the Auditor-General for certification.”

Moved: John Watson / Katie Baldwin. Carried

2.3 Review draft “Report on Audit & Risk Committee” statement for Annual Report (Fiona Fernandes)

The draft Audit & Risk Committee report for inclusion in Council’s 2019/20 Annual Report was presented to the Committee. The report outlined the membership structure, performance and key activities for the year.

Recommendation:

That the Committee endorse the report following some minor wording changes provided by Katie Baldwin.

Moved: Katie Baldwin / Cr James. Carried

2.4 Draft Budget (Simone Wickes)

The Draft Budget document was provided to the Committee prior to the meeting. No discussion on this item was undertaken during the meeting.

Recommendation:

The Committee notes the Draft Budget document

3 External Audit

3.1 VAGO Closing Report on audit for 2019/20 (VAGO)

Sanchu Chummar, Sector Director VAGO advised that VAGO was satisfied with Council’s Financial Report & Performance Statement. VAGO advised that all outstanding matters are being dealt with satisfactorily and, subject to final quality checks, they will be recommending the Auditor-General issue a clear audit opinion.

3.2 Final Management Letter for 2019/20 (VAGO)

Sanchu Chummar, Sector Director VAGO advised the Committee that all open audit findings were low or medium rated and on track to being resolved. There were 4 low rated outstanding audit items which were still yet to be reviewed by VAGO’s IT team and therefore still listed in the closing report. These will be closed by VAGO if possible before issue of the final report.

3.3 Other matters – including Performance Audit Reports

No other matters were disclosed

Recommendation:

That the Committee noted the Closing report and Final Management Letter.

4 Risk Management / Ethical Behaviour

4.1 Risk & Opportunity Management Update (Ross Goeman)

Ross Goeman gave the Committee an update on the Council's Risk activities since the June meeting.

Action: Management to meet with Crowe to review the action plan for the year and discuss how we identify the critical second line of defence controls in our Risk profile, which will also assist Crowe with future internal audits **[Ross Goeman / Crowe]**.

5 Internal Audit

5.1 Status of Delivery of the 2020/21 Annual Plan (Crowe)

Crowe provided the updated 2020/21 to the Committee for endorsement and to be forwarded to Council for approval at the next Council meeting. The updated report was developed following further discussion/assessments on COVID-19 impact to the 2020/21 plan with both the Chair and management.

Recommendation:

The Committee to note the changes in the 2020-21 Internal Audit Plan and recommend to Council for approval at the next Council meeting.

Moved: Katie Baldwin / John Watson. Carried

5.2 Approval of new Review Scopes

The Committee noted that the scope documents for the "Implementation of A Healthy and Resilient Monash: Integrated Plan" and the "Tree Management: Follow up" reviews had been circulated to Committee members prior to the meeting and feedback received was incorporated into the final scope. No discussion on this item was undertaken during the meeting.

5.3 Status of Open Recommendations

The report highlighted that since the last meeting the total number of open actions items have increased by 3 to 39 (previously 36 items). The report highlighted the closure of an old Project Management and 2 x Community Infrastructure audit actions as sufficient work has been done to mitigate the risks highlighted in the original reviews. No discussion on this item was undertaken during the meeting.

5.4 Payroll Review

In July 2020, a review was undertaken to review the adequacy of employee payments, decentralised time and attendance systems (TimeTarget), including manual timesheets and links to payroll systems. The review identified eight controls that should be implemented and/or improved to reduce the identified weaknesses and exposures.

Action: People & Culture to liaise with Crowe to agree what controls can be implemented to reduce the risk rating of finding #2 from high to within our risk tolerance and report back to the committee at the Dec 2020 meeting [[Grant Lapan Walker/ Lynda Cooper](#)]

Recommendation:

The Committee notes the Audit report tabled and the management actions outlined in the report.

6 Internal Control Environment

6.1 Review of Key policies; Changes to Key systems; Business Ethics/ Fraud & Corruption Management

The following policies/documents were circulated to the committee for review and feedback:

- Fraud & Corruption Control Framework
- Public Interest Disclosures Procedures
- Guidance to Internal Investigations (new)

No discussion on this item was undertaken during the meeting, however committee members were asked to provide feedback/queries to management outside of the meeting.

7 Compliance Management

7.1 Update on Local Government Act 2020 implementation (Ross Goeman)

A briefing paper on the implementation of the Local Government Act 2020 and the key activities undertaken by the Project Control Group (who meet fortnightly) to implement the more immediate requirements of the Act as well as prepare for sections that have somewhat longer timelines for implementation was provided to the committee.

No discussion on this item was undertaken during the meeting, however committee members were asked to provide feedback/queries to management outside of the meeting.

8 Governance

8.1 Identification of any “Confidential” items discussed during the meeting

None identified.

9 Meeting Schedule

The Following meeting dates were confirmed by members:

1 December 2020, 8.00 - 10.30 am

2 March 2021, 8.00 - 10.30 am

22 June 2021, 8.00 - 10.30 am

10 August 2021, 8.00 - 10.30 am

10 General Business

The CEO advised the Committee that this would be the last meeting for Simone Wickes as she is leaving to take an opportunity elsewhere. The Committee thanked Simone for the leadership she had provided during her time at Monash, and for the excellent work she has done in leading the Financial Services Team.

11 Meeting Closed at 10:36 AM

12 Other Business - Invitation to VAGO & Crowe to meet separately with Audit & Risk Committee members

Following the close of meeting, the members of the Committee met with the External Auditors - Sanchu Chummar & Jung H Yau from VAGO to discuss any issues that needed to be raised in the absence of management.

CONFIRMED:

ANDREW DIX

Chair

Date: ____ / ____ / ____

Distribution List:

Audit & Risk Committee
Meeting Attendees
Executive Leadership Team