



Minutes

Audit Committee Meeting

Monday 10 December 2012 at 4:00pm

Queenscliff Town Hall
50 Learmonth Street, Queenscliff

Distribution

Members

Mr. Roland 'Barney' Orchard (Chair)

Mr. Richard Bull

Mr. David Shaw

Mr. Graeme Phipps

Cr. Bob Merriman

Cr. Susan Salter

Officers

Lenny Jenner - Chief Executive Officer

Ev Wuchatsch - General Manager Governance & Community

Phil Josipovic – General Manager Planning & Infrastructure

Allison Chaloner - Senior Accountant

Invitees

Mr Warwick Spargo – RSM Bird Cameron (Internal Audit – Engagement Partner)

Mr. Scott Campbell – RSM Bird Cameron (Internal Audit – Engagement Senior Manager)



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Appendices

Appendix	Title	Agenda Item	Distribution
Appendix 1	Minutes from the Audit Committee Meeting held on 3 September 2012	4.1 Confirmation of Minutes	Under separate cover
Appendix 2	Internal Audit Report	6.1 Internal audit report received	Under separate cover
Appendix 3	Proposed Internal Audit Program 2013-2015	6.2 Proposed internal audit program topics 2013-2015	Under separate cover
Appendix 4	VAGO Report: Results of the 2011-2012 Local Government Audits	7.1 VAGO Report: Results of the 2011-2012 Local Government Audits	Under separate cover



1. OPENING OF MEETING

4:00pm

2. PRESENT & APOLOGIES

Present:

Mr. Roland 'Barney' Orchard

Mr. Richard Bull

Mr. Graeme Phipps

Mr. David Shaw

Cr. Susan Salter

Cr. Bob Merriman

Lenny Jenner - Chief Executive Officer

Ev Wuchatsch - General Manager Governance & Community

Phil Josipovic – General Manager Planning & Infrastructure

Allison Chaloner - Senior Accountant

Mr. Scott Campbell – RSM Bird Cameron (Internal Audit – Engagement Senior Manager)

Apologies:

Mr Warwick Spargo – RSM Bird Cameron (Internal Audit – Engagement Partner)

3. PECUNIARY INTEREST & CONFLICT OF INTEREST DISCLOSURES

Independent Members: Nil

Councillors: Nil

Council Officers: Nil

4. AUDIT COMMITTEE MEETING – 3 September 2012

4.1. Confirmation of Minutes

Moved: Graeme Phipps / Seconded: Richard Bull

That the Minutes of the Audit Committee Meeting held on Monday 3 September 2012 (Appendix 1) be confirmed.

Carried



Request: That the letter from the CEO to the Victorian Auditor-General regarding the survey of Council's performance for financial reporting preparation in 2010-2011, be followed-up by the CEO requesting a response.

4.2 Business Arising from Audit Committee Meeting – 3 September 2012

Business Arising - Item 5.1: Audit Committee self-assessment questionnaire

Recommendation resolved at 3 September 2012 meeting:

"2. That the Internal Audit program includes a biennial Audit Committee performance assessment."

Officer comments:

Refer Item 6.2 in this Agenda.

Business Arising - Item 5.3: Audit Committee activities reported in Annual Report

Recommendation resolved at 3 September 2012 meeting:

"That Officers work with the Audit Committee Chair to prepare a report, on behalf of the Audit Committee, for inclusion in Council's 2011-12 Annual Report."

Officer comments:

Refer Annual Report distributed to each member of the Audit Committee.

5. AUDIT COMMITTEE FUNCTION

5.1 Annual rotation of Audit Committee members

The Audit Committee Charter includes the following provision regarding membership:

"2.2 Membership

(c) Appointments of external persons shall be made by Council by way of a public advertisement. The terms of the appointment will be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.

(d) Rotation of the Chair shall occur on a regular (annual) basis."

Recommendation resolved at the Ordinary Meeting of Council 21 November 2012:

"That Council, 2. Confirms the appointment of Roland Orchard and David Shaw as independent Audit Committee members for a period of 1 year and Richard Bull and Graeme Phipps as independent Audit Committee members for a period of 2 years."

Moved: Bob Merriman / Seconded: Susan Salter

That the above recommendation, resolved at the Ordinary Meeting of Council 21 November 2012, be noted.

Carried



6. INTERNAL AUDIT

6.1 Internal audit report received

Council's internal auditor, RSM Bird Cameron, conducted an internal audit in October 2012. Officers have received the audit report and provided management comment, where appropriate, in response to the internal audit recommendations. Refer **Appendix 2**.

The audit topics reviewed by the internal auditor, in accordance with the list of audit topics previously agreed by the Audit Committee, specifically included:

- Payroll;
- Local Laws;
- Ongoing review of risk management; and
- Status of outstanding actions from previous internal audit reports.

There are two areas of risk in which opportunities for improvement have been identified by the internal auditor, of which one is considered medium risk (excessive annual leave, accrued day off and time in lieu liabilities) and one is of low risk (authorisation of new employees). No high risk issues were identified.

Council officers accept that all recommendations within the two areas of risk identified by the internal auditor should be implemented. A timeframe for completion of the audit recommendations is included within the management response to the internal audit report.

Of the 17 outstanding actions from previous internal audit reports, the most recent internal audit conducted in October 2012 has verified that 15 items are now completed and two are in progress.

The most recent audit recommendations from October 2012 will be added to the list of actions required, for reporting through to the next Audit Committee meeting scheduled for June 2013.

Moved: Richard Bull / Seconded: Graeme Phipps

That the Audit Committee resolves:

- a) That the internal audit report, including management comment, be accepted.**
- b) That the 15 green shaded items, reported on the list of outstanding actions, be removed as complete.**
- c) That the additional two items of risk identified in the recent internal audit review be added to the list of outstanding actions, for follow up by officers and progress review at the next Audit Committee meeting scheduled for June 2013.**

Carried



6.2 Proposed internal audit program topics 2013-2015

RSM Bird Cameron has recommended a program of internal audit topics for the next three year period 2013–2015. Refer **Appendix 3**.

Specific requests from previous Audit Committee meetings, regarding internal audit topics, have been maintained as follows:

- Payroll to be reviewed biennially;
- Ongoing review of risk management;
- Ongoing review of the status of outstanding actions from previous internal audit reports;
- Insurance to be excluded, given Council participate in three insurance audits conducted by Council's insurer each year; and
- Audit Committee performance assessment to be reviewed biennially.

New internal audit topics, not previously undertaken for the Borough, which Council's internal auditor recommends for inclusion in this next three year program are as follows:

- Debtors (aged care, infringements, caravan parks, heritage loans, sundry)
- Value for money on major projects
- Budget / budgeting
- Town planning
- Building maintenance / Compliance with Essential Services Act

NOTE: The Audit Committee discussed the merits of undertaking the audit of Town Planning in a timeframe of approximately two years after the review of the Queenscliffe Planning Scheme.

Recommendation:

That the Audit Committee confirms the recommended list of topics, included at Appendix 3, for the internal audit reviews over the three year period 2013-2015.

Moved: Richard Bull / Seconded: Graeme Phipps

That the Audit Committee:

- Confirms the recommended list of topics, included at Appendix 3, for the internal audit reviews over the three year period 2013-2015.**
- Notes that the Audit Committee should continue to review the Internal Audit Program**
- Request the Internal Auditor to provide a fuller description of the Internal Audit Program items**

Carried



7. EXTERNAL AUDIT

7.1. VAGO Report - Local Government: Results of the 2011-2012 Audits

On 28 November 2012, the Auditor-General of Victoria tabled his acquittal report – Local Government: Results of the 2011-12 Audits in Parliament. The report acquits the final results of the 2011-12 audits, as well as analysing the quality of financial information and commenting on financial sustainability.

Council officers have reviewed this report by the Auditor-General of Victoria and a summary of the findings from this report, as they relate specifically to the Borough of Queenscliffe and the council grouping 'Small Shire Councils' within which Council is categorized, is included at **Appendix 4**.

Moved: Graeme Phipps / Seconded: Richard Bull

That the Audit Committee resolves that the Council officers report, summarizing the VAGO Report – Local Government: Results of the 2011-12 Audits, be received.

Carried

8. REPORTS FROM THE RISK MANAGEMENT COMMITTEE

8.1 Report on risk management activities for the six months to November 2012

File: QG.235.01.01

Report Author: Senior Accountant

Purpose

The purpose of this report is to inform the Audit Committee of work performed and issues dealt with, by the Risk Management Committee, over the six month period from June - November 2012.

Background

The Risk Management Committee is comprised of the following members:

- Ev Wuchatsch, General Manager Governance & Community
- Allison Chaloner, Senior Accountant
- Stuart Hansen, Projects & Contracts Engineer
- Lisa Schorback, Community Services Co-ordinator



The Risk Management Committee has met on four occasions over the past six months, with minutes recorded for all meetings. A standing agenda is used, which includes the following items:

- Status of outstanding actions on financial and insurance audit reports:
 - External audit management letters
 - Internal audit reviews
 - JMAPP (Jardine Municipal Asset Protection Plan) property risk management audit
 - MAV (Municipal Association of Victoria) crime/fidelity audit
 - Liability Mutual (public liability and professional liability) audit
 - Risk register
 - Business continuity management plan
- Incident reports received (which are included in the quarterly financial report to Council)
- OH&S legislation and training requirements
- Amendments to policies and procedures
- Regional asset management group
- Feedback from JLT (Jardine Lloyd Thompson) and Civic Mutual Plus best practice forums

Financial and Insurance Audits

a) Internal Audit: audit reviews occur in April and October of each year, with results reported through to the Audit Committee at its meetings in June and December. Audit topics are proposed by the internal auditor and a scope is provided to the Audit Committee, who may request that other audit topics also be considered. Each internal audit review includes ongoing review of risk management and follow-up with respect to actions outstanding from previous internal audit recommendations.

An internal audit was conducted in October 2012 (refer Agenda Item 6.1 for details)

b) External Audit: an interim audit is conducted in April each year, with the final audit taking place in July/August of each year. A management letter is provided by the external auditor and the year-end results are presented to the September meeting of the Audit Committee, prior to certification by Council's Principal Accounting Officer and two Councillors. The annual report including the financial report must be submitted to the Minister by 30 September.

The 2011/12 final audit of Council's draft financial statements was conducted and reported through to the Audit Committee at its meeting on 3 September 2012. The final statements were certified by Council's Principal Accounting Officer, two Councillors and the Victorian Auditor-General and submitted to the Minister before the deadline of 30 September 2012.

c) Insurance Audits: three insurance audits are conducted by Council's insurers (property risk management, public liability and professional liability, fidelity/crime), each being a full audit every two years, with progress review every other year. The result of each audit has the potential to impact on future insurance premiums, although no such savings resulting from improved audit scores have been quantified to date.



No insurance audits were conducted in the past six months. The next insurance audits are scheduled for 18 December 2012 (public/professional liability and fidelity/crime) and February 2013 (property), with property risk management being a full audit and the public liability and professional liability as well as fidelity/crime audits to be a progress review.

For each of the financial and insurance audits, the Risk Management Committee reviews the list of outstanding actions at each meeting, the necessary follow-up occurs and progress is reported through to the Audit Committee six-monthly.

Risk Register

Council's risk register has recently been updated to include the following new items:

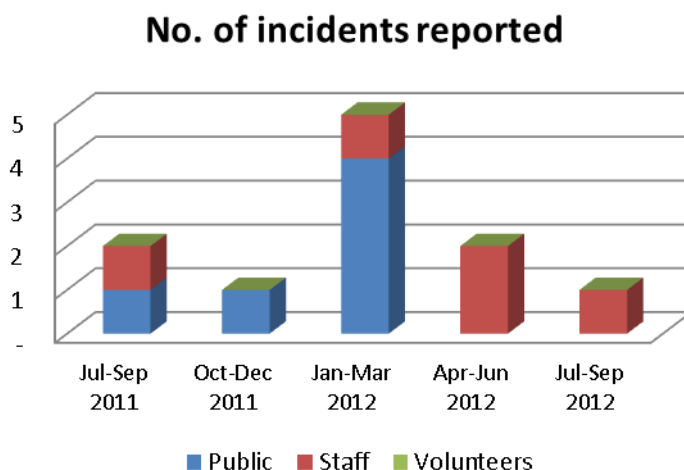
- Version control, indicating the major items of change from one review period to the next;
- Risk management plan, which summarises the 2012/13 planned actions and target dates;
- Program area, specific to Foreshore & Caravan Parks (previously within Infrastructure); and
- Progress report, for actions taken in the six month period to 30 November 2012.

Business Continuity Management Plan

Council's business continuity management plan was last updated in April 2012 and some testing has been conducted with program coordinator. This plan is available on Council's intranet for staff and the next phase is to provide awareness training for all staff. This action is expected to be completed over the next six months.

Incident Reports

Incident reporting is a regular component of the quarterly financial report to Council. The number of incidents recorded over the past 15 months is as follows:



There was one recorded incident for the quarter ended 30 September 2012, relating to a minor injury of a member of staff (no lost time).



Risk Management/OH&S Training Conducted

Significant changes are currently taking place with respect to OH&S Legislation and the work required to incorporate these changes into the Borough's policies has not yet commenced. This work will be developed by Council officers over the next few months and progress will be reported through to the Audit Committee in June 2013.

Council's insurers conducted a tree risk management workshop in October, which was attended by members of the Risk Management Committee and the relevant program coordinators.

Two members of the Risk Management Committee also attended the two day MAV Insurance and Risk Management Conference in Melbourne during October 2012.

Policies and Procedures

No further change since revisions to risk-related Council policies were adopted 18 October 2011.

Note the following policies will be reviewed prior to the insurance audit in February 2013:

- CP008: Fraud Prevention
- CP013: Procurement
- CP017: Risk Management

The results of the above revised policies will be included within the Risk Management Committee report to the Audit Committee, for the next Audit Committee meeting in June 2013.

Conclusion

The Risk Management Committee will continue to meet on a regular basis to further progress outstanding actions, with regular reports to be provided to the Audit Committee for their meetings in June and December of each year.

Moved: Graeme Phipps / Seconded: David Shaw

That the Audit Committee resolves that this report from the Risk Management Committee be received.

Carried

Request: That the Audit Committee requests an annual review of Council's Risk Register



9. INFORMATION TO NOTE

9.1 2012-2013 Quarterly Financial Report as at 30 September 2012

Under Section 138 of the Local Government Act 1989, at least quarterly, a report comparing expenses and revenue to budget must be presented to the Council.

The quarterly report is essentially a 'management' report based around Program areas and generated to ensure accountability for Program leaders and for management to monitor actual results in each area. An income statement is provided in the same format as the Budgeted Standard Income Statement showing the underlying result (this format is used in the Annual Financial Statements at year end).

The Quarterly Financial Report as at 30 September 2012 is in line with the key strategy in the Council Plan to 'provide accountable governance and long term sustainable financial management'. The report is also part of Council's risk management framework to ensure financial reporting includes reporting against the adopted annual budget.

The Quarterly Financial Report as at 30 September 2012 was presented to Council at its meeting on 17 October 2012. A copy of this report was distributed to Audit Committee members during November 2012.

Recommendation:

That the quarterly financial report for the period to 30 September 2012, distributed to Audit Committee members during November 2012, be noted.

Moved: David Shaw / Seconded: Graeme Phipps

That the Audit Committee resolves:

- a) That the quarterly financial report for the period to 30 September 2012, distributed to Audit Committee members during November 2012, be noted.**
- b) That after reviewing the Minutes of the Ordinary Meeting of Council held on 21 November 2012 (see Minutes, Item 4 Public Question Time, pages 6 and 7 of 63) noted that a series of questions were raised regarding financial standards and governance and concluded that the Audit Committee is satisfied that all required internal and external standards have been met.**

Carried



10. CONFIDENTIAL ITEMS

Moved: Richard Bull / Seconded: Graeme Phipps

That the Audit Committee suspend standing orders and commence in-camera meeting, at which time the meeting will be closed to members of the public, to resolve on matters pertaining to the following items:

- 10.1 Confirmation of Confidential Audit Committee Meeting Minutes – 3 September 2012 (in accordance with Section 89 (2a) of the Local Government Act 1989)**
- 10.2 Pending legal claim against Council (in accordance with Section 89 (2h) of the Local Government Act 1989)**

Carried

Moved: Graeme Phipps / Seconded: Richard Bull

That the Audit Committee cease 'in camera' meeting and resume standing orders.

Carried

11. RATIFICATION OF CONFIDENTIAL ITEMS

Moved: Graeme Phipps / Seconded: David Shaw

That the decisions made in camera be ratified by the Audit Committee.

Carried

12. GENERAL BUSINESS

- 12.1 Lenny Jenner CEO, advised that Ev Wuchatsch, the General Manager Governance and Community has tendered her resignation and that recruitment for her replacement had commenced.**

The Chair of the Audit Committee, Barney Orchard, formally thanked Ev Wuchatsch for her significant contribution in the role of General Manager Governance & Community, in particular with the improvements made in financial reporting.

- 12.2 Lenny Jenner, CEO, advised that the Victorian Auditor Generals Office will be undertaking a review of Financial Sustainability of Small Councils, to be tabled in the State Parliament in June 2013.**



13. AUDIT COMMITTEE MEETING DATES FOR THE 2013 CALENDAR YEAR

Audit Committee meeting dates are scheduled to occur two weeks prior to Ordinary Council Meetings, to allow sufficient time for minutes to be finalised and included in agenda papers for the Ordinary Council Meetings. Audit Committee meeting dates proposed for the 2013 calendar year are as follows:

- Monday 3rd June 2013 at 4:00pm
- Monday 2nd September 2013 at 4:00pm (note this meeting is specifically in relation to the 2012-2013 year-end accounts)
- Monday 2nd December 2013 at 4:00pm

14. CLOSE OF MEETING

6:15pm
