MINUTES OF MEETING

AUDIT AND RISK COMMITTEE

HELD TUESDAY 22 NOVEMBER 2011

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

PRESENT:

Councillors

Cllr Jean Hay, AM, Mayor	Manly Council
Cllr Cathy Griffin	Manly Council
Cllr Hugh Burns	Manly Council

Other Representatives

John Gordon	Community Member (Chair)
Brian Hrnjak	Community Member

Council Staff

Ross Fleming	Deputy General Manager, PPI
Anthony Hewton	A/Executive Manager Corporate Services
Sabrina Zhang	Senior Management Accountant
Michael Quirk	Head of Internal Audit, North Shore Councils
Leena Dutta	Internal Auditor, North Shore Councils
Kathy Fuller	Minute taker

Invited Guests

Nil

TO THE MAYOR AND COUNCILLORS OF THE COUNCIL

The **Audit and Risk Committee (the Committee)** met on the 22nd November 2011, to consider the matters referred to it and now provides the following advice to Council.

OPEN	The meeting commenced at 9.35am.	**ACTION**
ITEM 1	**APOLOGIES AND LEAVE OF ABSENCE** An apology was received from Mrs Jenny Nascimento, CFO who is on annual leave.	
ITEM 2	**DECLARATION OF INTEREST** There were no declarations of interest declared by those present.	**For notation**
	The Chair Mr John Gordon informed the Committee that he has recently been appointed to Woollahra Council's Internal Audit Committee as Chair.	

ITEM 3 **CONFIRMATION OF MINUTES** **ACTION**

The Chair opened the meeting by welcoming Mrs Leena Dutta and Ms Sabrina Zhang to the meeting as observers.

Mrs Leena Dutta has taken up the part time position of Internal Auditor and will be an additional resource assisting Mr Michael Quirk with the agreed program of audits for Manly Council. Ms Sabrina Zhang has been appointed recently as Manly Council's Senior Management Accountant reporting to the CFO.

The minutes of the Committee meeting held 11th October 2011 were confirmed.

Moved: Cllr Hugh Burns Seconded: Cllr Cathy Griffin

The Minutes of the Audit and Risk Committee held on the 11th October 2011 were adopted at Council's Meeting held on 14th November as Resolution 202/11.

Recommendation:

The Committee resolved that the minutes of the Committee meeting held 11th October 2011 be confirmed.

For notation

ITEM 4 **Report – Implementation Status on Actions Recommended from Previous Audits**

The Internal Auditor presented and spoke to his written report on the implementation status of the five completed audits. The outstanding actions arising from the audit of Credit Cards and the audit of Legal Services Expenditure are effectively completed, subject to further audit activity as part of the rolling Internal Audit Program.

The report provided graphical information on progress on the implementation of the recommendations arising from the three remaining audits, tabulated by assessed risk level (these audits being Cash Handling, Tendering Procedures, and Records Management).

The following points were made:

- Internal Audit is satisfied with the progress on implementation of the recommendations of the three remaining audits.
- Internal Audit stated that Council's Tender Review Panel was an effective additional control over tendering processes.
- Cllr Burns questioned the role of the Tender Review Panel in relation to SHOROC Tenders.
- The Chair requested a management response be reported back to the next meeting on the role of the Tender Review Panel with regard to SHOROC tenders.

Report back to next meeting

A/Executive Manager Corporate Services updated the Committee on the roll out of the HP TRIM electronic records management system. The implementation of TRIM over the next four months should address and finalise the outstanding actions arising from the Audit of Records Management.

ACTION

Recommendation:
The Committee recommends to Council that:

I. The Internal Auditor's Report on Implementation Status on Actions Recommended from Previous Audits 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 5 Report - Tendering Information Report

A/Executive Manager Corporate Services spoke to this report and discussion followed. Salient discussion points included:

- Cllr Burns stated that the evaluation criteria and weighting should be prepared in advance of the closing of the Tender. The Deputy General Manager confirmed that this is stated in the current Policy (page 13).
- Mr Hrnjak asked if the Tender Review Panel's role included an assessment on how the weightings are determined. The Deputy General Manager responded in the negative.
- The Chair stated that 'scope creep" is always problematic when deciding whether a proposed project should be the subject of quotations or tendering.
- The Committee agreed that variations are also problematic when managing contracts.
- Mr Hrnjak asked if there are any legal liabilities arising from Council resolving to postpone or cancel the proposal for a contract, as tenderers often expend significant time and expense in preparing a tender. There was general agreement that tenders are aware of this risk, and Council's adopted *Purchasing & Tendering Policy and Guidelines* states that Council has no obligation to accept any tender submitted (page 8).
- A/Executive Manager Corporate Services stated that a revised Tendering Policy, Procedures and Guidelines are being drafted and should be finalised by March 2012.

Recommendation:
The Committee recommends to Council that the Tendering Information Report be received and noted.

ITEM 6 Internal Auditor's Report on Payroll Data Integrity

The Internal Auditor spoke to his report and attached Executive Summary, and discussion followed. He made the following comments:

- A part of the audit objectives intended to be finalised included the implementation of automated audit routines for payroll data across the six member Councils. The delay in obtaining data from a number of Councils has extended the completion of this project. It is now expected to be fully implemented by the end of the calendar year.

- Manly Council has a range of processes and procedures to manage its payroll, however, a few weaknesses were revealed by the audit, which are being addressed by management.

		ACTION
	Cllr Burns asked if the audit included an assessment of the amount of overtime worked. Internal Audit responded that an assessment of whether the overtime worked was warranted was outside the scope of the audit. The Deputy General Manager stated that all overtime is approved in advance and reported weekly to management as part of a report on staffing levels.	
	Recommendation: The Committee recommends to Council that: I. The Internal Auditor's Report on Payroll Data Integrity 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 7	**Internal Auditor's Report on EFT Payments** The Internal Auditor spoke to his report and attached Executive Summary, and discussion followed.	
	The Chair asked if Internal Audit intends to run a program to check for duplicate payments. Internal Audit responded in the affirmative, and once he has received all the necessary data.	
	The Deputy General Manager stated that all EFT payments are verified by an independent staff member as a final step in the process.	
	The Chair thanked Internal Audit and requested that a high level report be prepared for the next meeting summarising the status of all audits undertaken to date. A table showing graphs and numeric table showing by Audit Topic – number of recommendations made; number actioned; number outstanding; number overdue.	**Report back to next meeting**
	Recommendation: The Committee recommends to Council that: I. The Internal Auditor's Report on EFT Payments 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 8	**Internal Auditor's Report on the Internal Audit Program 2011-2012** The Internal Auditor spoke to his written report on the Proposed Internal Audit Program 2011-2012:	
	▪ Fieldwork has concluded on the *Audit of Parking Management and Revenue*, while fieldwork has commenced on the *Audit of*	

Commercial Leasing.

- The overall program is slightly behind schedule due to recruitment action and some unexpected staff leave, however it is likely to be on track by the end of the first quarter of 2012.
- Mrs Leena Dutta has commenced duties as an Internal Auditor, and will be assisting Internal Audit with the program for Manly and three other North Shore councils.
- Cllr Griffin asked if an assessment of the tendering process would be included in the proposed audit of Parking Management & Revenue. Internal Audit responded in the negative.
- The Chair asked if there were any 'cameo' audits proposed for Manly Council? Internal Audit responded in the negative, however, this could be re-evaluated in March 2012.
- A/Executive Manager Corporate Services tabled the Action List for key resolutions of the Committee for the information of the Committee.
- The Chair inquired if Council had undertaken an assessment of its Enterprise-wide Risk. The Deputy General Manager responded in the affirmative, with the consultant's final report due soon. The Chair requested that the Committee be afforded a status report and presentation from the management and the consultant (InConsult) at its next meeting.

ACTION

Recommendation:

The Committee recommends to Council that the Internal Auditor's Report on the Internal Audit Program for 2011-2012 be received and noted.

ITEM 9 **Report – Committee Meeting Dates for 2012**

The Committee reviewed the proposed meeting dates for 2012, and agreed as follows:

- Tuesday 20 March 2012, 3.30pm
- Tuesday 22 May 2012, 3.30pm
- Tuesday 21 August 2012, 3.30pm
- Tuesday 20 November 2012, 3.30pm (tentative, and subject to confirmation).

The A/Executive Manager Corporate Services agreed to seek clarification regarding the Committee's status at the end of the present Council's term in September 2012. The Charter states that:

> *"The independent external members will be appointed for the term of Council, after which they will be eligible for extension or re-appointment following a formal review of their performance."*

Recommendation:

The Committee recommends to Council that the proposed meeting dates for 2012 be received and noted.

All to note

ITEM 10 **GENERAL BUSINESS**

ITEM 10.1 **Review of the Performance of the Committee**

The Chair requested that a short self-assessment survey instrument he devised be circulated to nominated staff in preparation for his report to Council as per the Charter:

"6.6 Assessment Arrangements
The Chair of the Committee will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, as determined by the Chair."

ACTION

The Chair anticipates that following receipt of the feedback survey, his report will be finalised for presentation to the first meeting in March 2012..

Recommendation:
The Chair's request for the completion of a self-assessment survey be received and noted.

ITEM 10.2 GIPA and Audit and Risk Committee documents

The Chair sought clarification on how much information would be provided on documents relating to the activities of the Audit and Risk Committee following a *GIPA* request. He referred to an information sheet prepared by the Institute of Internal Auditors and requested that Council obtain a copy of the document for circulation before the next meeting.

For the information of the Committee A/Executive Manager Corporate Services tabled a short report on the *Government Information Public Access (GIPA) Act 2009*, and the key processes in place at Council to ensure compliance with the Act.

Recommendation:
The Chair's request be received and noted.

ITEM 11 NEXT MEETING DATE:

Date: Tuesday 20 March 2012
Time: 3.30 pm
Venue: Councillors' Room

All to note

Meeting closed at 11.10am