

## AUDIT COMMITTEE

Minutes of Meeting held on Tuesday, 2<sup>nd</sup> August, 2016 at 5.30 p.m. in the Committee Room,  
Civic Centre, 10 Watson Terrace, Mount Gambier

PRESENT: Mr Jeroen Zwijnenburg (Presiding Member)  
Mr Donald Currie  
Cr Sonya Meziniec

APOLOGY/IES: Jeroen Zwijnenburg moved that the apology from Mr Donald Currie be received.

Cr Meziniec seconded

Carried

COUNCIL MEMBERS/  
OTHERS AS  
OBSERVERS: Nil

GUESTS: Nil

COUNCIL EMPLOYEES  
IN ATTENDANCE:

Mr Mark McShane, Chief Executive Officer  
Mr Grant Humphries, Director - Corporate Services  
Mr Gary Button, Finance Manager  
Ms Kahli Rolton, Management Accountant

OTHER APOLOGIES:

**WE ACKNOWLEDGE THE BOANDIK PEOPLES AS THE TRADITIONAL CUSTODIANS OF THE LAND WHERE WE MEET TODAY. WE RESPECT THEIR SPIRITUAL RELATIONSHIP WITH THE LAND AND RECOGNISE THE DEEP FEELINGS OF ATTACHMENT OUR INDIGENOUS PEOPLES HAVE WITH THIS LAND.**

MINUTES: Cr Meziniec moved the minutes of the previous meeting held on Tuesday, 31<sup>st</sup> May, 2016 be taken as read and confirmed.

Jeroen Zwijnenburg seconded

Carried

QUESTIONS:

- (a) With Notice – Nil received
- (b) Without Notice – Nil

### **1. REPORTS FOR INFORMATION**

The Director - Corporate Services reported;

- (a) the following Reports are referenced for the information of Audit Committee Members;
- (b) the following Reports, being for information purposes only, are available from the Council website under Committee Agendas for the relevant calendar month;
  - 40/2016 Review of Rate Rebate Policy
  - 41/2016 Review of Rating Policy
  - 44/2016 Elector Representation Review

### **RECOMMENDATION NO. 1**

**Jeroen Zwijnenburg moved it be recommended that the report be received.**

**Cr Meziniec seconded**

**Carried**

**2. AUDIT WORK PROGRAM 2014 - 2018 - Ref. AF11/863**

The Director - Corporate Services reported:

- (a) the Audit Committee should continually review the Audit Work Program to establish whether any adjustments are required to be introduced for the particular financial years activities;
- (b) the Audit Work Program 2014-2018 was last reviewed and adopted in August 2015;
- (c) the following activities and associated timelines (extracted from the Audit Work Program) are provided in abbreviated form, for the Committees reference and review:

**FIRST QUARTER**

- Work Plan
- Treasury Management Reviews
- Asset Reviews/Revaluation Strategy
- Policy reviews incorporating;
  - Internal Controls
  - Fraud and Corruption Framework
  - Whistleblowing
  - Risk Management
  - Budget Performance

**SECOND QUARTER**

- Interim External Audit
- Work Plan
- Business Continuity
- Business Plan and Budget

**THIRD QUARTER**

- Work Plan
- Annual Report to Council incorporating;
  - Self Assessment
  - Review of Work Plan
  - Review of Terms of Reference

**FOURTH QUARTER**

- Work Plan
- Statutory External Audit(Inc. Fin. Int. Controls)
- AFS authorisation by Presiding Member
- Council Annual Report Compliance

**RECOMMENDATION NO.2**

**Cr Mezinec moved it be recommended the report be received.**

**Jeroen Zwijnenburg seconded**

**Carried**

**3. EXTERNAL AUDITOR - Ref. AF12/227**

The Director - Corporate Services reported:

- (a) the following table represents an updated consolidation of the 2015 Audit findings:

AUDIT	FINDING	RISK	STATUS
14/15 E of Y(New)	Risk Register	Moderate	Awaiting Report
	VIC Stock Control	Low	Completed

- (b) provided as an attachment is an update on Councils Risk Register review from the Senior Management Team who carry the shared responsibility for the ongoing management of Council's Risk Register.

**RECOMMENDATION NO. 3**

**Jeroen Zwijnenburg moved it be recommended:**

- (a) the report be received;
- (b) the Senior Management Team report on the review of Council's Risk Register including the ongoing review approach, treating the document as a living and evolving document, be endorsed by the Audit Committee.

**Cr Meziniec seconded**

**Carried**

**4. EXTERNAL AUDITOR - Financial Controls Review - Ref. AF11/714**

The Director - Corporate Services reported:

- (a) this financial year the scope of the traditional interim audit was extended to include a review of internal controls to comply with the requirements of Section 129 of the Local Government Act;
- (b) the External Auditors Management Letter was considered at the May 2016 Audit Committee Meeting where the following resolution was recorded:
- (a) *the External Auditor's Financial Controls Review Management Letter be received;*
- (b) *the External Auditor be advised of Council Management's response;*
- (c) *the Audit findings continue to be monitored by the Audit Committee.*
- (c) in regard to part (c) of the resolution the following table is presented on the outcomes of the Audit findings:

Audit	Finding	Risk	Status
2016	1. Tendering / Procurement - Conflict of Interest Declaration	Moderate	Implemented
	2. General Ledger Reconciliations - Reviewed Independently	Low	Implemented
	3. Rates - Assessment Sampling - Random sampling to be retained - Rate Modelling Procedures - Property Master File Reports	Low	Implemented Implemented Under Investigation
	4. Payroll - Develop Exceptions Report - Review Audit Trail with Source Documents	Better Practice	Implemented Implemented

**RECOMMENDATION NO. 4**

**Cr Meziniec moved it be recommended the report be received.**

**Jeroen Zwijnenburg seconded**

**Carried**

**5. CORPORATE & COMMUNITY SERVICES REPORT NO. 54/2016 - External Audit Services - Ref. AF16/207**

The Director - Corporate Services reported:

- (a) as reported at the May 2016 Audit Committee Meeting the existing contact for External Audit Services concludes following the 2015/2016 final Audit;
- (b) as prescribed in legislation 'the Auditor will be appointed by the Council on the recommendation of Council's Audit Committee';
- (c) following a public notification process at the close of the tender period on 1<sup>st</sup> July, 2016, four (4) tenders were received;
- (d) in accordance with Council's Procurement Policy a tender panel was formed to review and assess tenders against the pre-determined assessment criteria resulting in the following recommendation.

**RECOMMENDATION NO. 5**

**Jeroen Zwijnenburg moved it be recommended:**

- (a) **Corporate and Community Services report No 54/2016 be received;**
- (b) **Council accept the tender proposal from Galpins, for appointment as External Auditor to the City of Mount Gambier for the 2016/2017, up to and including the 2020/2021 financial years.**

**Cr Meziniec seconded**

**Carried**

**6. FINANCIAL INTERNAL CONTROLS - Internal Audit Program - Ref. AF16/164**

The Director - Corporate Services reported:

- (a) as reported previously Council has commenced its Financial Internal Controls Program with the attached report (03/2016) being a regular periodic report;
- (b) you will note that from the one (1) Control reviewed there are a number of recommendations/improvements that will be actioned and monitored through the MET meeting process.

**RECOMMENDATION NO. 6**

**Cr Meziniec moved it be recommended:**

- (a) **the report be received;**
- (b) **Financial Internal Controls Report No. 3/2016 be endorsed by Council.**

**Jeroen Zwijnenburg seconded**

**Carried**

**7. AUDIT COMMITTEE SELF ASSESSMENT OF PERFORMANCE - AF11/863**

The Director - Corporate Services reported:

- (a) the Audit Committee Terms of Reference provides for "at least once a year, review its own performance and terms of reference to ensure it is operating at a maximum effectiveness and recommend changes it considers necessary to the Council for approval";
- (b) the Self Assessment should take into account factors such as:
  - the Committee's work program
  - the Committee's operating environment
  - the stage of maturity of the Committee
  - Council's strategic directions
  - Council's risk and control environment
  - current and emerging trends and factors
  - the outcomes of previous self assessments (if any)
- (c) the Audit Committee's comments and recommendations resulting from the Self Assessment is detailed as follows:

<b>Issue</b>	<b>Comment(s)</b>	<b>Recommendation(s)</b>
<i>Role &amp; Terms of Reference</i>	<i>The Audit Committee is of the view that functions and extent of authority as defined under S126(4) LGA are adequately defined in the Terms of Reference established by Council</i>	<i>The Audit Committee is of the view that its role and function is not to compete with the role of the Corporate and Community Services Committee, nor to make decisions in lieu of Council, but rather to examine and comment on financial statements/internal control framework and activities of Council</i>
<i>Independence</i>	<i>The Audit Committee is of the view that it is able to form opinions and express views without coercion or undue influence of external persons or bodies</i>	<i>The Audit Committee believes the invited attendance of the CEO, Director - Corporate Services, Finance Manager and Management Accountant provides direction without influence. Continued attendance is desirable</i>
<i>Committee Skills/Training</i>	<i>The Audit Committee is of the view that its members have been selected due to their qualifications and expertise</i>	<i>Members consist of accounting representation and are subject to ongoing professional training</i>

<p><i>Council Structure and Decision Making</i></p>	<p><i>The Audit Committee have been made aware of the processes of Council and are provided with copies of public financial statements, policies and reports of Council</i></p>	<p><i>Audit Committee Members have been made aware of the Council structure and decision making process following the recent review of Council's Decision Making Structure and the completion of an organisational and functional review.</i></p>
<p><i>Meeting Operation and Frequency</i></p>	<p><i>The Audit Committee has been meeting on a regular basis since inception</i></p>	<p><i>The Audit Committee holds the view that current frequency and duration is adequate to address issues</i></p>
<p><i>Resources available to the Audit Committee</i></p>	<p><i>The Audit Committee utilises the resources of Council through the attendance of the CEO, Director – Corporate Services, Finance Manager, <b>Management Accountant</b> and other employees as requested</i></p>	<p><i>The Audit Committee has liaised with external auditors and Council employees as required in order to meet its role and terms of reference</i></p>
<p><i>Audit Committee's working relationship with Council and the senior management team</i></p>	<p><i>Council appears to be aware of role and function of Audit Committee. Presence of CEO, Director – Corporate Services, Finance Manager <b>and Management Accountant</b> assist Audit Committee in decision achievement</i></p>	<p><i>No issues of conflict have arisen. The Audit Committee recognises the significant role played by Council employees to address and advise the Committee</i></p>
<p><i>The Audit Committee members' understanding of financial indicators (and targets for these) being used to assess the Council's performance work program</i></p>	<p><i>The Audit Committee regularly monitors and assesses financial performance indicators as published. Comparison with other Councils and advice from LGA is also noted</i></p>	<p><i>The Audit Committee holds the view that expenditure allocation, particularly depreciation, greatly affects financial indicators and status</i></p>
<p><i>The Audit Committee's access to appropriate Council information</i></p>	<p><i>The Audit Committee notes the inclusion of its role and function in decisions of major financial expenditure</i></p>	<p><i>The Audit Committee is able to be involved with complementary committees, receive financial expenditure projections and reviews of major expenditure and contract negotiation and is able to actively participate in Council.</i></p>

<i>The extent to which the Audit Committee's advice is contributing to the effective operation of the Council</i>	<i>The Audit Committee recognises that its role and terms of reference are a requirement of the LGA. Members are cognisant of their requirement to monitor and review financial practices and, public financial statements of Council</i>	<i>The Audit Committee holds the view that its function and role will be increasingly viewed as complimentary to Council in its activities for ratepayers</i>
---	---	---

**RECOMMENDATION NO. 7**

**Jeroen Zwijnenburg moved it be recommended:**

- (a) the report be received;**
- (b) the Audit Committee record that it is satisfied that its performance is meeting Council and other relevant Authority's standards and expectations.**

**Cr Mezinec seconded**

**Carried**

**8. AUDIT COMMITTEE TERMS OF REFERENCE - Ref. AF11/863**

The Director - Corporate Services reported:

- (a) that in conjunction with the Audit Committee self assessment process, there is also a requirement to review the Terms of Reference the Audit Committee works under;
- (b) having completed a review of the Audit Committee Terms of reference (minor procedural amendments only) it is the view of the Audit Committee that the Terms of Reference remain current, relevant and appropriate.

**RECOMMENDATION NO. 8**

**Cr Mezinec moved it be recommended:**

- (a) the report be received;**
- (b) the Audit Committee Terms of Reference (as reviewed) be endorsed by Council.**

**Jeroen Zwijnenburg seconded**

**Carried**

**9. AUDIT COMMITTEE WORK PROGRAM 2014-2018 - Ref. AF11/863**

The Director - Corporate Services reported that as part of the Annual Reporting process to Council, the Audit Committee should review its adopted Work Program.

The opportunity has been taken as part of this years review to modernise and update the Work Program to better reflect current operations of the Audit Committee.

Attached to the Agenda is a copy of the former version as well as the revised version, for comparison.

The revised (version 9) of the Work Program is therefore recommended for adoption.

**RECOMMENDATION NO. 9**

Jeroen Zwijnenburg moved it be recommended:

- (a) the report be received;
- (b) the revised Work Program 2014-2018 (Version 9) be adopted.

Cr Mezinec seconded

**Carried**

**10. CORPORATE AND COMMUNITY SERVICES REPORT NO. 55/2016 - Audit Committee Annual Report to Council - AF11/863**

The Director – Corporate Services reported:

- 4.1 Corporate and Community Services Report No. 55/2016 has been prepared as the Annual report of the Audit Committee to Council for the 2015/2016 financial year;
- 4.2 Prior to presentation to Council the Audit Committee should review and be satisfied with the content.

**RECOMMENDATION NO. 10**

Cr Mezinec moved it be recommended:

- (a) that Corporate and Community Services Report No. 55/2016 be received;
- (b) that the Audit Committee adopt the 2015/2016 City of Mount Gambier Audit Committee Annual Report, as presented in Corporate and Community Services Report No. 55/2016.

Jeroen Zwijnenburg seconded

**Carried**

**11. GOVERNANCE - Audit Committee - Resignation, Mr Donald Currie – Ref. AF11/863**

The Director - Corporate Services reported:

- (a) Mr Currie has advised that due to some immediate health concerns he is unable to continue his role as an independent member of Council's Audit Committee and as such has tendered his resignation effective immediately following the 2<sup>nd</sup> August, 2016 Audit Committee meeting.

**RECOMMENDATION NO. 11**

Jeroen Zwijnenburg moved it be recommended:

- (a) the report be received;
- (b) Mr Currie's resignation be received with regret and he be formally thanked via letter for his services to the Audit Committee over the past five (5) years.

Cr Mezinec seconded

**Carried**



Audit Committee Minutes, Tuesday 2<sup>nd</sup> August 2016 cont'd...

**12. NEXT MEETINGS** (for confirmation)

- Fourth Quarter - TBA

The meeting closed at 6.38 p.m.

3<sup>rd</sup> August, 2016  
FM

CONFIRMED THIS                      DAY OF                      2016.

.....  
PRESIDING MEMBER