

Nillumbik Audit Committee minutes

Held Monday 11 February 2019 at 5pm at the Civic Centre, Civic Drive, Greensborough

1 Present

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

Councillors: Cr Peter Clarke (arrived 5.06pm)

Council officers: Carl Cowie (CEO), Vince Lombardi (Executive Manager Finance), Melika Sukunda (Financial Accountant), Lance Clark (Procurement Specialist), Craig Commane (Risk Advisor), Hjalmar Philipp (Director Sustainability and Place), Blaga Naumoski (Executive Manager Governance), Jeremy Livingston (Executive Manager Organisational Performance)

Other invitees: Martin Thompson (Crowe Horwath),

2 Apologies

Cr Bruce Ranken, Nick Walker (HLB Mann Judd)

3 Disclosure of any conflicts of interests

Nil

4 Declarations

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

Disclosed (legal matter)

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

Nil

5 CEO Update

The CEO update was presented to the committee

Decision

The CEO update was received and noted.

6 Adoption of the minutes of the meeting held 12 November 2018

Decision

The minutes of the Audit Committee meeting held on 12 November 2018 were confirmed as accurate.

7 Table of actions arising

The table of actions arising was presented to the Committee.

Decision

The status of actions outstanding was received and noted.

8 Update on Records management function and progress on internal audit findings

Blaga Naumoski, Executive Manager Governance presented the update to the Committee.

Decision

The update presented by Blaga Naumoski, Executive Manager Governance was received and noted.

The Committee request an update be provided at each meeting, advising of progress and that the risk/ change management process be included in the update.

9 Update on Emergency management function and progress on internal audit findings

Blaga Naumoski, Executive Manager Governance presented to the Committee.

Decision

The update presented by Blaga Naumoski, Executive Manager Governance was received and noted.

The Committee request an update be provided at each meeting, advising of progress.

10 Update on Capital works function and progress on internal audit findings

Hjalmar Philipp, Director Sustainability and Place presented to the Committee.

Decision

The update presented by Hjalmar Philipp, Director Sustainability and Place was received and noted.

The Committee request an update be provided at each meeting, advising of progress.

11 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.

12 Internal audit progress report

The progress report on internal audit by Crowe Horwath was presented to the Committee.

Decision

The internal audit progress report was received and noted.

The Committee request to be advised on when the most recent Cyber Security/ IT Controls internal audit was undertaken.

13 Internal Audit report on business continuity planning

The internal audit report on business continuity planning was presented to the Committee.

Decision

The internal audit report on business continuity planning was received and noted.

14 Internal audit report on tendering processes

The internal audit report on tendering processes was presented to the Committee.

Decision

The internal audit report on tendering processes was received and noted.

15 Report on recent reports and publications

The report on recent reports and publications was presented to the Committee.

Decision

The report on recent reports and publications was received and noted.

16 Risk and Insurance report

The risk and insurance report was presented to the Committee.

Decision

The risk and insurance report was received and noted.

The Committee request trend data on WorkCover claims and effect on Council's premium.

17 IBAC Local Government Integrity framework review 2018 (summary report) and responses

The report on IBAC Local Government Integrity framework review 2018 (summary report) and responses were presented to the Committee.

Decision

The report IBAC Local Government Integrity framework review 2018 (summary report) and responses were received and noted.

18 Summary of changes to Procurement Policy and Procurement Policy and Guidelines 2019 - 2020

The Procurement Policy and Guidelines were presented to the Committee.

Decision

1. The Procurement Policy and Guidelines were received and noted.
2. The Committee recommends that Council adopt the policy.

19 December Quarter Financial Report Summary and December Quarter Financial Report

The December quarter financial report summary and December quarter financial report was presented to the Committee.

Decision

The December quarter financial report summary and the December quarter financial report was received and noted.

20 Rates in Arrears report

The rates in arrears report was presented to the Committee.

Decision

The Rates in arrears report was received and noted.

21 Results of 2017-2018 Audits: Local Government

The Results of 2017-2018 Audits: Local Government was presented to the Committee.

Decision

The Results of 2017-2018 Audits: Local Government was received and noted.

22 Audit Committee Charter

The Audit Committee Charter was presented to the Committee

Decision

1. The Audit Committee Charter was received and noted.
2. The Committee recommends that Council adopts the revised charter

23 Audit Committee work plan

The Audit Committee work plan was be presented to the Committee

Decision

The Audit Committee work plan was received and noted.

24 Other Business

- 1) Local Government sector issues

25 Meeting Schedule

The next Audit Committee Meeting:

5pm, Monday 27 May 2019

Nillumbik Shire Council Audit and Risk Committee Charter

February 2019

1. Purpose of this charter

The purpose of this charter is to facilitate the operation of the Audit and Risk Committee (the Committee).

2. Introduction

The Committee is an advisory committee formally appointed by the Nillumbik Shire Council (Council) pursuant to section 139 of the Local Government Act (Vic) 1989 (the Act) and is responsible to the Council. The Committee does not have executive powers or authority to implement actions in areas over which management of Nillumbik Shire Council (management) has responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and is therefore independent of management.

The Committee's role is to report to the Council and provide appropriate advice and recommendations on matters relevant to its charter in order to facilitate decision making by the organisation comprising Council and management in relation to the discharge of its responsibilities.

3. Objectives

The objectives of the Committee in relation to Council are to oversee:

1. The integrity of external financial reporting, including accounting policies
2. The scope of work, objectivity, performance and independence of the external and internal auditors
3. The establishment, effectiveness and maintenance of controls and systems to safeguard financial and physical resources
4. The systems or procedures that are designed to ensure compliance with relevant statutory and regulatory requirements
5. The process for recognising risks arising from operations and strategies, and to consider the adequacy of measures taken to manage those risks
6. The process and systems which protect against fraud and improper activities including the Protected Disclosures Act procedures.

The Committee seeks also to add to the credibility of council by promoting ethical standards through its work.

4. Authority

The Committee is directly responsible to Council for its performance in discharging its responsibilities as set out in this charter. The Committee has no delegated authority from Council unless specifically provided by Council from time to time. Any delegated authority shall be temporary and may only relate to specific matters as directed by Council.

The Committee, in relation to Council, has the authority to:

1. Review the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken.
2. Approve the annual internal audit plan.
3. Seek any information or advice it requires from Council members and management via the Chief Executive Officer and external parties.
4. Formally meet with management, internal and external auditors as necessary.
5. Seek resolution on any disagreements between management and the external auditors on financial reporting.
6. Seek resolution on any disagreements between management and the internal auditors on any audit findings.

The Committee has the authority to advise Council on any or all of the above as deemed necessary.

5. Composition

1. The Committee will comprise of five members, three being independent and two being councillors.
2. Council will appoint Committee members. In appointing members to the Committee Council will consider gender balance.
3. The Chair will be independent of Council and management and will be appointed by the Committee, for a three year term and ratified by Council.
4. The Committee is authorised to appoint an Acting Chair when required.
5. The members, taken collectively, will have a broad range of skills and experience relevant to the operations of Council.
6. Independent members will be appointed for an initial period not exceeding three years. Members may be re-appointed for a further term at the discretion of Council. Members may be appointed for a third consecutive term subject to competitive advertising.
7. A quorum will be a majority of members. The number of independent members at each meeting must equal or exceed the number of Councillors.
8. Independent members will be remunerated at a rate set by Council for the four meetings per year. Should additional meetings be required, independent members will be remunerated for the meeting.
9. Committee members are required by the *Local Government Act 1989* to complete Returns of Interest every six months and declare any conflicts of interest that apply to any matter to be considered at each meeting.
10. New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

6. Meetings

1. The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
2. Additional meetings may be called by the Chair of the Committee, or at the request of the Mayor or Chief Executive Officer. If additional meetings are called, Independent members will be remunerated for their attendance at a rate reflective of the allowance paid.
3. The Committee meetings shall be 'Closed' and therefore not open to the public.
4. All Councillors are invited to attend each Committee meeting.
5. All Committee members are expected to attend each meeting in person.
6. The Chief Executive Officer and Executive Manager of Finance will facilitate the meetings of the Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.
7. The Committee will develop a forward meeting schedule that includes the dates, location, and proposed work plan for each meeting for the forthcoming year, that cover all the responsibilities outlined in this charter.
8. Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.
9. Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.

7. Responsibilities

The Committee will carry out the following responsibilities:

7.1 Risk management

1. Review whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of Council's business and financial risks.
2. Determine whether a sound and effective approach has been followed in managing Council's major risks including those associated with individual projects, program implementation and activities.
3. Assess the impact of Council's enterprise risk management framework on its control environment and insurance arrangements.
4. Monitor, review and provide advice on Council's strategic risk register.
5. Review the process of developing and implementing Council's fraud control arrangements to assist Council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities.

7.2 Business continuity

1. Consider whether a sound and effective approach has been followed in establishing Council's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

7.3 Internal control

1. Review whether management's approach to maintaining an effective internal control framework is sound and effective.
2. Review whether management has in place relevant policies and procedures, including Chief Executive Officer's Instructions or their equivalent, and that these are periodically reviewed and updated.
3. Consider whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with.
4. Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
5. Consider how management identifies any required changes to the design or implementation of key internal controls.

7.4 Compliance

1. Review the systems and processes to monitor the effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of material non-compliance.
2. Keep informed of the findings of any examinations by regulatory agencies and any auditor (internal or external) observations and monitor management's response to these findings.
3. Obtain regular updates from management about compliance matters.

7.5 Internal audit

1. Ratify the appointment and dismissal of the internal auditor.
2. Review with management and the internal auditor the charter, activities and staffing of the internal audit function.
3. Review the specifications for the Provision of Internal Audit Services contract and participate in the tender evaluation process.
4. Review and recommend the annual internal audit plan for endorsement by Council and all major changes to the plan.
5. Monitor that the internal auditor's annual plan is linked with and covers the material business risks.
6. Monitor processes and practices to ensure that the independence of the internal audit function is maintained.
7. Annually review the performance of internal audit including the level of satisfaction with the internal audit function having consideration of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
8. Provide an opportunity for the Committee to meet with the internal auditor to discuss any matters that the Committee or internal auditor believes should be discussed privately.
9. Review all internal audit reports and provide advice to Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
10. Monitor management's implementation of internal audit recommendations.

7.6 External audit

1. Note the external auditor's proposed audit scope and approach for financial and performance audits, including any reliance on internal auditor activity.
2. Consider the findings and recommendations of relevant Performance Audits undertaken by the external auditor and ensure Council implements relevant recommendations.
3. Monitor processes and practices to ensure that the independence of the external audit function is maintained.
4. Provide an opportunity for the Committee to meet with the external auditors to discuss any matters that the Committee or the external auditors believe should be discussed privately.
5. Review all external audit reports and provide advice to Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
6. Annually review the performance of external audit including the level of satisfaction with the external audit function.
7. Monitor management's implementation of external audit recommendations.

7.7 Financial report

1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
2. Review with management and the external auditors the results of the audit, including any difficulties encountered.
3. Review the annual financial report and performance report of Nillumbik Shire Council and consider whether it is complete, consistent with information known to Committee members, and reflects appropriate accounting principles.
4. Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.
5. Recommend the adoption of the Financial Statements and Performance Statements to Council.
6. Review the appropriateness of the framework and content of periodic management financial reporting to Council.

7.8 Reporting responsibilities

1. Report to Council about Committee activities, issues, and related recommendations through circulation of minutes and the Committee's annual report. Additional updates may be appropriate should issues of concern arise.
2. Monitor that open communication occurs between the internal auditor, the external auditor, and the management.

7.9 Other Responsibilities

1. Perform other activities related to this charter as requested by Council.
2. Annually review and assess the adequacy of the Committee Charter, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.
3. Annually confirm that all responsibilities outlined in this charter have been carried out.
4. Annually evaluate the Committee's performance.
5. The Annual Committee Performance Report is to be presented to Council annually.
6. The minutes of each meeting be presented to Council.
7. Internal audit reports and external audit reports shall not be made public.

8. Transparency measures adopted

The Committee shall undertake a process to evaluate its performance annually and report the outcomes of the evaluation process to Council.

9. Conflicts of Interest and Register of Interests

Members of the Committee must be fully aware of their responsibilities with regard to the management of interests in relation to the discharge of their duties as a member of the Committee. Management of interests includes the proper management of any conflicts of interest as and when they may arise.

Members of the Committee must also be fully aware of the statutory definitions of direct and indirect interests which may give rise to a conflict of interest. These are set out in Division 1A of the Act. Members of the Committee are required to comply with sections 76D, 79 and 81 of the Act, which includes, among other things, the following requirements:

1. Submission of pecuniary interest returns on the form specified by Council in accordance with the Act;
2. Declaration and management of any conflicts of interest which arise in accordance with the Act;

In addition, members of the Committee shall comply with Council's Code of Conduct in carrying out their duties as a member of the Committee. In broad terms, and for guidance to members of the Committee:

- a) Committee members must disclose any conflicts or perceived conflicts of interest at the commencement of each meeting;
- b) Where members are deemed to have a conflict of interest, they will be excused from discussions and deliberations on the matter. Failure to comply with the provisions of the Act regarding conflicts of interest may result in prosecution and the member's appointment being terminated by Council.

10. Confidentiality

All information received by Committee members in the course of their work as

Committee members is confidential and must not be shared with any party outside

Council Members must comply with the requirements of section 77 of the Act in this regard. Failure to comply with the provisions of the Act with regard to confidential information may result in prosecution and the member's appointment being terminated by Council.