MINUTES OF MEETING

AUDIT & RISK ADVISORY COMMITTEE

HELD ON WEDNESDAY 6 FEBRUARY 2013

NOTE: All minutes are subject to confirmation at a subsequent Council or Planning and Strategy Committee meeting.

PRESENT:

Councillors
Clr Hugh Burns
Clr Candy Bingham

Other Representatives

John Gordon	Community Member - Chair
Brian Hrnjak	Community Member

Council Staff

Henry Wong	General Manager
Michael Quirk	Head of Internal Audit, North Shore Councils
Helen Lever	Manager, Administration
Jenny Nascimento	Chief Financial Officer
Lynne Jess	Minute Taker

Invited Guests
Nil

TO THE MAYOR AND COUNCILLORS OF THE COUNCIL

The **Audit and Risk Committee (the Committee)** met on 6th February 2013, to consider the matters referred to it and now provides the following advice to Council.

OPEN The meeting commenced at 9.25am

ITEM 1 APOLOGIES AND LEAVE OF ABSENCE — **ACTION**

Clr J Griffin was absent from the meeting.

Apologies were received from the following Mr Anthony Hewton.

ITEM 2 DECLARATION OF INTEREST

There were no declarations of interest advised by those present. Whilst it is not a conflict of interest, Brian Hrnjak advised that he had lodged an Expression of Interest to the SHOROC Conduct Review Panel.

ITEM 3A Welcome from the Chair Mr Gordon

ACTION

The Chair welcomed the Committee members and gave a background on the purpose of the Committee to the new Councillors.

Mr Henry Wong, General Manager of Manly Council welcomed Committee members and gave a brief overview of the Internal Audit initiative and stressed its importance.

ITEM 3B BUSINESS ARISING

The Chair discussed the Mayor's position on the Committee and noted that she was noted in the Terms of Reference the ex officio of the Committee and could attend meetings however she would not normally vote on matters before the Committee.

Recommendation:
That this be noted.

ITEM 4 CHARTER & MEETING SCHEDULE FOR 2013

The Chair presented the Charter and advised that everything was correct.

The Committee requested that the Charter be reviewed mid 2013.

There was general discussion on the meeting cycle and suitable meeting times for the members to avoid conflict with time/dates of other commitments.

Staff

Recommendation:
That the Committee resolved to:

i. receive and note the Charter of the Manly Audit and Risk Advisory Committee;

ii. review the Charter of the Manly Audit and Risk Advisory Committee mid 2013; and

iii. consider afternoon timing for the meeting on future occasions.(TBC)

Anthony Hewton to discuss with Chair and Secretariat

ITEM 5 OVERALL INTERNAL AUDIT PROGRAM

The Internal Auditor spoke to his written report entitled *"Internal Auditor's Report on the Internal audit Program"* and advised on the progress of the activities. The following activities were highlighted.

- ICT Service Continuity Report – now completed
- Automated Audits – payroll – running tests
- Investments – will commence tomorrow

All other activities were on track and he was comfortable how the program was running at Manly.

Recommendation

ACTION

The Committee recommends to Council that:

i. The Internal Auditor's Report on the Internal Audit Program be received and noted.

ITEM 6 STATUS OF AUDIT AND RISK COMMITTEE ANNUAL AGENDA

The Internal Auditor spoke on the *Audit & Risk Committee Agenda.*

- Update Risk Management at next meeting.
- Q4 formalise (review Internal Audit Charter and Protocols).
- Michael Quirk to prepare a brief report to next meeting for Internal Audit.
- Henry Wong, the General Manager advised on budgetary issues and discussions took place on internal controls and aging workforce, retirement and redundancy, and the effect of the Reserve Bank of Australia (RBA) cutting interest on Net Present Value (NPV) discounting Employee Leave Entitlements (ELE) to explain the anomaly raised by Clr Burns with regards to the variation to budget on employee costs of $800k.

The Committee would like to have an "in camera session" next time for ½ hour with the Internal and External Auditors after the meeting

Recommendation

The Committee recommends to Council that:

i. The Internal Auditor's Report on the Audit & Risk Committee Annual Agenda be received and noted.

ITEM 7 AUDIT ON CAPITAL PROJECTS

The Internal Auditor spoke to his written report on Capital Projects.

He advised that he had selected 4 projects to audit but had only audited 3 those being:

i. Pickering Point jetty;
ii. Fairlight Shops Stage 2; and
iii. Road resealing (on-going)

He further advised that there is no formally documented capital project risk register developed for each project to be undertaken. There were a number of instances where project risks are managed informally which appears to be reasonable for the size of the Council.

The General Manager spoke on the financial risk assessment and use of contracts. Questions as to whether Council uses external financial health checks. The General Manager responded that this depends on size/quantum involved.

ACTION

Recommendation:
The Committee recommends to Council that:

i. The Internal Auditor's Report on Capital Projects at Manly Council be received and noted.

ITEM 8 INTERNAL AUDITOR'S REPORT ON ASSET ACQUISITIONS AND DISPOSALS

The Internal Auditor spoke to his written report on "Asset Acquisitions and Disposals" and ran through the primary objectives of the audit and advised the review provided 10 detailed recommendations for improvement which were rated as either moderate or minor risk.

The 3 significant recommendations were:

1. Council review the depreciation charges for assets that have been fully depreciated, and identify assets that are obsolete or surplus for disposal.
2. Council conduct annual stock takes and condition assessments of assets and provide for unique identification of all assets.
3. Council develop a policy and procedural framework for managing portable and attractive items.

Recommendation:
The Committee recommends to Council that:

i. The Internal Auditor's Report on Asset Acquisitions and Disposals at Manly Council be received and noted; and
ii. The Committee receives feedback from the Internal Auditor at periodic intervals on how each of the recommendations is being implemented by Council.

ITEM 9 AUDIT ON COMPETITIVE NEUTRALITY

The Internal Auditor spoke to his written report on "Competitive Neutrality".

- The review found that Council's work in complaints management and ongoing reporting has effectively addressed the requirement.
- Looked at the framework that Council have in place to ensure Competitive Neutrality is embedded in business models.

Recommendation:
The Committee recommends to Council that:

i. The Internal Auditor's Report on Competitive Neutrality at Manly Council be received and noted: and
ii. The Committee receives feedback from the Internal Auditor at periodic intervals on how each of the recommendations is being implemented by Council.

ITEM 10	AUDIT OF FRAUD AND CORRUPTION PREVENTION – INTERNAL AUDITOR	ACTION

ITEM 10 AUDIT OF FRAUD AND CORRUPTION PREVENTION – INTERNAL AUDITOR **ACTION**

The Internal Auditor spoke to his written report on Fraud and Corruption Prevention, and advised;

- Council have a good framework in place – better than most councils examined.

- Assessment against corruption risk looked at what Council had in place.

- Some policies still in draft and have not been approved by the Council (eg Fraud Prevention Plan & Guidelines and Investigation guidelines)

- Framework still in draft.

- The Internal Auditor commented that Manly Council had a good framework and was superior to most councils examined.

Discussion took place on the various risk points eg. purchasing system and procedures, development regulatory services.

The Chief Financial Officer outlined the internal control process we have in place to prevent fraud and that staff have been split (in terms of functions across various teams) in order to achieve this

- Discussion on collusion

General discussion re robustness of Council's systems, policies, frameworks and particular process eg. purchasing approvals, regulatory services, gifts, benefits and staff training.

The Chair raised education and concept of "lessons learned" on high profile cases (eg. Wollongong, Burwood, Willoughby and how Council considers).

General Manager advised Council have a gift register and a process to discourage suppliers from offering "gifts or benefits to Council staff (e.g. a mail out explaining policy to suppliers).

Recommendation

The Committee recommends to Council that:

i. The Internal Auditor's Report on Fraud and Corruption Prevention at Manly Council be received ad noted: and

ii. The Committee receives feedback from the Internal Auditor at periodic intervals on how each of the recommendations is being implemented by Council.

ITEM 11 IMPLEMENTATION OF AUDIT RECOMMENDATIONS | **ACTION**

The Internal Auditor spoke to his written report;

- The schedules will be collapsed and available for the next meeting and will only have information which is relevant and current for committee members.

Recommendation:
That:

The Committee receives and notes the Internal Auditor's report on **Implementation of Audit Recommendations.**

ITEM 12 OTHER BUSINESS
Matters Arising

It was resolved at Council's Ordinary meeting held on 16 July 2012 that the minutes of the Audit and Risk Committee held on 5 June 2012 be adopted.

ITEM 13 NEXT MEETING DATE:

Date: 5 June 2013
Time: TBA
Venue: The Cove Room, Manly Town Hall, 1 Belgrave Street Manly.

Meeting closed at 11.20am