NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that of a meeting of the **AUDIT & RISK COMMITTEE** will be held:

DATE: **Wednesday 4 December 2013**

TIME: **From 9.30am to 11.30am**

PLACE: **The Cove, Manly Town Hall, 1 Belgrave Street, Manly.**

COMMITTEE MEMBERS:

Councillors	
Cllr Jean Hay, AM, Mayor	Manly Council (ex officio)
Cllr Hugh Burns	Manly Council
Cllr James Griffin	Manly Council
Cllr Candy Bingham	Manly Council
Community Representatives	
John Gordon	Community Member - Chairperson
Brian Hrnjak	Community Member

COUNCIL STAFF AND INVITED ATTENDEES:

Anthony Hewton	Executive Manager, Corporate Support Services
Jenny Nascimento	Chief Financial Officer
Michael Quirk	Head of Internal Audit, North Shore Councils
Lynne Jess	Minute taker

All other Councillors are free to attend as observers and are invited to do so and to engage in discussions, but not in voting, on any matter before the Committee.

Anthony Hewton
Executive Manager
Corporate Support Services

Date: 27 November 2013

AGENDA

AUDIT AND RISK COMMITTEE

MEETING TO BE HELD ON WEDNESDAY 4 DECEMBER 2013 AT 9.30AM
The Cove Room, Manly Town Hall

ITEM 1	**Apologies and leave of absence**	
ITEM 2	**Declarations of Interest –**	**Pecuniary** **Non- Pecuniary**
ITEM 3	**Confirmation of minutes of previous meeting – 6 November 2013**	
ITEM 4	**Report of the Internal Audit Program**	
ITEM 5	**Report on Implementation of Audit Recommendations**	
ITEM 6	**Report on Audit of Rates**	
ITEM 7	**Report on Audit of Recruitment & Selection Processes**	
ITEM 8	**Internal Audit Performance Report**	
ITEM 9	**Report on Audit & Risk Committee Annual Agenda**	
ITEM 10	**Date of next meeting - TBA**	

MINUTES OF MEETING

AUDIT & RISK ADVISORY COMMITTEE

HELD ON WEDNESDAY 6 NOVEMBER 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
Clr James Griffin

Other Representatives

John Gordon	Community Member - Chair
Brian Hrnjak	Community Member

Council Staff

Michael Quirk	Head of Internal Audit, North Shore Councils
Anthony Hewton	Executive Manager, Corporate Services Support
Jenny Nascimento	Chief Financial Officer
Lynne Jess	Minute Taker

Invited Guests
Nil

TO THE MAYOR AND COUNCILLORS OF THE COUNCIL

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

OPEN	The meeting commenced at 2.40pm.	
ITEM 1	**APOLOGIES AND LEAVE OF ABSENCE** Nil	**ACTION**
ITEM 2	**DECLARATION OF INTEREST** There were no declarations of interest advised by those present.	

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

The Minutes of the Committee meeting held on 6 June 2013 were confirmed.

Moved: Cllr Hugh Burns Seconded: Cllr James Griffin

ITEM 3A Welcome from the Chair Mr Gordon

The Chair welcomed the Committee members.

ITEM 4 Staff Presentation on Strategic Assets Management

The Chair welcomed Gordon Malesevic and invited him to give an outline on his career background and to provide an insight on what was the adopted methodology in developing the Assets Management Plan.

Mr Malesevic advised he has over twenty two (22) years experience in the practice of Civil Engineering and especially construction and maintenance of infrastructure, buildings and community assets whilst holding positions in numerous Local Councils and Private organisations.

The methodology adopted was one of reviewing the paperwork that was in existence, coming to terms with existing condition reports and physically visiting the sites and preparing valuations.

The methodology adopted also centred around ensuring there was consistency in the process, consistency in the way Council assesses the condition of assets. In particular all the one hundred and forty seven (147) streets that were identified as a condition 4 or condition 5 were visited by Mr Malesevic and each was inspected and assessed individually. The outcome was that most required only patching to be classed a condition 3.

The Committee thanked Mr. Malesevic for his presentation and following some discussion, resolved to recommend:

Recommendation:

That the verbal report be received and noted.

ITEM 5 Report – Annual Financial Statements

Mr Gary Mottau of Hill Rogers Spencer Steer (HRSS), Chartered Accountants spoke to this report and went through the Audit process.

The following points were made:

- Some outstanding matters, not significant
- Additional work was required to revalue assets
- Some corrections to financial statements

On behalf of the Committee, the Chair thanked Council's CFO, Jenny Nascimento and her team for all the hard work put into the financial statements and completing them on schedule.

The Chair asked if the Management letter from the External Auditor could be circulated to the Committee and the recommendations added in addition to the list of Internal Audit recommendations.

Recommendation: **ACTION**

The Committee recommends to the General Manager that the Report be received and noted.

ITEM 6 Status of 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.

- Currently finalising rates
- Budget underestimated

Audit of Recruitment

Fieldwork is completed for the *Audit of Recruitment* with the draft audit report currently awaiting quality review. These reports will be made available to the next meeting of the Audit & Risk Committee.

Automated Audit of Payroll data

- Currently finalising rates

Probity Advisory Plan

- Put plan to Councillors

The Committee recommends to Council that:

i) The Internal auditor's Report on the Internal Audit program be received and noted.

ITEM 7 Implementation of Internal Audit Recommendations

The Internal Auditor spoke on the Implementation of Internal Audit Recommendations and advised the following:

- There were 200 recommendations put to Council management for improvement in 16 reports provided to the Audit and Risk Committee. Of the recommendations 12 have been rejected by management for various reasons, the remainder have been completed or in the process of completion;

- The Internal Auditor advised he was comfortable with the status and there had been a significant culture change;

- All marked 10 and 11 will be discharged by next meeting;

- Once complete mark off.

- The Committee noted the sound effort made by management in embracing the majority of recommendations arising from the Internal Audit reviews.

Recommendation:

ACTION

The Committee recommends to Council that:

i) The Internal auditor's Report on the Internal audit program be received and noted.

ITEM 8 Proposed Internal Audit Program 2013-2014

The Internal Auditor spoke to his written report on Proposed Internal Audit Program 2013-2014.

- Looking where they are at to see if we have reasonable control; and
- Tell what you have approved and check against the list.

Recommendation:

The Committee recommends to Council that:

i) The North Shore Council's Internal Audit Program proposed for 2013-20154 be approved by Manly Council as presented in the report.

ITEM 9 Review of Internal Audit & Risk Committee Charters

The Internal Auditor spoke to his written report "Review of Internal Audit Charter and Audit & Risk Committee Charter".

Several improvements were recommended to the Internal Audit Charter.

- Renaming it "Internal Audit Charter";
- Cross reference it to relevant Council documents;
- Add footer to include page numbers; and date of next review; and
- The Audit & Risk Committee Charter is still relevant and does not require significant amendment.

Recommendation:

The Committee recommends that Council approve the changes to the Audit & Risk Charter and the Internal Audit Charter as highlighted noted in red as recommended.

ITEM 10 Report on Probity in Tender for External Audit Service

The Internal Auditor spoke to his written report "Probity in Tender for External Audit Services".

Recommendation:

The Committee recommends to Council that the Probity Report for the Audit Tender 2013 be received and noted.

ITEM 11	**Results of automated Audit of Payroll Data**	**ACTION**

The Internal Auditor spoke to his written report "Results of automated Audit of Payroll Data highlighting some of the discrepancies.

- a few discrepancies were revealed by the audit, which are being addressed by management;
- there were a number of negative leave balances (due to prorata leave not being taken into account which matched or exceeded the negative Actual leave balances);
- there was only one minor negative leave balance;
- Council's Chief Financial Officer, Jennie Nascimento explained the discrepancies; and
- the Auditor advised he was generally happy with the audit outcomes.

Recommendation:

The Committee recommends to council that:

i) The Internal Auditor's Report on the Automated Audit of Payroll Data at Manly Council be received and noted.

ITEM 12 Next Meeting:

Date: 4th December 2013
Venue: Councillors' Room, Manly Town Hall,
1 Belgrave Street Manly
Time: 9-30am

Meeting closed at 4.55am

TO:	Internal Audit & Risk Committee
MEETING DATE:	4 December 2013
AUTHOR:	Michael Quirk, Head of Internal Audit North Shore Councils (including Manly Council)
SUBJECT:	**Internal Auditor's Report on the Internal Audit Program**

1. INTRODUCTION

The draft Internal Audit Program for 2013/14 was approved at the meeting of the Audit and Risk Committee on 6 November 2013. This report provides information on the status of work on the approved 2013/14 Program.

2. INFORMATION

Internal Audit Resourcing

Manly has access to an Internal Audit staff resource equivalent to approximately 8.7 staff-days per month (0.44 FTE).

Status of Audits

During the current period the *Audit of Rates* and the *Audit of Recruitment* have been finalised and are subject to separate reports on the agenda.

Fieldwork is in progress for the *Audit of Terminations* with the audit report now likely to be finalised in late December 2013.

Fieldwork is completed for the *Audit of Contract Management* with the draft audit report currently awaiting quality review. This report will be made available to the next meeting of the Audit & Risk Committee.

Planning is completed on the *Audit of Purchasing* with fieldwork delayed and now likely to commence in mid-December.

Current period accounts payable and payroll data has been received, with analysis to be undertaken over the coming weeks.

The overall 2013/14 program (see Calendar attached) is behind schedule with the *Audit of Compliance and Enforcement Policy* now expected to be completed by early January 2014.

3. RECOMMENDATION:

The Committee recommends to Council that:

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

ATTACHMENTS

Internal Audit Calendar 2013 Manly

Michael Quirk

Head of Internal Audit North Shore Councils

November 2013

INTERNAL AUDIT INITIAL CALENDAR 2013/14
COUNCIL: MANLY

MONTH	DATE	ACTIVITY	ID
July ‘13	Delayed	Compliance & Enforcement Policy	AUD05/12
	NEW	Probity Planning/Advice Manly 2015	AUD17/12
	Current	Contract Management	AUD01/12
August ‘13	In Progress	Post Implementation Reviews	AUD14/12
	Deferred	*Audit & Risk Committee Meeting*	
September ‘13			
October ‘13	Completed	Rates	AUD03/12
	Completed	Recruitment Processes	AUD06/12
November ‘13	Current	Terminations	AUD01/13
	6/11/13	*Audit & Risk Committee Meeting*	CONFIRMED
	20/11/13	Purchasing	AUD04/13
December ‘13	4/12/13	*Audit & Risk Committee Meeting*	CONFIRMED
	Current	Automated Audits - Payroll	AUD09/13
	Current	Automated Audits – Accounts Payable	AUD10/13
January ‘14			
February ‘14	3/02/14	IT Projects	AUD05/13
	4/02/14	DA Self-Assessment	AUD08/13
March ‘14	5/3/14	*Audit & Risk Committee Meeting*	TENTATIVE
	10/03/14	Work Health & Safety	AUD02/13
	19/03/14	Automated Audit - Rates	AUD11/13
April ‘14	29/04/14	Community Properties	AUD03/13
May ‘14			
June ‘14	5/06/14	*Audit & Risk Committee Meeting*	TENTATIVE

NOTES:
Dates shown are estimated commencement dates and may be varied with consultation
Duration of audits is dependent upon the scope of the Council activity and the audit scope. Indicative durations are included in the Audit Plan approved by General Managers on 30 May 2013.

TO:	Internal Audit & Risk Committee
MEETING DATE:	4 December 2013
AUTHOR:	Michael Quirk, Head of Internal Audit North Shore Councils (including Manly Council)
SUBJECT:	**Internal Auditor's Report on the Implementation of Internal Audit Recommendations**

1. INTRODUCTION

Since the commencement of the Internal Audit Program in 2010 sixteen audits have been completed and reported to the Audit and Risk Committee. This report provides updated information on the implementation of recommendations arising out of the audits.

2. REPORT

The Audit reports presented to the Audit and Risk Committee provide an Executive Summary of the audit which is included in the meeting Agenda papers, and the full audit report which is available at each meeting. Each Audit report provides recommendations for management action, with a rating system for each recommendation based on the risk related to the Audit finding:

- Significant – High risk requiring urgent management action
- Moderate – Moderate risk requiring management action to be specified
- Minor – Low risk enabling resolution by routine procedures

At the completion of each audit, an Action Plan for Implementation of Report Recommendations is provided to Council management for comment and determination of accountabilities. Prior to each Audit and Risk Committee Meeting Council management provide the Head of Internal Audit with updated Action Plans. Copies of the above audit reports will again be available for review at this meeting.

<u>Audit Implementation in Progress</u>

The following audits have previously been reported to the Audit and Risk Committee:

Cash Handling (24 November 2010)
Tendering Procedures (24 November 2010)
Credit Cards (Finalised November 2011)
Records Management (24 March 2011)
Payroll Data Integrity (22 November 2011)
EFT Payments (22 November 2011)

Legal Services Expenditure (Finalised November 2011)
Commercial Leasing (20 March 2012)
Parking Management & Revenue (20 March 2012)
Long Term Financial Plan (5 June 2012)
Asset Acquisitions & Disposals (6 February 2013)
Fraud & Corruption Prevention (6 February 2013)
Capital Projects (6 February 2013)
Competitive Neutrality (6 February 2013)
Investments (6 June 2013)
ICT Service Continuity (6 June 2013)

Internal Audit has previously verified and reported to the Audit and Risk Committee on the completion of implementation of recommendations for two audits. Internal Audit will continue to conduct verification audits of the implementation actions in each of the above audits.

At the time of this report, Internal Audit had provided some 200 recommendations to Council management for improvement in 16 reports provided to the Audit and Risk Committee. Of the recommendations provided, some 12 have been rejected by management for various reasons and management advice indicates that the majority of the remainder are either completed, or in the process of completion.

SUMMARY OF STATUS OF RECOMMENDATIONS

The following schedule provides updated information on the status of implementation of internal audit recommendations. This report enables comparison with the previous period report and shows a consistent level of management activity in addressing open recommendations.

	LAST PERIOD			THIS PERIOD			
	SIGNIFICANT	**MODERATE**	**MINOR**	**SIGNIFICANT**	**MODERATE**	**MINOR**	**TOTAL**
ON TRACK	0	0	0	0	0	0	0
DELAYED	0	23	4	0	15	2	17
COMPLETED	0	31	11	0	8	2	10
REJECTED	0	3	1	0	0	0	0
NEW	0	0	0	0	0	0	0
CLOSED	0	0	0	0	0	0	0

On Track recommendations include those recommendations which are currently open and within stated due date.
Delayed recommendations include those recommendations which are open and implementation is progressing beyond the due date or an updated response has not been provided by the relevant manager.
Completed recommendations include those recommendations which Council management have advised have been implemented.
Rejected recommendations include those recommendations which Council management have rejected and not implemented.
New recommendations include all recommendations raised in reports for the current period.
Closed recommendations include all recommendations where internal audit has verified implementation by Council management.

Details of current open recommendations is shown in the attached spreadsheet.

3. RECOMMENDATION:

The Committee recommends to Council that:

1) The Internal Auditor's Report on the Implementation of Audit Recommendations be received and noted.

ATTACHMENTS

Action Plan for Implementation of Audit Recommendations

Michael Quirk

Head of Internal Audit North Shore Councils

November 2013

ACTION PLAN SHOWING IMPLEMENTATION OF AUDIT RECOMMENDATIONS - MANLY COUNCIL

AUDIT NUMBER	FINAL REPORT DATE	AUDIT CTTEE. DATE	AUDIT TITLE	REC. NUM.	RECOMMENDATION	RISK RATING	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	DUE DATE	COMMENT	DATE	REVISED DATE
AUD1007	10/11/11	22/11/2011	EFT Payments	3.4	We recommend Council initiate a discussion with Commonwealth Bank to encrypt and secure the data transfer between "Authority" and CommBiz.	Moderate	Agree to the recommendation. A solution from Commonwealth Bank will be considered. We are currently in talks with CBA.	CFO	1/01/12	CIO checking if this was covered by CBA mandated audit and will report back	23/05/2012	
AUD1103	9/10/12	6/02/2013	Asset Acquisitions and Disposals	1.7	We recommend Council set a policy direction to record portable and attractive items. The following should be addressed by the policy direction: * definition of portable and attractive items; * recognition of portable and attractive items; * responsibility for monitoring and control; * portable and attractive registers; and * stocktakes	Moderate	Agree to combination of stocktake or the completion of a certificate by the employee stating they still hold the asset and it is in good working condition.	Chief Financial Officer (CFO) / DM Civic & Urban Services	30/06/13	CIO investigating a pilot process with IT Items to be rolled out to other areas over time	**29/11/2013**	
AUD1103	9/10/12	6/02/2013	Asset Acquisitions and Disposals	1.8	We recommend Council maintain a portable and attractive items register. This recording should be subject to a threshold value and the risks involved for each item.	Moderate	Agree	Chief Financial Officer (CFO) / DM Civic & Urban Services	30/12/13	CIO investigating a pilot process with IT Items to be rolled out to other areas over time	**29/11/2013**	**Feb-14**
AUD1103	9/10/12	6/02/2013	Asset Acquisitions and Disposals	1.9	We recommend Council ensure that stocktakes of portable and attractive items are performed at least once a year, in order to safeguard identified portable and attractive items.	Minor	Agree	Chief Financial Officer (CFO) / DM Civic & Urban Services	30/06/13	1.8 amd 1.9 are virtually the same recommendation see above	**29/11/2013**	**Feb-14**
AUD1103	9/10/12	6/02/2013	Asset Acquisitions and Disposals	1.10	We recommend Council establish an incident reporting protocol which should include the engineering department as a contact point for lost or missing assets.	Minor	Agree.	Chief Financial Officer (CFO) / DM Civic & Urban Services	1/03/13	CIO to include in pilot mentioned above	**29/11/2013**	**Feb-14**
AUD1104	11/01/13	6/02/2013	Fraud & Corruption Prevention	1.1	We recommend that Management consider updating the Fraud Prevention policy and the supporting control plan to include key actions/controls in place that address key risks and achieves the 10 critical success factors.	Moderate	Policy and accompanying documents being amended and will be put to council after the comprehensive policy review is completed.	Manager Governance		Comprehensive Policy Review still underway, no action until this task is complete.	28/11/2013	31/03/2014
AUD1104	11/01/13	6/02/2013	Fraud & Corruption Prevention	1.2	Submit the updated Fraud Prevention policy to the GM and Council for approval. Management should also ensure that this policy/plan is integrated and consistent with Council's other relevant policies. Management also make this policy available on its website along with its other policies.	Moderate	Policy and accompanying documents being amended and will be put to council after the comprehensive policy review is completed.	Manager Governance		Comprehensive Policy Review still underway, no action until this task is complete.	28/11/2013	31/03/2014
AUD1104	11/01/13	6/02/2013	Fraud & Corruption Prevention	2.3	Management ensure that there the findings/actions arising out the Governance Health Check have clear accountabilities and timeframes.	Moderate	Actions will be allocated to specific officers with timeframes once final recommendations are put to GM for adoption	Manager Governance		Report will be preparded and presented to GM by end of year. Actions will be allocated to specific officers with timeframes once final recommendations are put to GM for adoption	28/11/2013	31/01/2014

ACTION PLAN SHOWING IMPLEMENTATION OF AUDIT RECOMMENDATIONS - MANLY COUNCIL

AUDIT NUMBER	FINAL REPORT DATE	AUDIT CTTEE. DATE	AUDIT TITLE	REC. NUM.	RECOMMENDATION	RISK RATING	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	DUE DATE	COMMENT	DATE	REVISED DATE
AUD1104	11/01/13	6/02/2013	Fraud & Corruption Prevention	4.1	We recommend that Management consider adopting strategies to improve their customer awareness. These may include: *Including a statement in its Annual report regarding its stance on fraud and corruption prevention and the related policy/strategy * Introducing some visible information in its Customer Service area on the Councilpolicy on Fraud and Corruption prevention. * Publishing the Fraud and Corruption Prevention policy on the Council website once approved.	Moderate	Policy will be placed on website after adoption and exhition. Other awareness raising activities will be evaluated over time	Manager Governance		All policies are placed on Council's website for public access. Awareness raising activities will commence in 2014.	31/10/2013	
AUD1104	11/01/13	6/02/2013	Fraud & Corruption Prevention	4.2	We recommend that Management review the purchasing process and assess whether external parties (whether on contract or not) from which purchases are to be made or services received can be provided with a reference to the Councils relevant policies (being statement of ethics, Code of Conduct and Internal Reporting Policy) where feasible. This will ensure that all external parties have a clear and good understanding of the Councils stance on unacceptable behaviour and the reporting mechanisms available.	Moderate	Will be progressed after Policies adoption.	Manager Governance		Council will be distributing a letter in early December to all current suppliers with information relating to the offering of gifts and benefits to Council officials. Will be progressed after Policies adoption.	28/11/2013	30/06/2014
AUD1104	11/01/13	6/02/2013	Fraud & Corruption Prevention	6.1	Management assess what detection controls/systems are in place to manage high risk areas. A record should be coordinated and maintained by the Fraud and Corruption Coordinator of any such systems/reports etc relating to Fraud and Corruption risks.	Moderate	system to be developed late 2013	Manager Governance		To be developed after the comprehensive policy review is completed by the end of 2013.	28/11/2013	30/06/2014
AUD1104	11/01/13	6/02/2013	Fraud & Corruption Prevention	6.2	Management should consider whether additional detection systems are required for systems/processes identified with high residual risks (eg data mining, purchasing pattern recognition software, exception reports, regular and random audits).	Moderate	ongoing will be reviewed after detection system established.	Manager Governance		ongoing will be reviewed after detection system established.	28/11/2013	Ongoing
AUD1104	11/01/13	6/02/2013	Fraud & Corruption Prevention	8.1	Management submit the investigation guidelines to the GM for approval. These guidelines should be applied across all types of investigations including PID's. All investigation plans/documents completed by Managers should also be forwarded to the Governance Manager for central review and record.	Moderate	to be progressed after the comprehensive policy review is completed.	Manager Governance		to be progressed after the comprehensive policy review is completed in late 2013.	28/11/2013	31/03/2014

ACTION PLAN SHOWING IMPLEMENTATION OF AUDIT RECOMMENDATIONS - MANLY COUNCIL

AUDIT NUMBER	FINAL REPORT DATE	AUDIT CTTEE. DATE	AUDIT TITLE	REC. NUM.	RECOMMENDATION	RISK RATING	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	DUE DATE	COMMENT	DATE	REVISED DATE
AUD1104	11/01/13	6/02/2013	Fraud & Corruption Prevention	8.2	Once the Investigation guidelines are adopted, it should be communicated to all staff to ensure awareness of the basis investigation process.	Moderate	will be completed after guidelines adopted.	Manager Governance		This document will be sent to staff via the iPolicy system, be available in the guidance document register and via the intranet	28/11/2013	30/06/2014
AUD1104	11/01/13	6/02/2013	Fraud & Corruption Prevention	8.3	Management should also ensure that all Managers that can conduct investigations are appropriately trained in Investigation techniques. This will ensure consistency in the investigations.	Moderate	taining to be held once guidelines are adopted.	Manager Governance		training will be held in the 2014 after the guidelines are adopted.	28/11/2013	30/06/2014
AUD1104	11/01/13	6/02/2013	Fraud & Corruption Prevention	8.4	The HR dismissal policy, Councils Code of Conduct and the Fraud Prevention policy contain a reference to the Councils Investigation guidelines to be followed in the instance of a breach. This will ensure consistency and transparency in each investigation process.	Moderate	will be completed after guidelines adopted.	Manager Governance		The document will be listed in the relevant policies and other documents where appropriate. Has been included into the Guidelines as requested.	28/11/2013	
AUD1104	11/01/13	6/02/2013	Fraud & Corruption Prevention	9.2	We recommend that the HR policy on disciplinary action/dismissal include a link to the relevant ICAC/Police reporting requirements for instances of suspected corrupt conduct.	Moderate	being reviewed.	Manager Governance		being reviewed.	28/11/2013	30/06/2014

TO: Internal Audit & Risk Committee

MEETING DATE: 4 December 2013

AUTHOR: Michael Quirk, Head of Internal Audit North Shore Councils (including Manly Council)

SUBJECT: **Internal Auditor's Report on Rates**

1. INTRODUCTION

The Internal Auditor has, as part of the Audit Program confirmed by the participating North Shore Councils and this Committee, conducted an Audit of Rates at Manly Council.

2. INFORMATION

The Internal Audit Program for 2012/2013 was approved by this Committee on 5 June 2012 and required an audit of Council's Rates program to be conducted. The audit has been completed and the Audit Report has being reviewed by Council Management. A copy of the Executive Summary of the report is attached, and a copy of the full report will be available at the meeting.

The Report and its findings will be presented to the Committee by the Internal Auditor, Michael Quirk.

3. RECOMMENDATION:

The Committee recommends to Council that:

1) The Internal Auditor's Report on Rates at Manly Council be received and noted; and

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

ATTACHMENTS

Manly Audit Executive Summary Rates

Michael Quirk

Head of Internal Audit North Shore Councils

November 2013

Head of Internal Audit

Internal Audit Executive Summary Report

Subject:	**Rates -**Report Approved

Objective and Scope	The primary objective of the audit was to provide an assurance that: • Controls are in place to ensure that rates are being accurately calculated and input into the system; • Council has in place controls that pension rebates given are appropriate, authorised and accurate; and • New rates and rebates apply against the correct period. To achieve the above stated objective, the scope of our review included examination of the controls over the application and reporting of rates variations, rebates and the production of accurate rates notices. While the scope focussed on data used in the current rating period, some testing of historical data was necessary. Internal Audit did not review the calculation of the pensioner rebate claim from the government as this is audited by the External Audit. Internal Audit also did not review the rates debtors. The land values are updated by the Valuer General (VG) approximately every three years. The next update will be provided in 2014. As such the detailed process of uploading the new land values was not reviewed by Audit.

Major Findings	The Revenue Manager and the Senior Rates Accountant are the main staff responsible for the key functions of rates and rate rebate processing. The Revenue Manager commenced employment at Manly Council in April 2012. Manly utilise the rates module in the Authority system for their rates and rebate processing. While acknowledging the high level of knowledge and experience in the Council staff, our review also revealed the following: • The Revenue Manager is responsible for majority of the key functions involved in rates processing. This concentrates the knowledge with one person for Council's major revenue stream. • The 2013-2014 rates were calculated based on the land value updates as at January 2013; • Extensive notes exist from the application software supplier (Civica) regarding the EOY rates processing in Authority. High level operational guidelines for the year end rates process and pension work should also be developed. • The Revenue Manager utilises Excel spreadsheets for year-end rates calculations and land value updates provided by the VG. These spreadsheets are a vital management control which are reviewed by the Financial Controller. This review should be formally documented. • Key documents and the evidence of reviews should be retained in TRIM.

	• The yearly process of verifying and following up pensioner details on the Centelink report can be maintained as an electronic copy, rather than in hardcopy.

Summary of Recommendations	The review provided 13 detailed recommendations for improvement (12 Moderate, 2 Minor) which are summarised as: • Improved audit trails and management reporting of key data changes; • Improved access control reporting; • Updating of supplementary valuations; • Preparation of more comprehensive operational guidelines; and • Management review and retention of key decision documents from rates processes.

Overall Opinion and Rating	In conclusion, the concerns identified in this report indicate that the **Control Environment Requires Improvement** (ie Several issues of concern noted, mainly of a moderate nature). **Control Environment Rating** 3

Current Status	Details of implementation of the review recommendation will be included in future reports to the Audit and Risk Committee.

TO:	Internal Audit & Risk Committee
MEETING DATE:	4 December 2013
AUTHOR:	Michael Quirk, Head of Internal Audit North Shore Councils (including Manly Council)
SUBJECT:	**Internal Auditor's Report on Recruitment and Selection**

1. INTRODUCTION

The Internal Auditor has, as part of the Audit Program confirmed by the participating North Shore Councils and this Committee, conducted an Audit of Recruitment and Selection Processes at Manly Council.

2. INFORMATION

The Internal Audit Program for 2012/2013 was approved by this Committee on 5 June 2012 and required an audit of Council's Recruitment and Selection processes to be conducted. The inclusion of the audit on the Audit Program was the result of the Division of Local Government Promoting Better Practice Review Report of 2011. The audit has been completed and the Audit Report has being reviewed by Council Management. A copy of the Executive Summary of the report is attached, and a copy of the full report will be available at the meeting.

The Report and its findings will be presented to the Committee by the Internal Auditor, Michael Quirk

3. RECOMMENDATION:

The Committee recommends to Council that:

1) The Internal Auditor's Report on Recruitment and Selection processes at Manly Council be received and noted; and

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

ATTACHMENTS

Manly Audit Executive Summary Recruitment and Selection Processes

Michael Quirk

Head of Internal Audit North Shore Councils

November 2013

Head of Internal Audit

Internal Audit Executive Summary Report

Subject:	**Recruitment & Selection Processes -**Report Approved

Objective and Scope	The primary objectives of the audit were: • To provide an assurance that adequate controls are in place over the recruitment and selection processes, in order to minimise the risks to Manly; • To examine compliance with Council's policies and procedures in accordance with Recommendation 32 of the "Local Government Reform Program – Promoting Better Practice Report – Manly Council – 2011"; To achieve the above stated objectives, the scope of our review included examination of the controls over the recruitment and selection of staff over the 12 months to 30 June 2013. We randomly selected a sample of staff recruitments for testing. The controls are identified in the Councils internal procedures for 'Recruitment & Selection' dated April 2011.

Major Findings	The Division of Local Government (DLG) issued a report on their Promoting Better Best Practice Review of Manly Council in December 2011. Recommendation 32 of the DLG report required that "Council should conduct an internal audit on Council's revised recruitment and selection practices within twelve months of the adoption of the new policies and procedures". We found that the following controls described in the procedures (dated April 2011) were evident in the sample of recruitments selected: • Employee request forms were completed and approved by the relevant Managers; • There was evidence of new positions being reviewed by the Joint Consultative Committee; • There was evidence of each job being advertised; • Interviews of all applicants were done by the relevant Managers with notes being made on the standard form (interview notes for all unsuccessful applicants are maintained for at least 12 months); • The appointment recommendation and approval form were completed and signed off by the appropriate Manager for all successful applicants; • All the job offers were made in writing by the Manager, Organisation Development;

	• Salary offers made were consistent with the salary advertised. Our sample testing showed the following areas for improvement: • All new positions have to be discussed and approved by the Joint Consultative Committee. Any training provided to Line Managers on the recruitment and selection of new applicants needs to be formally documented and recorded. • One employee did not have a copy of their qualifications, referee checks or evidence of eligibility to work on their personnel file. • Two casual staff did not have their job acceptance letter on their personnel file. • The current procedures for Recruitment and Selection do not reflect the current electronic process of applications. The DLG Promoting Better Practice Review report also indicated (page 64) that Council had recently undertaken a comprehensive audit of current employees' qualifications, after firstly declaring an "amnesty" to invite employees to disclose any anomalies in the qualifications they had previously claimed to possess. Audit verified that the Council did conduct an audit of the qualifications in 2010. All staff were required to complete a declaration form on their qualifications, licenses and certifications and show originals of these documents to the nominated Managers. The results were collated on a spreadsheet by HR. Audit reviewed the spreadsheet and selected a sample for testing to ensure that declarations had been completed and collected and certified documents were on the employee file.

Summary of Recommendations	The review provided 10 detailed recommendations for improvement (7 Moderate, 3 Minor) which are summarised as: • Council implement a more comprehensive recruitment checklist to cover the collection and retention of required information; • Council include on all recruitment files evidence of confirmation of employment history checks; and • Council update procedure to reflect current processes including online recruitment and reference checking.

Overall Opinion and Rating	In conclusion, the concerns identified in this report indicate that the **Control Environment Requires Improvement** (ie Several issues of concern noted, mainly of a moderate nature). **Control Environment Rating** 3

Current Status	Details of implementation of the review recommendation will be included in future reports to the Audit and Risk Committee.

TO:	Internal Audit & Risk Committee
MEETING DATE:	4 December 2013
AUTHOR:	Michael Quirk, Head of Internal Audit North Shore Councils (including Manly Council)
SUBJECT:	**Internal Auditor's Annual Performance Report**

1. INTRODUCTION

In accordance with the standing Audit Committee Agenda adopted 23 August 2011, the following provides a review of the performance of the Internal Audit Function for the previous year.

2. INFORMATION

Internal Audit Program

Internal Audit provides the Audit and Risk Committee with updated progress reporting relating to the adopted Audit Program at each meeting of the Committee. The current Internal Audit Program was approved by Manly Audit and Risk Committee on 6 November 2013. In the past twelve months some ten Internal Audit reports, together with other reports, have been submitted to the Audit and Risk Committee for consideration. The current Internal Audit Program remains slightly behind schedule but is likely to be on track by February 2014.

Client Performance Reporting

A number of trial surveys were undertaken in 2011 seeking feedback from auditees on the performance of the audit. These were sent out by the Head of Internal Audit.

Internal Audit has developed an online survey process for Audit and Risk Committee Members and auditees which provides only non-attributable aggregate results to the Head of Internal Audit. This will be deployed commencing 2014.

Shared Learning

The initial intention in sharing better practices was for each audit to generate a better practice report which could be shared across each of the contributing Councils. These have not been implemented due to considerable variability across Council processes and systems, and a number of improved practices are incorporated into successive audits.

Additionally, Council officers tend to contact their peers in other Councils to seek alternative viewpoints on audit findings, and assistance on audit recommendations.

An alternative to providing a shared better practice report agreed at the General Manager's Steering Committee is a short six-monthly report on highlights from recent audits.

Training

The Head of Internal Audit currently maintains a number of professional networks and holds executive positions on the Corruption Prevention Network (CPN) and the Local Government Internal Audit Network (LGIAN).

Two members of the Internal Audit team attended the Corruption Prevention Network Annual Forum in early September. The Head of Internal Audit accepted a number of speaking invitations across the year. The Head of Internal Audit also attended the Local Government Internal Audit Forum in November.

Audit Automation

Internal Audit has developed test routines and continues to use advanced data analysis tools (e.g.ACL) for periodic testing of payroll and accounts payable data. These test routines will be further developed in 2014 to include routines covering Rates data.

Internal Audit has commenced implementation of an online audit planning and working papers system using cloud-based applications. This is aimed at further improving the efficiency of audit deployments. It is anticipated that this system will be fully deployed by July 2014.

Quality Systems

A requirement of the adopted Internal Audit Charter provides for quality assessment of the internal audit function every five years. The processes and documentation used in Internal Audit are being geared towards quality accreditation within two years. The intention to undertake an internal review in relation to the International Professional Practices Framework for Internal Audit in 2013 has now been deferred until 2014.

Time Allocation

The funding for the Internal Audit Service was set in the original Agreement, with further adjustments arising from the employment of a second part-time internal auditor. The labour distribution of Internal Audit Services is reported to the General Manager's Steering Committee. The current reporting shows distribution closely aligning to funding, with Manly slightly over-serviced in relation to the funding. This position is likely to change in the second half of the Internal Audit Program.

3. RECOMMENDATION:

The Committee recommends to Council that:

1) The Internal Auditor's Performance Report be received and noted.

ATTACHMENTS

NIL

Michael Quirk

Head of Internal Audit North Shore Councils

November 2013

TO:	Internal Audit & Risk Committee
MEETING DATE:	4 December 2013
AUTHOR:	Michael Quirk, Head of Internal Audit North Shore Councils (including Manly Council)
SUBJECT:	**Review of Audit & Risk Committee Annual Agenda**

1. INFORMATION

At its meeting of 23 August 2011 the Audit and Risk Committee adopted an Annual Audit and Risk Committee Agenda. The agenda requires that the Committee annually confirm acquittal of their responsibilities in the Agenda, and to review the Agenda.

A copy of the current Audit and Risk Committee Agenda is provided for the purpose of review.

2. RECOMMENDATION:

The Committee recommends to Council that:

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

ATTACHMENTS

Audit & Risk Committee Agenda

Michael Quirk

Head of Internal Audit North Shore Councils

November 2013

MEETINGS SCHEDULED FOR:	Q1	Q2	Q3	Q4
Financial Report				
Review significant accounting and reporting issues (Interim Audit Report)		✓		
Review the annual financial statements			✓	
Review the results of the audit (Auditors Management Letter)			✓	
Review communication required under Australian Auditing Standards ASA260			✓	
Internal Control				
Consider the effectiveness of the Council's internal control system			✓	
Review the internal control over financial reporting			✓	
Risk Management				
Monitor the systems and processes for risk management				✓
Review the Council's risk profile				✓
Material business risks consider adequacy of mitigation actions				✓
Monitor effectiveness of business continuity planning				✓
Review any instance of fraud or possible illegal acts		✓		
Internal Audit				
Presentation and review of Internal Audit's Annual Performance Report			✓	
Review Internal Audit Charter and Operating Protocols				✓
Review and recommend the annual audit plan		✓		
Review internal audit plan and ensure it is linked to the Council's risk profile		✓		
Monitor satisfaction with internal audit service		✓		
Monitor processes and practices to ensure that independence of internal audit function		✓		
Provide an opportunity for the audit committee to meet with internal audit without management	✓			
External Audit				
Note the external auditors' proposed audit scope and approach		✓		
Consider external auditors' view on the control environment and management letters		✓		
Resolve any disagreement between management and the external auditors in financial reporting			✓	
Provide an opportunity for the audit committee to meet with external auditor without management				✓
Compliance				
Obtain regular updates on compliance matters	✓	✓	✓	✓
Review the systems and processes for monitoring compliance with legislation and regulations				✓
Be informed on how management monitors the effectiveness of its compliance and ethics program	✓			
Keep informed of the findings of any examinations by regulatory agencies	✓	✓	✓	✓
Review whistleblower arrangements and reports	✓			

Reporting Responsibilities				
Report regularly to the Council	✓	✓	✓	✓
Report annually to Council on the performance of the Audit & Risk Committee activities by workshop				✓
Monitor that open communication between the internal auditor, the external auditors, and the Council occurs	✓			✓
Consider the findings and recommendations of relevant performance Audits	✓	✓	✓	✓
Assessment of Financial Information				
Periodically compare actual outcomes, achievement of milestones and other KPI's as compared with the Council Plan, Annual Report and Budget - strategic indicators for monitoring the achievement of the strategic objectives		✓		
Review attestations required			✓	✓
Review and discuss any reports concerning evidence of material violation of breaches of fiduciary duty	✓	✓	✓	✓
General				
Establish number of meetings for forthcoming year		✓		
Effectiveness of Secretariat support performance		✓		
Perform an assessment of the Committee's performance bi-annually			✓	
Review and assess the adequacy of the audit committee charter bi-annually			✓	
Confirm annually that all responsibilities outlined in the Audit Committee charter have been carried out.			✓	
Review Annual Audit Committee Agenda				✓

Adopted Audit & Risk Committee Meeting 23 August 2011