

## AUDIT COMMITTEE

Minutes of meeting held on Tuesday, 22<sup>nd</sup> March, 2016 at 5.30 p.m.  
in the Committee Room, Civic Centre, 10 Watson Terrace, Mount Gambier

PRESENT: Mr Donald Currie  
Cr Sonya Mezinec  
Mayor Andrew Lee

The Director - Corporate Services opening the meeting and called for nominations for Acting Presiding Member.

APPOINTMENT OF ACTING  
PRESIDING MEMBER: Cr Mezinec moved that Donald Currie be appointed Acting Presiding Member.

Mayor Lee seconded Carried

APOLOGY/IES: Nil

COUNCIL MEMBERS/  
OTHERS AS  
OBSERVERS: Nil

GUESTS: Nil

COUNCIL EMPLOYEES  
IN ATTENDANCE: Mr Grant Humphries, Director - Corporate Services  
Mr Gary Button, Finance Manager  
Ms Kahli Rolton, Management Accountant  
Mr Michael McCarthy, Manager Governance and Property

OTHER APOLOGIES: Nil

**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 Mezinec moved the minutes of the previous meeting held on Tuesday, 13<sup>th</sup> October, 2015 be taken as read and confirmed.

Mayor Lee seconded Carried

QUESTIONS:

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

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

The Director - Corporate Services referenced the following Council Reports for the information of the Audit Committee:

- 1.1 CCS Report No. 67/2015 - Budget Update as at 30<sup>th</sup> September, 2015
- 1.2 CCS Report No. 1/2016 - Council's Fees and Charges Review 2016/2017
- 1.3 CCS Report No. 4/2016 - Review of Valuation and Rating System

### **RECOMMENDATION NO. 1**

**Donald Currie moved it be recommended that the above reports be received.**

**Cr Meziniec seconded**

**Carried**

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

The Director - Corporate Services reported:

- (a) by letter dated 9<sup>th</sup> October, 2015, Council's Auditor provided the final audit management letter for the 2014/2015 financial year;
- (b) this letter was presented to the Audit Committee at its meeting held on 13<sup>th</sup> October, 2015 where it was resolved:

*"(a) the letter be received and contents noted;*

*(b) the identified immaterial uncorrected statement (understated sick leave provision amount) referenced in the Audit Management letter be endorsed by Council as immaterial;*

*(c) the Audit findings and recommendations be referred to the Council administration for attention and to the Audit Committee for ongoing monitoring;*

*(d) Councils External Auditor be advised of this course of action."*

- (c) the following table represents a consolidation of the 2015 Audit findings (copy attached):

AUDIT	FINDING	RISK	STATUS
14/15 Interim	Leave Policies	Moderate	Ongoing - Completed
14/15 E of Y(New)	Risk Management	Moderate	Awaiting Report
	VIC Stock Control	Low	Awaiting Report
	Assets Rec'd for Consideration	Moderate	Ongoing - Completed
14/15 E of Y (Repeat)	TOIL Balances	Low	Ongoing - Completed
	Annual Leave Entitlements	Low	Ongoing - Completed
	Asset Register Differences	Low	Completed

**RECOMMENDATION NO. 2**

**Cr Meziniec moved it be recommended:**

- (a) the report be received;**
- (b) the outstanding 2015 Audit findings continue to be monitored by the Audit Committee.**

**Donald Currie seconded**

**Carried**

**3. 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;

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- (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.3**

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

**Donald Currie seconded**

**Carried**

**4. FINANCIAL SUSTAINABILITY - Key Financial Indicators - Ref. AF14/81**

The Director - Corporate Services reported:

- (a) each year following the annual Audit process this report is prepared in order to track and measure Council's key financial indicators;
- (b) Corporate and Community Services Report 76/2015 is tabled for information and further discussion at the meeting:

**RECOMMENDATION NO. 4**

**Donald Currie moved it be recommended that the report be received.**

**Mayor Lee seconded**

**Carried**

**5. TREASURY MANAGEMENT - Annual Review for 2014/2015 - Ref. AF11/810**

The Director - Corporate Services reported:

- (a) Council's Treasury Management Policy calls for an annual report to be prepared on Council's Treasury Management operations;
- (b) Corporate and Community Services Report No. 2/2016 is tabled for discussion/adoption by the Audit Committee.

**RECOMMENDATION NO. 5**

**Cr Meziniec moved it be recommended:**

- (a) the report be received;
- (b) Corporate and Community Services Report No. 2/2016 be adopted by Council.

**Donald Currie seconded**

**Carried**

**6. ASSET REVALUATION STRATEGY - Ref. AF11/713**

The Director - Corporate Services reported:

- (a) Corporate and Community Services Report No. 3/2016 provides and update and recommended amendments to Council's Asset Revaluation Strategy;
- (b) the Report is provided for discussion/adoption by the Audit Committee.

**RECOMMENDATION NO. 6**

**Cr Meziniec moved it be recommended:**

- (a) the report be received;
- (b) Corporate and Community Services Report No. 3/2016 be adopted by Council.

**Mayor Lee seconded**

**Carried**

**7. CONFLICT OF INTEREST - REVISED LEGISLATION - Ref. AF11/903**

The Director - Corporate Services reported:

- (a) recent amendments to the Conflict of Interest provisions in the Local Government Act have implications for elected Members and Member of Boards/Committees appointed by Council (including Audit Committee Members);
- (b) the implications of these new provisions were the subject of a recent training program within Council. A copy of the material provided as part of the training is now provided to further explain the new provisions;
- (c) it is anticipated that the new provisions will come into effect from April 2016.

**RECOMMENDATION NO. 7**

**Cr Meziniec moved it be recommended:**

- (a) the report be received for information;**

**Donald Currie seconded**

**Carried**

**8. CORPORATE AND COMMUNITY SERVICES REPORT NO. 19/2016 - Policy Review - Risk Management Framework Update and Policy Review - Ref. AF11/1950; AF11/1955**

The Manager Governance and Property reported:

- (a) Corporate and Community Services Report No. 19/2016 provides an update on a number of elements of Council's Risk Management Framework including;
- Policy Reviews (Fraud and Corruption and Whistleblowers Protection with no change)
  - Risk Management Framework (integrating Financial Internal Controls into Council's overall Risk Management Framework);
  - Risk Register (report on review progress)
  - Business Continuity Plan

**RECOMMENDATION NO. 8**

**Donald Currie moved it be recommended:**

- (a) Corporate and Community Services Report No. 19/2016 be received;**
- (b) Council hereby re-adopts the following (unchanged) Policies as provided with this report:**
- **F225 – Fraud and Corruption Prevention**
  - **W150 – Whistleblowers Protection**
- (c) Council hereby adopts replacement Council Policy R305 – Risk Management Framework Policy, as provided with this report;**
- (d) Council hereby revokes Policy I105 Internal Controls;**
- (e) Council makes the necessary amendments to Council's Policy Manual Index.**

**Mayor Lee seconded**

**Carried**

**9. FINANCIAL INTERNAL CONTROLS - Ref. AF11/863**

The Director - Corporate Services reported:

- (a) Council in June 2015 resolved to adopt the following recommendation of the Audit Committee;
- i) the report be received;
  - ii) the Audit Committee accepts the risks and associated actions listed in the Control Assessment Worksheets;

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- iii) the Audit Committee refers the risk assessments to Council for consideration and adoption;
  - iv) as part of this recommendation to Council, the Audit Committee acknowledges the additional resources required to develop the 'Internal Financial Control Procedures Manual' and to complete the ongoing risk review processes.
- (b) Since that resolution, there have been a number of developments including:
- the appointment of a Management Accountant (commenced 7<sup>th</sup> March, 2016) whose duties include implementation of Council's Internal Financial Controls and an Internal Audit function;
  - the integration of Financial Internal Controls into Council's overall risk management regime discussed in previous Agenda item;
  - revocation of former Internal Controls Policy with content adopted into a Procedure under Council's Risk Management Framework (recommendation in previous Agenda item);
  - work commenced on the ongoing Financial Internal Controls risk review process (progress report provided which will become a regular feature of Audit Committee Agendas);
  - development of an 'Internal Audit Charter' to guide the work of the Management Accountant.

**RECOMMENDATION NO. 9**

**Cr Mezinec moved it be recommended:**

**(a) Audit Committee Report No. 1/2016 be received.**

**Donald Currie seconded**

**Carried**

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

- Tuesday, 31<sup>st</sup> May, 2016
- Tuesday, 2<sup>nd</sup> August, 2016
- Tuesday, 4<sup>th</sup> October, 2016

The meeting closed at 6.30 p.m.

23<sup>rd</sup> March, 2016  
MJT

CONFIRMED THIS DAY OF 2016.

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PRESIDING MEMBER