

AUDIT & RISK COMMITTEE MINUTES

8:00 – 10:00am Tuesday 14 August, 2018
Meetings Rooms 1&2, Ground Floor, Civic Centre

Audit & Risk Committee	
Geoff Harry	Independent Chair
Bev Excell	Independent Member
Katie Baldwin	Independent Member
Councillor Rebecca Paterson	Councillor Member
Councillor Josh Fergeus	Councillor Member
Other Attendees	
Andi Diamond	Chief Executive Officer
Danny Wain	Chief Financial Officer
Jarrold Doake	Chief Operating Officer
Ossie Martinz	Director Infrastructure
Ross Goeman	Manager Corporate Performance
Simone Wickes	Manager Financial Services
Paul Grobler	Manager Business Technology
Jason Farrugia	Manager Strategic Procurement
Fiona Fernandes	Coordinator Business Assurance
Hirosha De Costa	Financial Accountant
Natalie James	Director Pitcher Partners – Internal Auditor
Tim Loughnan	Financial Audit Sector Director (LG) VAGO – External Auditor
Kevin Chan	Manager VAGO – External Auditor

1 Opening of Meeting / Procedural

1.1 Apologies

Maria Isabella
Graham Noriskin

1.2 Disclosure of any Conflict of Interest

None disclosed

1.3 Confirmation of minutes as circulated – 19 June 2018

Recommendation:

The minutes of the Audit & Risk Committee meeting of 19 June 2018 be accepted.

Moved: Katie Baldwin / Bev Excell

1.4 Matters arising from previous meetings

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

Action:- the Chair mentioned that for the ELT member briefing to the Committee at the December meeting they would like to hear the following points addressed:

- The areas of responsibility for the division
- Size of budget
- The key objectives and risks for the division and how are these dealt with [ELT member presenting]

Recommendation:

The Committee notes the report.

2 External Reporting

2.1 Review Audited Annual Financial Report & Audited Annual Performance Statement for 2017/18 (Simone Wickes)

The 2018 draft Annual Financial Report & Performance Statement were presented to the Committee along with:

- explanatory notes as supplementary guidance to Council's 2017/18 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 "2017/18 Financial Statement & Performance Statements".

The Manager Financial Services outlined the process for consideration of the 2017/18 Financial Report and Performance Statements, advising the Committee that management will be seeking authorisation from Council that the two Councillor Audit & Risk Committee members, Cr Rebecca Paterson and Cr Paul Klisaris, certify the Statements in their final form, should any changes result from the external audit process.

The Committee members requested the following items for change / clarification to the Financial Report:

- **Action:** - Management to review the threshold for capitalisation (currently \$1,000) and come back to the December Committee meeting with any views on if the threshold should be increased. [Simone Wickes/ Hirosha De Costa].
- **Action:** Management to change the wording on page 9 (Variance Ref 4) of the financial statement to "Oakpark Drive Drainage (\$0.598M) was completed in 2017/18.....". [Simone Wickes / Hirosha De Costa].
- **Action:** to amend spelling mistake on Cr Theo Zographos name on page 27 of Financial report under Note 6) [Simone Wickes / Hirosha De Costa].
- **Action:** to amend the commentary under Note 7.1 Landfill to better reflect the contingent liability. [Danny Wain/ Simone Wickes].

The Committee members requested the following items for changes to the Performance Statement:

Action: - Management to review commentary in regards to increase % in expenses for 2 indicators (pages 2 & 8) "*Expenses per head of municipal population*" and "*Expenses per property assessment*" The % increase in expenses is stated as different rates. [Simone Wickes / Hirosha De Costa]

Actions: Delete 2nd sentence in commentary for "Workforce turnover" (page 9) commentary as it is a duplication [Maria Isabella]

Recommendation:

The Committee:

- a) endorses the draft 2017/18 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 28 August 2018, adopts the Statements "in principle" and forwards the Statements to the Auditor-General for certification."

Moved: Bev Excell / Cr Fergeus

2.2 Comparative Analysis of the Annual Performance Statement results (Ross Goeman)

Ross Goeman outlined key highlights of the indicators and advised the Committee that a comparison report of the indicators with other councils will be tabled at the December meeting.

Recommendation:

That the Committee endorse the report.

2.3 Review draft "Report on Audit & Risk Committee Activities" for inclusion in the 2017/18 Annual Report (Ross Goeman)

The draft Audit & Risk Committee report for inclusion in Council's 2017/18 Annual Report was presented to the Committee. The report outlined the membership structure, performance and key activities for the year.

Action: - The Committee members requested the following items for change:

- On page 1 delete the sentence under the bullet points as it reflects the same wording as the last bullet point. [Fiona Fernandes].

Recommendation:

That the Committee endorse the report subject to the change requested.

Moved: Katie Baldwin / Cr Paterson

3 External Audit

3.1 VAGO Closing Report on audit for 2017/18 (Tim Loughnan)

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

3.2 Final Management Letter for 2017/18 (Tim Loughnan)

Tim Loughnan, Sector Director VAGO advised the Committee of one adjusted audit difference and one unadjusted immaterial difference in the financial report.

Action: - The Committee requested that the Director of City Development report back on the status of uncollected fines and implications to Council on the backlog at Fines Victoria at the December 2018 meeting. [\[Peter Panagakos\]](#)

Action: - The Chair requested that management review the appropriate treatment for old amounts 'held in trust', including consideration of who the recipient of the funds should be if Council is unable to return funds to original payer. In addition, to consider whether it would be appropriate to revise the current terms under which such amounts are received in future, and whether if there are unreturned amounts in future, Council is able to retain these funds for future use. A briefing paper will be provided back to the committee at the June 2019 meeting. [\[Simone Wickes / James Paterson\]](#)

Recommendation:

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

4 Internal Audit

4.1 Status of Internal Audit Plan for 2018/19 (Pitcher Partners)

Pitcher Partners issued a status report for the current year's audit plan and stated that the scope meeting and fieldwork for the first audit, "Sports Playing Surfaces and Pavilions Planning" was completed and the drafting of the report was underway.

4.2 Approval of new Review Scopes

The Committee noted that the scope document for the "Sports Playing Surfaces and Pavilions Planning" had been circulated to Committee members and feedback received was incorporated into the fieldwork by Pitcher Partners.

4.3 Review of Reports on Completed Internal Audit Reviews

No audit reviews completed for this meeting.

4.4 Development of Draft Assurance Map

The development of the Assurance Map will be done as part of the Risk Framework development.

4.5 Status of Internal Audit, External Audit & Self-Assessment Actions.

The report highlighted that since the last meeting the total number of open actions items have decreased by 8 to 44 (previously 52 items). Many of the recent actions added relate to long term initiatives to be implemented. It should be noted that 3 out of 4 the open items relate to just 4 Audits, and 3 out of 4 open items are from the last 9 months IA activity. The Committee also indicated an expectation that there would be significant progress on these actions before the next meeting

Action: - The Committee requested the old review dates on actions that have slipped be added to the report so that the committee can view issue areas [\[Fiona Fernandes\]](#).

Recommendation:

The Committee notes the report.

4.6 Annual Internal Audit Service Provider Performance Assessment (Confidential) (Geoff Harry)

The Internal Auditor departed the meeting as this item was identified as Confidential and the results of the Internal Auditor survey was discussed.

Action:- the CEO proposed that the Committee and key management personnel meet separately with the internal auditors to discuss the findings and agree on improvements. [\[Ross Goeman\]](#)

Recommendation:

The Committee notes the report.

5 Risk Management / Ethical Behaviour

5.1 Risk Management Report (Ross Goeman)

Ross Goeman provided an update on Risk Management to the Committee. He highlighted that the Risk Management and Insurance Business Unit will undertake a review of the Risk & Opportunity Management Framework and related activities during 2018/19. It is anticipated that a draft Framework would be presented to the Audit & Risk Committee for feedback in December, with a final version presented to Council for adoption in February 2019. The Committee requested involvement in the development of the Framework.

Recommendation:

The Committee notes the Risk Management update provided to the Committee.

6 Other Business

6.1 Endorse 2018/19 A&RC Work Plan (Ross Goeman)

Ross Goeman presented the Draft Audit & Risk Committee Work Plan for the financial year 2018/19, which sets out the Committee's program for the year which is aligned to the Audit & Risk Committee Charter.

Action: - The Committee requested that the External Auditor performance survey results review be moved to March 2019. [\[Fiona Fernandes\]](#)

Recommendation:

That the Committee endorse the Audit & Risk Committee Work Plan 2018/19.

Moved: Cr Paterson / Bev Excell

6.2 Report on status of the new Local Government Act and potential changes to ARC responsibilities (Ross Goeman)

Ross Goeman presented a briefing paper on the potential impacts of the new LGA on the Committee's responsibilities should the Local Government Bill be adopted.

Recommendation:

The Committee notes the report.

6.3 2018/19 Adopted Budget (Simone Wickes)

Simone Wickes presented to the Committee the major new initiatives in the 2018/19 budget and significant changes compared to the 2017/18 year. The Budget was adopted by Council on 26 June 2018 and funds substantial renewals and upgrades to important community facilities, as well as improves renewal of Council's core assets of footpaths, roads and drainage.

The Committee note the discussion to incorporate a process regarding future planning for Council's discretionary reserves into the Annual Planning Process.

Recommendation:

The Committee notes the document.

6.4 Draft Procurement policy (Jason Farrugia)

Jason Farrugia presented the draft updated Procurement Policy prior for feedback prior to presentation to Council for approval. The current version was refreshed to emphasise the intention to deliver Best Value Procurement outcomes for the community.

The Committee members provided the following items for change / feedback with regards to the draft version of the new Procurement Policy:

- **Action:** - Katie Baldwin to provide suggested wording changes/feedback directly to Jason.
- **Action:** - Include policy references in appropriate sections within the document to council's Fraud and Corruption Control Framework and the Gifts Policy.
- **Action:** - page 16- the policy should include wording to be explicit that "**no**" gifts are to be accepted during a tender process".
- **Action:** - page 37 – include statement that "Conflicts of Interest Statements be signed before the start of the tender process".
- **Action:** - page 41 – item 3.2.3 needs to be clear about what would happen if it doesn't work (i.e.- what's Plan B?).
- **Action:** - the Policy should include a statement about the management of contract renewals
- **Action:** - the Policy should outline what exceptions are outside the procurement process (e.g. utilities)
- **Action:** - the Policy should include a statement about Procurement cards, if relevant.
- **Action:** - the Policy should outline consequences of non-compliance and reference to the Code of Conduct
- **Action:** - the Policy should make reference to Council's view on Ethical Purchasing and whether Council requires assurances from suppliers on these matters (for example,- slavery and human trafficking)

Recommendation:

The Committee notes the report and requested that the final policy be provided to the Committee when completed.

7 Reports for distribution only

- 7.1 Follow up briefing on PageUp issue resolution and lessons learnt
- 7.2 Community Satisfaction survey results

8 Correspondence

Nil

9 Next meeting dates

- 4 December 2018, 8.00 - 10.00 am
- 5 March 2019, 8.00 - 10.00 am
- 18 June 2019, 8.00 - 10.00 am
- 13 August 2019, 8.00 - 10.00 am

10 Invitation to VAGO to meet separately with Audit & Risk Committee members

The remaining members of the Committee met with the External Auditors - Tim Loughnan and Kevin Chan from VAGO to discuss any issues that needed to be raised in the absence of management.

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

Agenda item 4.6 Annual Internal Audit Service Provider Performance Assessment was identified as Confidential

12 In Camera discussion between ARC members

13 Meeting Closed at 9:55 AM

CONFIRMED:

GEOFF HARRY

Chair

Date: ____ / ____ / ____

Distribution List:

Audit & Risk Committee
Meeting Attendees
Executive Leadership Team