

## AUDIT COMMITTEE

Minutes of Meeting held on Tuesday, 31<sup>st</sup> May, 2016 at 5.30 p.m. in the Committee Room,  
Civic Centre, 10 Watson Terrace, Mount Gambier

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

APOLOGY/IES: Cr Meziniec moved that the apology from Donald Currie be received.

Jeroen Zwijnenburg seconded Carried

COUNCIL MEMBERS/  
OTHERS AS  
OBSERVERS:

Nil

GUESTS: Mr Simon Smith, Auditor, Galpins  
Mr Pascal Marrot-Castellat, Galpins

COUNCIL EMPLOYEES  
IN ATTENDANCE:

Mr Grant Humphries, Director - Corporate Services  
Mr Gary Button, Finance Manager  
Ms Kahli Rolton, Management Accountant

OTHER APOLOGIES: Mr Mark McShane, Chief Executive Officer

**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, 22<sup>nd</sup> March, 2016 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;

- (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;
  - 11/2016 Budget Update as at 31/12/2015
  - 19/2016 Risk Management Framework Policy Review
  - 21/2016 Procurement Policy Review
  - 23/2016 Investment review as at 31/12/2015
  - 27/2016 Delegations Review
  - 28/2016 Statutory Resolutions/Appointments Review
  - 33/2016 Budget Review as at 31/03/2016
  - 35/2016 Strategic Plan/KPI Quarterly Report

**RECOMMENDATION NO. 1**

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

**Cr Mezinec 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	Awaiting Report

**RECOMMENDATION NO. 3**

**Jeroen Zwijnenburg moved it be recommended:**

- (a) **the report be received;**
- (b) **the Finance Managers report (attached) on improvements to stock control processes at 'The Lady Nelson' including the actions referenced therein be endorsed by the Audit Committee;**
- (c) **the outstanding Audit findings continue to be monitored 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) as can be seen from the Management letter the Audit identified the following weaknesses:
- 1 x Moderate Risk (Procurement/Contracting)  
3 x Low Risk (General Ledger and Rates)  
2 x Better Practice (Payroll)
- (c) a copy of the Management Letter with Management response is attached for information noting that the findings have either been completed or are in the process of being addressed.

**RECOMMENDATION NO. 4**

**Cr Meziniec moved it be recommended:**

- (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.**

**Jeroen Zwijnenburg seconded**

**Carried**

**5. EXTERNAL AUDIT SERVICES**

The Director - Corporate Services reported:

- (a) Councils existing contract for External Audit Services conclude following the 2015/2016 final Audit;
- (b) the Local Government Act requirements in relation to the Auditor (Section 128) are as follows;
  - (1) A council must have an auditor.
  - (2) The auditor will be appointed by the council on the recommendation of the council's audit committee.
  - (2a) The audit committee must, in making a recommendation under subsection (2), take into account any factor prescribed by the regulations.
  - (3) The auditor must be—
    - (a) a registered company auditor; or
    - (b) a firm comprising at least one registered company auditor.
  - (4) A person is not eligible to be the auditor if—
    - (a) the person is a member of the council; or
    - (b) the person is a nominated candidate for election as a member of the council.
  - (4a) The term of appointment of an auditor of a council must not exceed 5 years (and, subject to this section, a person may be reappointed at the expiration of a term of office).
  - (5) The office of auditor becomes vacant if—
    - (a) the auditor dies; or
    - (b) the auditor resigns by written notice to the chief executive officer; or
    - (c) the auditor is not or ceases to be eligible for appointment as the auditor; or
    - (d) the auditor accepts remunerated office or employment from the council; or
    - (e) the term of appointment of the auditor expires and the auditor is not reappointed; or
    - (f) the auditor is removed from office by the council for reasonable cause.
  - (6) A person's ability to hold office as an auditor of a council, and to be reappointed to that office, is subject to the qualification that if the person has

Audit Committee Minutes, Tuesday 31<sup>st</sup> May, 2016 cont'd...

held the office of auditor of the council for at least 5 successive financial years, or for 5 out of 6 successive financial years—

- (a) the person may only continue in that office if he or she ensures that any individual who plays (or who has played) a significant role in the audit of the council for 5 successive financial years, or for 5 out of 6 successive financial years, does not then play a significant role in the audit of the council for at least 2 financial years; or
  - (b) the person may be reappointed to the office if at least 2 years have passed since he or she last held the office.
- (7) The appointment of an auditor will be subject to any other terms or conditions prescribed by the regulations.
- (8) A council, and the auditor of a council, must comply with any requirements prescribed by the regulations with respect to providing for the independence of the auditor.
- (9) A council must ensure that the following information is included in its annual report:
- (a) information on the remuneration payable to its auditor for work performed during the relevant financial year, distinguishing between—
    - (i) remuneration payable for the annual audit of the council's financial statements; and
    - (ii) other remuneration;
  - (b) if a person ceased to be the auditor of the council during the relevant financial year, other than by virtue of the expiration of his or her term of appointment and not being reappointed to the office—the reason or reasons why the appointment of the council's auditor came to an end.
- (10) For the purposes of this section, a person plays a significant role in the audit of a council if the person would, if the council were a company, play such a role in the audit of the company within the meaning of section 9 of the Corporations Act 2001 of the Commonwealth.
- (c) Council will therefore initiate a process for External Audit Services for a five (5) year term, for the future consideration of the Audit Committee.

**RECOMMENDATION NO. 5**

**Jeroen Zwijnenburg moved it be recommended:**

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

**Cr Mezinec 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 (02/2016) being the initial periodic report;

- (b) these reports, which will become a regular feature of Audit Committee agendas, have been presented to Councils Management Executive Team (MET) for review and for assigning a management response;
- (c) you will note that from the four (4) Controls received 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 2/2016 be endorsed by Council.

**Jeroen Zwijnenburg seconded**

**Carried**

**7. 2016/2017 ANNUAL BUSINESS PLAN AND BUDGET PROGRAM - Ref. AF15/461**

The Director - Corporate Services reported:

- (a) Council has adopted the following Program in respect of the 2016/2017 Business Plan and Budget process;

<b>Date (2016)</b>	<b>Description</b>	<b>Status</b>
March	Member's Budget Workshops/Briefing(s) Wednesday 2 <sup>nd</sup> March - Wednesday 9 <sup>th</sup> March	Completed
29 <sup>th</sup> March	Draft Business Plan and Budget released for public comment.	Completed
29 <sup>th</sup> April	Public submissions on draft Business Plan and Budget close.	Completed
Wednesday 11 <sup>th</sup> May	First Special (public) Meeting to hear any public submissions and to discuss the draft Business Plan and Budget.	Completed
Wednesday 24 <sup>th</sup> May	Second Special (public) Meeting to be held to discuss/finalise the draft Business Plan and Budget (if required).	Not Required
Tuesday 7 <sup>th</sup> June	Special Council meeting to be held to finalise and endorse draft Business Plan and Budget (if required).	Scheduled
8 <sup>th</sup> July	Last date for finalisation/distribution of first quarterly rate notice and distribution of summary Annual Business Plan.	
9 <sup>th</sup> September	First quarterly rate installment final payment date.	

- (b) Copies of draft documents can be provided at the meeting or available from the Council website.

**RECOMMENDATION NO. 7**

**Cr Meziniec moved it be recommended:**

- (a) the report be received.

**Jeroen Zwijnenburg seconded**

**Carried**

Audit Committee Minutes, Tuesday 31<sup>st</sup> May, 2016 cont'd...

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

- Third Quarter - Tuesday, 2<sup>nd</sup> August, 2016
- Fourth Quarter - Tuesday, 4<sup>th</sup> October, 2016

The meeting closed at 6.45 p.m.

MJT

CONFIRMED THIS                      DAY OF    2016.

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PRESIDING MEMBER