

Nilumbik Audit and Risk Committee minutes



Held Monday 12 August 2019 at 5pm at the Civic Centre, Civic Drive, Greensborough

1 Pre-meeting In Camera

Nil

2 Present

Independent members: John Watson (Chair), Greg Hollyman, Chris Eddy

Councillors:

Cr Peter Clarke, Cr Bruce Ranken, Cr Grant Brooker (Councillor, as observer)

Council officers:

Carl Cowie (Chief Executive Officer), Vince Lombardi (Chief Financial Officer), Melika Sukunda (Finance Manager), Craig Commane (Risk Advisor), Hjalmar Philipp (Director Sustainability and Place), Blaga Naumoski (Executive Manager Governance), Jeremy Livingston (Executive Manager Organisational Performance)

Other invitees:

Nick Walker (HLB Mann Judd), Graham Noriskin (Pitcher Partners), Richard Wilson (Pitcher Partners)

3 Apologies

Martin Thompson (Crowe Horwath)

4 Disclosure of any conflicts of interests

Nil

5 Declarations

i. CEO – Any impending legal action or legislation breaches.

Nil

ii. Internal Auditor – Any obstructions to the work of the internal audit.

Nil

6 CEO Update

The CEO update was presented to the Committee

Decision

The CEO update was received and noted.

7 Adoption of the minutes of the meeting held 27 May 2019

Decision

The minutes of the Audit and Risk Committee meeting held on 27 May 2019 were confirmed as accurate.

8 Table of actions arising (note who is providing the update)

The table of actions arising was presented to the Committee.

Decision

The status of actions outstanding was received and noted.

9 Status report of outstanding internal audit recommendations

The status report of outstanding internal audit recommendations was presented to the Committee.

Decision

The status report be received and noted.

10 The Follow-up of Selected Higher Risk Matters Raised in Prior Internal Audit Reports

The Follow-Up of Selected Higher Risk Matters Raised in Prior Internal Audit Reports was presented to the Committee.

Decision

The Follow-Up of Selected Higher Risk Matters Raised in Prior Internal Audit Reports was received and noted.

11 Draft Internal Audit Plan

The Draft Internal Audit Plan was presented to the Committee.

Decision

The Draft Internal Audit Plan was received and noted.

12 Risk and Insurance report

The risk and insurance report was presented to the Committee.

Decision

The risk and insurance report was received and noted.

13 VAGO Fraud and Corruption Report and response to recommendations

The VAGO Fraud and Corruption Report and response to recommendations were presented to the Committee.

Decision

The VAGO Fraud and Corruption Report and response to recommendations were received and noted.

14 Annual Financial Statement

14.1 Annual Financial Report and Performance Statement, Closing Report

The Annual Financial Report and Performance Statement for 2018-2019, including closing report was presented to the Committee.

Resolution

Moved – Gregory Hollyman

Seconded – Chris Eddy

Carried.

- 1) The Annual Finance Report and Performance Statement including the closing report was received and noted.
- 2) The Audit Committee resolve that Council:
 - Record its approval 'in principle' to the annual financial report and performance statement (the statements) for the year ended 30 June 2019; and

That subject to the review of the final version of the financial report and the performance statement, Council:

- Authorise the Chief Executive Officer to send the statements to the Auditor-General.
- Authorise the Chief Executive Officer, the Mayor and Deputy Mayor to certify the final version of the statements.
- Authorise the Finance Manager to implement any non-material changes to the statements as recommended by the Auditor-General, and provide a summary of such changes to the Audit Committee at its next meeting. Any material changes will be discussed with the Chair of the Audit Committee prior to being presented to Council.

- 3) The Committee commend the staff for their efforts in delivering the Annual Financial Report and the Performance Statements and for the high quality of the documents.

14.2 Annual Financial Statement variance analysis

The Annual Financial Statement variance analysis was presented to the Committee

Resolution

The Annual Financial Statement variance analysis was received and noted.

15 Digital Transformation Roadmap

The Digital Transformation Roadmap was presented to the Committee.

Decision

The Digital Transformation Roadmap was received and noted.

Cr Clarke exited the meeting at 6.29pm

16 Finance policy review dates

The Finance policy review dates was presented to the Committee.

Decision

The Finance policy review dates was received and noted.

17 Councillor and Staff Gift Registers

The Councillor and Staff Gift Registers were presented to the Committee.

Decision

The Councillor and Staff Gift Registers were received and noted.

18 Rates in Arrears report

The rates in arrears report was presented to the Committee.

Decision

The Rates in arrears report was received and noted.

19 Audit Committee work plan

The Audit and Risk Committee work plan was be presented to the Committee

Decision

The Audit and Risk Committee work plan was received and noted.

20 Other Business

- 1) Local Government sector issues were noted.

21 Meeting Schedule

The next Audit Committee Meeting:

5pm, Monday 11 November 2019

Nillumbik Shire Council
Audit and Risk Committee Chairperson's Report
For the year ended 30 June 2019

Introduction

The Nillumbik Shire Council Audit and Risk Committee (the Committee) Charter requires that an annual report on the activities of the Committee be presented to Council at the conclusion of each financial year.

The Committee is an independent Advisory Committee to Council established under Section 139 of the Local Government Act 1989 (as amended) (the 'Act'). The key purpose of this report is to provide Council with an overview of the Audit and Committee's primary functions; activities and outcomes for the 2018/2019 financial year.

Audit and Risk Committee Charter

The Audit and Risk Committee has several functions, determined by the Council, and are based on the Victorian Local Government Best Practice Guidelines and are incorporated in the Audit and Risk Committee Charter. In summary they are to:

- assist Council in the effective conduct of its responsibilities for financial reporting, management of risk, maintaining a reliable system of internal controls and facilitating good and ethical governance
- assist the coordination of relevant activities of management and internal and external audit
- facilitate effective assessment and management of risks of the Council's and Community's assets
- facilitate compliance with laws and regulations and best practice guidelines
- ensure that an effective and efficient internal and external audit system is maintained by monitoring internal controls and reviewing relevant policies.

The Audit and Risk Committee Charter was reviewed at the beginning of 2019 and formally adopted by Council at the Ordinary Council Meeting held on 26 February 2019.

Committee Membership

The membership of the Committee comprises five members – two Councillors and three external, independent members.

In May 2018 Mrs Linda MacRae concluded her term as a member and chairperson of the Audit and Risk Committee, after serving on the Committee for many years.

At the 31 July 2018 Ordinary Council Meeting, Mr Chris Eddy was formally appointed to the Committee as an independent member, bringing significant experience as a local government CEO and from long term involvement in the media sector.

Mr John Watson was formally appointed to the position of Audit and Risk Committee Chairperson at the 13 August 2018 meeting.

Committee Membership is currently as follows:

Mr John Watson (chairperson and independent member) and independent members Mr Greg Hollyman and Mr Chris Eddy.

Councillor Peter Clarke and Councillor Bruce Ranken.

The Committee is supported by the Council's capable and professional executive management team to provide advice on a range of compliance; control and operational matters as well as ensuring that the Committee meets its stated objectives.

Audit functions

The Audit and Risk Committee continues to assist the Council in addressing financial; strategic and operational risks and also ensuring that Council maintains a reliable system of internal controls. The Committee's work plan is set out in a formalised workbook, which is presented at each committee meeting, to enable the Committee to fulfil its obligations under the Audit and Risk Committee Charter.

External Auditors

In accordance with the Victorian *Local Government Act* 1989, Council's External Auditor is appointed by the Victoria Auditor General (VAGO). For the 2018/2019 financial year VAGO's contracted Agent, HLB Mann Judd undertook the external audit.

Internal Auditors

Internal audit reviews are structured so that there is a balance of compliance; internal control and operational audits. Council's internal auditor for the 2018/2019 financial year was Crowe Horwath, a highly experienced and professional local government auditing firm. Crowe Horwath undertook the follow up of higher risk matters audit in May 2019 and completed their twelve-year tenure as Council's internal auditors. During the course of the financial year, Council undertook a competitive tender process to appoint new internal auditors, Pitcher Partners being the successful firm.

Accountability; governance and compliance

In order to ensure accountability; compliance and transparency, in addition to this Annual Report, the Audit and Risk Committee submits the Minutes of each of its meetings to the next available Ordinary Council Meeting.

The Committee also seeks information from the Chief Executive Officer at each Audit and Risk Committee Meeting regarding any breaches, non-compliance or fraud issues since the last meeting. The Internal Auditor is also required to formally advise if their work had been impeded in any way during the conduct of their audits.

Meetings

During the 2018/2019 financial year the Committee met on four occasions:

- 13 August 2018
- 12 November 2018
- 11 February 2019
- 27 May 2019

At these Meetings the Committee considered the following:

(i) Internal audits reports on:

- Capital Works Management
- Emergency Management
- Business Continuity Planning
- Tendering Report
- Human Resources/ Payroll
- Follow up of High Risk Matters raised in prior internal audit reports

Each of the internal audit reports provided detailed recommendations in relation to any risks identified. These risks are rated as high; medium or low and are discussed at length at the Audit and Risk Committee meetings to ensure that the Audit and Risk Committee Members are comfortable and confident that any audit recommendations are responded to and that proposed management actions adequately address the identified risks within agreed timeframes.

The Audit and Risk Committee has monitored the implementation of these recommendations and actions at each subsequent Committee meeting to ensure that the recommended and agreed audit initiatives are carried out, thus assisting in improving Council's procedural and control environments. This ongoing monitoring also ensures that Council's risk exposure in many areas is brought to the Committee's attention and that there is a management framework to address such issues.

The Audit and Risk Committee also monitors the progress of the Internal Audit Plan at each meeting, with the Internal Auditor presenting a report on the status of this plan and discussing progress. The relevance and appropriateness of the three year Strategic Internal Audit Plan as well as the Annual Internal Audit Plan is also regularly reviewed to ensure that it meets the needs of the dynamic and challenging Local Government environment.

(ii) External Audit

Extensive liaison was held with the external auditors HLB Mann (VAGO contracted agent) in respect of the 2017/2018 financial statements, culminating with the Audit and Risk Committee, at its Meeting on 13 August 2018, endorsing the draft Annual Financial Report and Performance Statements for submission to Council for adoption 'in principle'. The audit results were positive with all relevant accounting disclosures made and unqualified audit opinions received from the Auditor General. These Statements were submitted by the Council to the Victorian Local Government Minister by 30 September 2018 as required.

The Committee met also met with HLB Mann Judd at its Meeting in May 2019 to discuss the strategy of the proposed external audit for the 2018/2019 financial year. This strategy outlines the mandate from the Auditor General for the financial year and provides details of any specific issues that the Auditor General wishes his agents to address during the audit.

(iii) Management Reports

The Audit and Risk Committee comprises members who have a diverse range of experience and skill sets, who can provide objective advice to the Council in an advisory capacity. It is a productive and robust Committee that continues to mature by seeking improvement opportunities to ensure that it is kept informed of risks that the Council is required to act upon. In addition to the Internal and External audit functions of the Committee, this improvement is also achieved via regular Management Reports at each meeting incorporating the following:

- Council's Quarterly Finance Reports - The Committee receives Council's quarterly financial reports. These reports are very comprehensive and provide assurance to the Committee that Council is adequately advised of its financial situation so that Council can make informed decisions. The Committee is also kept informed of the status of the annual Budget as well as other important financial information. The Committee is also assured that Council's financial management practices are robust and meet legislative and stewardship requirements.
- Procurement Policy Compliance - This report includes important information regarding compliance with Council's Procurement Policy as well as details about current and proposed contracts.
- Status of the implementation of outstanding audit reports - This report is a monitoring tool that tracks the implementation of any outstanding audit recommendations with a clear path forward being outlined.
- Rate Arrears - A report outlining high level details regarding Councils' rate arrears is considered that provides assurance that these outstanding debts are being managed appropriately.
- Risk Management and Insurance – The Committee provides an active oversight of Council's risk management framework by considering regular reports on these issues to ensure that Nillumbik's exposure to strategic and operational risks are being managed appropriately. The Committee also receives reports and statistics relating to Insurances and Occupational Health and Safety (OH & S.) The 'Risk Register Report' provides vital information on Council's major risks including the risk rating, prior to and after the control assessment and control actions. This ensures that the Committee is informed of the status of how Council is managing its identified risks.
- The Committee is provided with alerts on any impending legal action, legislation breaches or fraudulent activity.
- The Committee receives a copy of Council's Budget and Strategic Resource Plan. This ensures that the Committee is aware that Council continues to operate in a financial framework that is achievable in the current economic climate that provides ongoing financial stability and sustainability.
- The Committee receives an annual summary relating to the Staff and Councillors Gift Register.
- During the year Committee considered the reviews of several policies, procedures and guidelines including the Procurement Policy and Guidelines and the Minor Asset Policy. These policies, procedures and guidelines were comprehensively reviewed by management to more accurately reflect better practice and improve the control processes and procedures involved.

As an additional mechanism to improve communication and to provide the Committee with additional assurances about Council's risk exposures and responses to such risks, the Committee requested that the CEO provide a written report to each Meeting outlining any issues that he considers should be brought to the attention of the Committee that may not be provided by other methods.

2019/2020 Outlook

In 2019/2020 Council will continue its comprehensive internal audit program. This program was considered by the Committee at its August 2019 meeting in conjunction with the review of the three year Strategic Internal Audit Program. This Program is reviewed to ensure that it addresses the most current compliance; internal control and operational audit requirements of the Council.

The Audit and Risk Committee will conduct meetings with the External Auditor in relation to the Financial and Performance audits and give formal consideration to the Annual Financial Report and Performance Statements.

The Committee will continue to monitor any applicable matters raised by the Victorian Auditor General; Victorian Ombudsman, the Local Government Inspectorate; the Independent Broad-based Anti-Corruption Commission or the Office of the Victorian Inspectorate.

The Committee has and will continue take an active interest and stay informed on proposed changes to the Local Government Act 1989 which proposes new obligations on Councils and their Audit Committees.

Conclusion

The 2018/2019 year was again a very productive year with the Audit and Risk Committee considering a large range of reports and issues relating to Council's reporting, accountability, control and risk management objectives and obligations.

As outlined in this report, I believe the Audit and Risk Committee continues a valuable oversight role relating to Council's financial, governance, and risk control environments and associated systems to ensure that adequate control frameworks are in place so that Council operates within a best practice framework that maintains an environment to identify and mitigate risks.

It is a very robust Committee and through the diverse experience and knowledge of its members can test assumptions and make recommendations that add value to Council's operations.

On behalf of all Audit and Risk Committee members, I would like to express sincere thanks to the Staff of HLB Mann Judd for their work in the conduct of the external audit, and to the Internal Auditor Crowe Horwath for their significant contribution into the internal audit program where business improvement recommendations were made which will ensure that Council's internal controls and processes are continually improved.

I particularly wish to thank Council's Chief Executive Officer, Mr Carl Cowie; the Chief Financial Officer, Mr Vince Lombardi, the Director of Operations and Infrastructure, Mr Hjalmar Philipp. Finance Manager, Mrs Melika Sukunda and the Risk Advisor, Craig Commane for their support, professional advice and focus on achieving continuous improvement outcomes. I also extend the Committee's thanks to all the Council Officers who have assisted the Audit and Risk Committee in a professional manner during the year.

I thank all my fellow Audit and Risk Committee Members Councillors and External Members for their participation, diligence, professionalism and contribution throughout the 2018/2019 financial year. The Committee looks forward to the continuation of a very strong working relationship with the Council and staff during the 2019/2020 financial year.