

AUDIT COMMITTEE

Minutes of Meeting held on Tuesday, 26th August, 2014 at 5.30 p.m.
in the Committee Room, Civic Centre, 10 Watson Terrace, Mount Gambier

PRESENT: Donald Currie (Presiding Member)
Jeroen Zwijnenburg
Cr Andrew Lee

APOLOGY/IES: Nil

COUNCIL MEMBERS/

OTHERS AS

OBSERVERS: Cr White, Cr Smith

GUESTS: Nil

COUNCIL EMPLOYEES

IN ATTENDANCE:

Mr Grant Humphries, Director - Corporate Services
Mr Mark McShane, Chief Executive Officer (left meeting at 6.05 pm)
Mr Gary Button, Finance Manager
Mr Michael McCarthy, Governance Officer (left meeting at 6.05 p.m.)
Ms Stacey Holder, Human Resource Manager (left meeting at 6.05 pm)
Ms Barbara Cernovskis, Manager - Community Services and
Development (left meeting at 6.05 p.m.)
Daryl Morgan, Engineering Manager (left meeting at 6.05 p.m.)

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 Lee moved the minutes of the previous meeting held on Tuesday, 27th May, 2014 be taken as read and confirmed.

Jeroen Zwijnenburg seconded

Carried

QUESTIONS:

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

1. REPORTS FOR INFORMATION

The Director - Corporate Services reported that the following Council Reports were provided to the Audit Committee for information:

- 1.1 CCS Report No. 30/2014 – Budget Update
- 1.2 CCS Report No. 39/2014 – Budget Consultation
- 1.3 CCS Report No. 45/2014 – Risk Management Framework
- 1.4 Special Council Meeting - Budget

RECOMMENDATION NO. 1

Jeroen Zwijnenburg moved it be recommended that the above reports be received.

Cr Lee seconded

Carried

2. EXTERNAL AUDITOR - INTERIM AUDIT 2014

The Director - Corporate Services reported:

- (a) following the recent annual interim audit Council has now received the subsequent Audit Management letter;
- (b) a copy of the Audit Management letter which provides a guide as to the audit procedures that were performed, is attached;
- (c) Council's External Auditor advises that "there were no issues arising from the interim audit that we wish to draw your attention".

RECOMMENDTION NO. 2

Cr Lee moved it be recommended the letter be received and contents noted.

Jeroen Zwijnenburg seconded

Carried

3. EXTERNAL AUDITOR - AUDIT RECOMMENDATIONS

The Director - Corporate Services reported:

- (a) that previous resolutions of Council had referred the implementation and ongoing monitoring responsibility for both End of Year Audits and Interim Audits to the Audit Committee;
- (b) these recommendations remain permanent Audit Committee Agenda Items and are consolidated as follows:

Interim Audits	Recommendation	Status
2012/2013	1. Risk Management Policy	New Policy adopted June 2014

End of Year	Recommendation	Status
2012/2013	1. Accounts Held in Trust	Implemented from 1/7/2014

RECOMMENDATION NO. 3

Jeroen Zwijnenburg moved it be recommended:

- (a) the report be received;
- (b) the identified Audit recommendations continue to be monitored by the Audit Committee.

Cr Lee seconded

Carried

4. AUDIT WORK PROGRAM 2007 - 2014

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 2007-2014 was last reviewed and adopted in August 2013;

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- (c) the following activities and associated timelines (extracted from the Audit Work Program) are highlighted in abbreviated form, for the Committees review:

- | | |
|---------------|---|
| FEBRUARY 2013 | <ul style="list-style-type: none">• Work Plan• Treasury Management Reviews• Asset Reviews• Policy reviews incorporating;<ul style="list-style-type: none">• Internal Controls• Fraud and Corruption Framework• Whistleblowing• Risk Management• Budget Performance |
| MAY 2013 | <ul style="list-style-type: none">• Interim External Audit• Work Plan• Business Continuity• Business Plan and Budget |
| AUGUST 2013 | <ul style="list-style-type: none">• Work Plan• Annual Report to Council incorporating;<ul style="list-style-type: none">• Self Assessment• Review of Work Plan• Review of Terms of Reference |
| NOVEMBER 2013 | <ul style="list-style-type: none">• Work Plan• Statutory External Audit• AFS authorisation by Presiding Member• Council Annual Report Compliance |

RECOMMENDATION NO. 4

Cr Lee moved it be recommended the report be received;

Jeroen Zwijnenburg seconded

Carried

5. SELF ASSESSMENT OF COMMITTEE PERFORMANCE

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:

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Issue	Comment(s)	Recommendation(s)
<i>Role & 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 and Finance Manager 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>
<i>Council Structure and Decision Making</i>	<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>	<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>
<i>Meeting Operation and Frequency</i>	<i>The Audit Committee has been meeting on a regular basis since inception</i>	<i>The Audit Committee holds the view that current frequency and duration is adequate to address issues</i>
<i>Resources available to the Audit Committee</i>	<i>The Audit Committee utilises the resources of Council through the attendance of the CEO, Director – Corporate Services and Finance Manager and other employees as requested</i>	<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>

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<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 and Finance Manager 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>
<p><i>The extent to which the Audit Committee's advice is contributing to the effective operation of the Council</i></p>	<p><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></p>	<p><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></p>

RECOMMENDATION NO. 5

Cr Lee 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.**

Jeroen Zwijnenburg seconded

Carried

6. TERMS OF REFERENCE FOR AUDIT COMMITTEE

The Director - Corporate Services reported that in conjunction with the Committee Self Assessment process, the Audit Committee is also charged with the responsibility if reviewing its Terms of Reference and recommending any alterations to Council for consideration.

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RECOMMENDATION NO. 6

Jeroen Zwijnenburg moved it be recommended:

- (a) the report be received;
- (b) the Audit Committee considers the existing Terms of Reference remain current, relevant and appropriate and therefore be endorsed by Council including minor procedural amendments only.

Cr Lee seconded

Carried

7. AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL

The Director – Corporate Services reported:

- 4.1 Corporate and Community Services Report No. 56/2014 has been prepared as the Annual report of the Audit Committee to Council for the 2013/2014 financial year;
- 4.2 Prior to presentation to Council the Audit Committee should review and be satisfied with the content.

RECOMMENDATION NO. 7

Jeroen Zwijnenburg moved it be recommended:

- (a) that Corporate and Community Services Report No. 56/2014 be received;
- (b) that the Audit Committee adopt the 2013/2014 City of Mount Gambier Audit Committee Annual Report, as presented in Corporate and Community Services Report No. 56/2014.

Cr Lee seconded

Carried

8. RISK MANAGEMENT POLICY REVIEW

The Director - Corporate Services advised:

- (a) previous Audit Management letters have recommended regular review of Councils Risk Management Policy;
- (b) Council is in the process of a major overhaul for its overall Risk Management Framework principally driven by requirements of Work Cover in respect of self insurer Licences.
- (c) A copy of the draft Council Policy- Risk Management Framework which is currently before Council is provided for information;
- (d) As requested at the previous Audit Committee meeting presentations will be made by key Council Officers on Risk Management within Council.

RECOMMENDATION NO. 8

Cr Lee moved it be recommended the report be received.

Jeroen Zwijnenburg seconded

Carried

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9. NEXT MEETING

- Tuesday, 30th September, 2014

The meeting closed at 6.20 p.m.

27th August, 2014
MJT

CONFIRMED THIS DAY OF 2014.

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PRESIDING MEMBER