

Meeting Minutes

Audit Risk and Improvement Committee

Date: 19 October 2018

Start Time: 9.00am

End Time: 11.15am

Location: Federation Council – 100 Edward Street Corowa

Record Ref: 18/46433

Invited Participants: Linda MacRae (Independent Chairperson), Peter McLean (Independent external committee member), Brad Bohun (External Finance Auditor – Crowe Horwath) Kathie Teasedale (Internal Auditor/RSD), Nick Bell (Internal Auditor/RSD), Adrian Butler (General Manager), Kim Parker (Director, Finance and Organisational Development), Kristy Kay (Director Corporate and Community), Heidi Neumeister (Governance Officer), Cr. Miegel, Cr. Wales, Lawrissa Chan, (Director, Financial Audit Branch) and Eric Nathaniel, NSW Audit Office

Attendees: Linda MacRae (Independent Chairperson), Peter McLean (Independent external committee member) (by phone), Brad Bohun (External Finance Auditor – Crowe Horwath), Adrian Butler General Manager), Kim Parker (Director, Finance and Organisational Development), Kristy Kay (Director Corporate and Community), Heidi Neumeister (Governance Officer), Cr. Miegel, Lawrissa Chan, (Director, Financial Audit Branch) and Eric Nathaniel, NSW Audit Office (by phone)

Apologies: Kathie Teasedale (Internal Auditor/RSD), Nick Bell (Internal Auditor/RSD), Cr Wales

Purpose: As per Committee Charter

Minutes

Item 1: **Endorse Minutes of meeting held on 1 June 2018** Linda MacRae 5 Mins

Report: The minutes of the previous meeting held on 1 June 2018 are have been submitted to Council subject to any changes.

Action: *Adopt minutes as prepared without further changes.*

Moved: Linda MacRae

Seconded: Peter McLean

Action: **Action: Linda distributed some samples of Audit Committee Annual Work Plans as per Item 10 of the previous Committee meeting minutes. These samples are to be distributed to the Committee following this meeting and included in the Agenda for the next** Heidi 26/10/18

Item 2: Conflicts of Interest Linda MacRae 5 Mins

Report: Conflicts of Interest to be noted prior to discussion on any agenda items.

Action: *There were no conflict of interest to declare.*

Item 3: Finance Report – Annual Financial Statements Progress Kim Parker 15 Mins

Report: Brad Bohun presented the draft Financial Statements for the financial year ending 30 June 2018 and provided a summary and observations. The Committee were able to seek clarification regarding several items. There were no critical or high rated issues identified, which given the challenges faced during the post amalgamation previous 13 month financial period, was a very positive result.

The NSW Audit Office advised that Federation Council has demonstrated full compliance with legislative requirements and that a 'clear audit opinion' would be issued.

The NSW Audit Office would be providing Council with the several formal 'Closing Reports' within the next few days. The contents of these Reports were verbally presented to the Committee by the Auditors. These Reports to be included in the Agenda for the next meeting for formal discussion and noting by the Committee.

It was noted that some minor operational and administrative processes may be required to facilitate the preparation of the Financial Statements next year to ensure that the Financial Statements are prepared in an efficient and timely manner. These processes could include an 'early close' and endeavouring to commence asset revaluation work in March/April 2019

Action: Enter resulting action **Committee** **19/10/18**

Action: *The following items were noted for removal from the Draft Financial Statements:* **Kim** **31/10/18**

Note 12 - Self Insurance (the Council does not self insure)

Note 16. 2. Other Liabilities (ii) - Potential land acquisition due to planning restrictions imposed by Council (Council does not have these liabilities) **Kim** **31/10/18**

Note 16. Assets not recognised (ii) - Infringement notices/fines. Remove or amend to reflect the Council's actual situation.

Action: *Rates: The Committee discussed the Council's rating revenue capacity and asked when the Council was able to commence a rates review and were advised that rates were currently frozen until 1 July 2020.* **Kim** **31/10/18**

Action: *Renewal of asset: Recommendation from Peter that Local Government bodies need to lobby for more funding to effectively counter the impact on council maintenance budgets due to the increased infrastructure resulting from renewal projects.* **Adrian** **30/06/19**

Action: *A copy of the final Audit reports including the Management Letter to be provided to the Committee and included as Items at the next meeting.* Heidi 22/02/18

Action: *The Committee expressed its thanks to all the Staff and Auditors involved in preparing the 2017/2018 Financial Statements.* Kim 31/10/18

*Moved: Cr. Miegel
Seconded: Peter McLean*

Item 4: Review of Audit Committee Charter Heidi Neumeister 10 Mins

Report: The Committee were asked in July 2018 following consultation with OLG and LGNSW to consider any changes required for the Internal Audit Charter as presented. A draft was proposed for discussion based on feedback that had been received.

Action:: *Linda suggested that the Charter should outline the Committee's responsibilities more clearly. Peter suggested that a schedule of responsibilities could be separately developed and adopted by the Committee. This schedule to be referred to in the Audit Committee Charter (but not included as part of the Charter). The schedule could then be reviewed on an annual basis in conjunction with the Committee's annual work plan (refer item 1).* All 22/02/19

Action: *Peter suggested that the Charter could include a note to clarify that Federation Council has implemented ARIC prior to the legislation being enacted.* All 22/02/19

All 22/02/19

*Moved: Cr. Miegel
Seconded: Peter McLean*

Item 5: Update on Budget process Kim Parker 20 Mins

Report: The Committee noted the 2018-19 budget information at the March 2018 Meeting and also noted the 'Long Term Financial Plan - 10 years 2018-2028' which was included in the Agenda papers. The Committee discussed several issues incorporated in the Long Term Financial Plan including the Council's challenges regarding its ongoing financial sustainability.

Action: Noted

Item 6:	Recent Reports and Publications of Interest Update	Kathie Teasedale	10 Mins
Report:	RSD has provided a list of current publications and reports of interest to Management for review and consideration by the Committee.		
the	<i>To circulate the reports to the Committee.</i>	Heidi	26/10/18
Action:	<i>To ensure that the Committee is in receipt of the most current Agenda and Attachments it was agreed that the General Manager investigate if an 'internal audit portal' can be established similar to the portal used for Council Agenda papers.</i>	Adrian	22/02/19
Item 7:	Update on Procurement and Contract Management Internal Audit Actions	Kim Parker	10 Mins
Report:	An update on the Procurement and Contract Management audit actions was provided for information and discussion by the Committee		
Action:	<i>To modify the Procurement Policy and take this back to Council for adoption.</i>	Kim	20/11/18
		Moved: Cr. Miegel Seconded: Peter McLean	
Item 8:	Draft Fraud Control Plan and Policy including update on Internal Audit Actions	Kim Parker	10 Mins
Report:	The Committee reviewed the draft Fraud Control Plan and Policy and provided comments. <i>Peter suggested that a section on 'Ethical Culture' could be included in the Council's recruitment processes as a means of embedding this in the organisation. He also provided examples of where this has been achieved through training such as peer-to-peer and cross-functional knowledge sharing, which can be more cost efficient.</i>		
Action:	<i>Update the Fraud and Corruption Policy and the Procurement Policy to be presented to Council for consideration at the November 2018 Council Meeting for adoption and public exhibition for 28 days.</i>	Kim	20/11/18
Action:	<i>Include a section on 'Ethical Culture' in the Council's recruitment processes and consider cost effective methods for training staff such as peer to peer and cross functional knowledge sharing.</i>	Kim	22/02/19
		Moved: Cr. Miegel Seconded: Peter McLean	

Item 9:	Forward Audit Plan	Kathie Teasedale	10 Mins
Report:	The Audit Plan was provided consideration and action.		
Action:	<i>It was agreed that the IT General Controls Audit be conducted prior to the S355 Committees of Management Audit.</i>	Heidi	22/02/19
Action:	<i>To review the internal audit report for the Environmental Health Audit conducted in November 2018 and for this Report to be included in the Agenda for the next meeting.</i>	All	22/02/19
Action:	<i>Note the dates in the internal plan appear to be incorrect and the Committee noted that these were meant to reflect that the Environmental Health Audit is to be conducted in late 2018, Waste Management and Landfill to be conducted early 2019 and IT General Controls to be conducted early 2019 (ahead of S355 Committee's of Management.)</i>	Heidi	22/02/19
Item 10:	Section 355 Committee update and Financial Management	Kristy/Heidi	10 Mins
Report:	To provide an update on the project and feedback from the Committees.		
Action:	<i>Item deferred to next meeting.</i>	Heidi	22/02/19
Item 11:	Forward Meeting Plan	All	5 Mins
Report:	To consider meeting schedule for 2019.		
Action:	<i>The committee agreed to schedule meetings for 2019 as follows.</i>	Heidi	22/02/19
	<i>22 February</i>		
	<i>31 May (requested that External Auditor attend this meeting)</i>		
	<i>October (date to be confirmed).</i>		

Meeting closed at 11.15am