NOTICE OF MEETING

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

DATE: **Wednesday, 4 March 2015**

TIME: **From 3.00pm to 5.00pm**

PLACE: **The Councillors' Room, Manly Town Hall, 1 Belgrave Street, Manly.**

COMMITTEE MEMBERS:

Councillors

Cllr Jean Hay, AM, Mayor (ex officio)	Manly Council
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
Helen Lever	Manager, Administration
Michael Quirk	Head of Internal Audit, North Shore Councils
Lynne Jess	Minutes 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: 25 February 2015

AGENDA

AUDIT AND RISK COMMITTEE

MEETING TO BE HELD ON WEDNESDAY 4 MARCH 2015 AT 3.00 PM

The Councillors' 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 – 5 November 2014**

ITEM 4 **Report on Overall Internal Audit Program**

ITEM 5 **Report on Internal Audit of Work Health and Safety**

ITEM 6 **Report on Review of Internal Audit Charter**

ITEM 7 **Report on Implementation of Internal Audit Recommendations**

ITEM 8 **General Business**

ITEM 9 **Date of next meeting 3 June 2015**

MINUTES OF MEETING

AUDIT & RISK ADVISORY COMMITTEE

HELD ON WEDNESDAY 5 NOVEMBER 2014

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

PRESENT:

Councillors

Clr Jean Hay	Mayor, Manly Council
Clr Hugh Burns	Manly Council
Clr Candy Bingham	Manly Council

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
Mary Rawlings	Risk Manager
Lynne Jess	Minute Taker

Invited Guests

Gary Mottau	Auditor – Hill Rogers Spencer and Steer

TO THE MAYOR AND COUNCILLORS OF THE COUNCIL

The **Audit & Risk Committee (the Committee)** met on 5 November 2014, to consider the matters referred to it and now provides the following advice to Council.

OPEN The meeting commenced at 3.00pm **ACTION**

- Chairperson John Gordon welcomed Mary Rawlings, Council's Risk Manager for attending the meeting to brief the Committee members.
- Explained this was a special meeting of the Committee to receive a briefing from Council's Auditors on the General Purpose Financial Statement for the financial year ending 30th June 2014; and
- It was noted that the Statements were being presented to a meeting of Council the following week.

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

Clr James Griffin

ITEM 2 DECLARATION OF INTEREST

There were no declarations of interest declared by those present.

ITEM 3 CONFIRMATION OF MINUTES

The Minutes of the meeting held on 17 September 2014 were confirmed.

The above minutes went to Council's Ordinary meeting on 13 October 2014 for notation.

ITEM 4 Presentation – Enterprise Risk Management

Council's Risk Manager, Mary Rawlings gave a presentation on Councils Risk Management policies.

The Chair thanked Council's Risk Manager for coming and invited her back to give a presentation on Council's Risk Register in the March or June meeting next year.

ITEM 5 Presentation by External auditor

Gary Mottau from Hill Rogers Spencer Steer, Council's auditors provided a briefing for the Committee on the General Purpose Financial Statement for the Financial Year ended 30th June 2014.

He highlighted the key components of the Statements as circulated with the Agenda.

Key points of detail were raised by various committee members and responded to by the auditors.

Council's Chief Financial Officer, Jenny Nascimento explained the process of producing the accounts was required to be consistent with:

i. The Local Government Act 1993 (as amend) and the Regulations made thereunder
ii. The Australian Accounting Standards and;
iii. The Local Government Code of Accounting Practice and Financial reporting

The Committee expressed a view it would prefer to see the annual financial statements prior to lodgement with the OLG in future years. A timely review by the Committee prior to submission will provide greater assurance over the Financial Statement process. The Executive Manager Corporate Support Services noted this request for referral to the General Manager.

The Chair thanked the auditors for their attendance and the Presentation.

Recommendation: **ACTION**

The Internal Audit and Risk Committee receive, note and ratify the Manly Council General Purpose Financial Statement for the Financial Year ending 30th June 2014

ITEM 6 Internal Auditor's Report on the Internal Audit Program

The Internal auditor spoke to his written report on the Internal Audit Program:

The following points were made:

- Internal Audit Resourcing – 9.7 staff days per month;
- Status of Audits – the program is behind schedule but will be up to date by Christmas.

Recommendation:

The Committee recommends to Council that:

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

ITEM 7 Internal Auditor's Annual Performance Report

The Internal auditor spoke to his written report on Annual Performance Report:

The following comments were made:

- *Internal Audit Program* – slightly behind;
- *Client performance Reporting* – Unsuccessful in the form of a survey of users. Alternatively, specific feedback was requested from Committee members and management which provided useful insights on the internal audit process.
- *Shared Learning* – progressing with the General Manager

Recommendation:

The Committee recommends to Council that:

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

ITEM 8 Report on Implementation of Audit Recommendations

The Internal Auditor presented and spoke to his written report on the Implementation of Audit Recommendations; He commented that good progress has been made.

Recommendation:

The Committee recommends to Council that the Internal Auditor's Report on the Implementation of Audit Recommendations be received and noted.

ITEM 9 Other business

The Chair requested that the next Agenda should include and update on the following:

- PID's (high level summary)
- ICAC referrals/activity
- Summary of Number of Complaints received (eg number of complaints and how they are being dealt with) including details of prior periods if available.

ITEM 10 Proposed meeting dates for 2015

Discussion arose re the meeting dates for next 2015, members felt they needed to meet in February and not March as per the original program.

The first meeting for next year was initially set for 5 March 2015 and subsequently changed to 4 February 2014

Date of next meeting:

Date:	4 February 2015
Venue:	Councillors' Room, Manly Town Hall, 1 Belgrave Street, Manly
Time:	3.00pm

The meeting closed at 4.50pm

TO: Internal Audit & Risk Committee

MEETING DATE: 4 March 2015

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 2014/15 was approved at the meeting of the Audit and Risk Committee on 4 June 2014. This report provides information on the status of work on the approved 2014/15 Programs.

2. INFORMATION

Internal Audit Resourcing

Manly has access to an Internal Audit staff resource equivalent of approximately 9.7 staff-days per month (0.44 FTE).

Following discussions in late 2014, the Internal Audit Unit will soon commence undertaking audits for Ku-ring-gai Council as part of an expanded shared service. While this will not impact on internal audit resourcing for Manly in the long-term, there has been some diversion of resourcing in setting up the arrangement.

Status of Audits

Fieldwork is completed for the *Audit of Compliance and Enforcement Policy* with the relevant audit results being considered by Council management. This report will now be made available to the next meeting of the Audit & Risk Committee. A related *Self-Assessment Audit of DA Processing* is slightly behind schedule

Fieldwork has been completed on the *Audit of Community Properties* with the final report of the audit now likely to be available to the next meeting of the Audit & Risk Committee.

Planning has been completed and fieldwork will soon commence on the *Audit of Cash Handling*.

Planning and design for data extraction and analysis audits covering payroll, rates and accounts payable data have commenced with reports arising from the analysis now to be available at the next meeting of the Audit & Risk Committee..

Internal Audit continues to liaise with Council Management and review documentation relating to his *Probity Advisor* role in the *Manly 2015* developments.

The overall 2014/15 program (see Calendar attached) is behind schedule and is now likely to remain slightly behind until mid-May 2015.

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 2014-15 Manly

Michael Quirk

Head of Internal Audit North Shore Councils

February 2015

INTERNAL AUDIT INITIAL CALENDAR 2014/15
COUNCIL: MANLY

MONTH	DATE	ACTIVITY	ID
July '14	Completed	IT Projects	AUD05/13
	Ongoing	Probity Planning/Advice Manly 2015	AUD16/12
August '14	Completed	Work Health & Safety	AUD02/13
	Current	Compliance & Enforcement Policy	AUD05/12
September '14	Current	Community Properties	AUD03/13
	17/09/14	*Audit & Risk Committee Meeting*	CONFIRMED
October '14	Delayed	DA Self Assessment	AUD08/13
	Delayed	Automated Audits - Rates	AUD09/14
	Current	Automated Audit - Payroll	AUD07/14
November '14	05/11/14	*Audit & Risk Committee Meeting*	CONFIRMED
	Current	Automated Audit - Accounts Payable	AUD08/14
December '14	Current	Cash Handling	AUD14/05
January '15	Delayed	Data Security	AUD14/03
February '15			
March '15	04/03/15	*Audit & Risk Committee Meeting*	TENTATIVE
	09/03/15	Domestic Waste Management	AUD14/02
April '15			
May '15	11/05/15	DA Processing	AUD01/14
June '15	03/06/15	*Audit & Risk Committee Meeting*	TENTATIVE
	17/06/15	Privacy Management	AUD1404

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 8 May 2014.

Current at 26/02/2015

TO: Internal Audit & Risk Committee

MEETING DATE: 4 March 2015

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

SUBJECT: **Internal Auditor's Report on Work Health and Safety**

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 Work Health and Safety at Manly Council.

2. INFORMATION

The Internal Audit Program for 2013/2014 was approved by this Committee on 6 November 2013 and required an audit of Work Health and Safety 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 Work Health and Safety 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 Work Health and Safety

Michael Quirk

Head of Internal Audit North Shore Councils

February 2015

Head of Internal Audit

Internal Audit Executive Summary Report

Subject:	**Work Health and Safety -**Report Approved

Objective and Scope	The objectives of the audit were: • To provide an assurance that the work health and safety program is based on sound risk assessment processes; • To provide an assurance that the management of volunteers and contractors comprehensively addresses work health safety plans and requirements; • To provide an assurance that return to work programs are actively managed and integrated into other elements of the work health and safety system at Manly. To achieve the above stated objectives the scope of our review included, but was not be restricted to, consideration of work in any Council WHS Action Plan The scope of the audit recognised and complemented the Work Health Safety Audit Program undertaken by StateCover. The audit examined the relevant policies and procedures in place and analysed a sample of Council contracts, volunteer arrangements and worker compensation matters.

Major Findings	Manly Council's Work Health and Safety Framework is supported by comprehensive procedures developed by the WHS Coordinator. Workers Compensation Legislation was reformed in 2012. Council is subject to annual self-audits of the Work Health & Safety management systems by StateCover Mutual (last conducted in 2014). Council has developed a detailed WHS Action Plan for improvement. Council has implemented the 'Safehold' system to record incidents. This has been partially implemented and is operational across most areas of Council. Functionality of incident investigation and reporting (other than that managed by the WHS Coordinator) is yet to be implemented. Council has also established a Safety Committee that meets monthly and is attended by the WHS Coordinator. The Committee is provided statistics on the key indicators and an analysis of the types of incidents/injuries occurring. The audit noted the following areas for improvement. • Risk Assessment – Establishing timeframes for completion of the Enterprise Risk Register and WHS risk assessments in the individual business areas; • Contractors – the Corporate WHS procedure for Contractors drafted by the WHS Coordinator needs to be discussed with relevant Managers and be implemented in the various areas. A consolidated contract list be developed for all contractors including those that do not have a current contract;

	• Volunteers – Develop activity statement/ descriptions for each type of volunteer, identify training gaps and ensure adequate records of all training provided. Any WHS key risks identified should also be integrated into the Enterprise Risk Register; • Return to Work Program – guidelines need to be developed for internal processes; • Training program - Revise timeframes for completion of relevant legislative training.

Summary of Recommendations	The audit identified specific items that require management action and provided 15 recommendations for improvement of a moderate and minor nature. The recommendations aimed to address areas for improvement identified above.

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 March 2015

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

SUBJECT: **Review of Internal Audit Charter**

1. INTRODUCTION

The purpose of this report is to propose an updated Internal Audit Charter which incorporates the previously adopted Internal Audit Operating Protocols.

2. BACKGROUND

The Manly Council Internal Audit Charter provides the formal basis under which the internal audit function operates at Council, and is accountable to the Audit and Risk Committee and the General Manager. In 2009 Council resolved to enter into a shared service arrangement for the provision of internal audit services.

Council adopted the Audit Charter in 2009 based on Guidelines for Internal Audit published in 2008 by the then Department of Local Government (DLG). In adopting the Charter, Council referred the Charter to the Audit and Risk Committee for adoption, when it first met. Council's Audit and Risk Committee met for the first time on 28 April 2010 to consider the Audit Charter. At its meeting of 31 August 2010 the Internal Audit Charter was adopted by Council's Audit and Risk Committee.

In adopting the Internal Audit Charter, the Audit and Risk Committee recognised that the "model" charter provided in the DLG Guidelines did not cater for a shared internal audit service. The Head of Internal Audit developed Internal Audit Operating Protocols in order to provide more detail for the operation of the shared service and to bring the different Councils' charters together in a consistent and accountable manner. The Audit and Risk Committee adopted the Operating Protocols on 28 April 2010.

3. PROPOSED POSITION

Since the adoption of the Internal Audit Charter and the Operating Protocols, only few changes have been required to either document. While minor variations to the Internal Audit Charters exist across the serviced Councils, both documents have remained stable and relevant across the shared service Councils. It is proposed to merge the Internal Audit Charter and the Internal Audit Operating Protocols so as to provide a single agreement between Council, the Audit and Risk Committee and the internal audit function. **Attachment 2** shows the proposed Internal Audit Charter.

It is important to note that all previous sections of the adopted Internal Audit Charter have been included in the proposed Charter. **Attachment 1** shows the current Internal Audit Charter with cross-references to the Proposed Internal Audit Charter. It should be noted that some paragraphs in the current Charter have been enhanced in merging with related items in the Operating Protocols. These are shown in **Attachment 1** as being modified in the proposed Charter.

The updated Internal Audit Charter provides a number of detail elements that were previously contained in the Operating Protocols. Further, the order of paragraphs in the Charter has changed for ease of reading and understanding.

4. INDUSTRY POSITION

A review of current industry standards shows a strong move in the public sector towards internal audit charters similar to a model provided by the Australian National Audit Office (ANAO) Better Practice Guide *Public Sector Internal Audit: An Investment in Assurance and Business Improvement*. Proposed changes to local government legislation and to NSW Treasury Internal Audit and Risk Management Policy may lead to a requirement to more closely align the Internal Audit Charter to the ANAO model. The adopted Internal Audit Charter will be reviewed and further changes proposed should this occur.

5. CONCLUSION

The proposed merging of the adopted Internal Audit Charter and Internal Audit Operating Protocols provides a single basis upon which future changes to the operating environment and accountabilities of the internal audit function may be assessed by the Audit and Risk Committee. The proposed Internal Audit Charter retains all features of both the current Internal Audit Charter, and the Internal Audit Operating Protocols.

6. RECOMMENDATION:

The Committee recommends to Council that:

1. That the revised Internal Audit Charter incorporating the previous Internal Audit Operating Protocols be adopted.

ATTACHMENTS

1. Current internal Audit Charter with Proposal Analysis
2. Proposed Internal Audit Charter

Michael Quirk

Head of Internal Audit North Shore Councils

February 2015

Current Manly Council Internal Audit Charter	Proposed Internal Audit Charter Reference
The mission of internal auditing is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.	Item 1.1
Internal Audit at Manly Council (Council) is managed by the Internal Auditor who is the designated Head of Internal Audit within the organisation. The Head of Internal Audit is the top position within an organisation for internal audit activities, as defined in The International Standards for the Professional Practice of Internal Auditing (Standards) issued by the Institute of Internal Auditors.	Item 1.2
1. Introduction	
This Internal Audit Charter is a formal statement of purpose, authority and responsibility for an internal auditing function within Council. • It establishes Internal Audit within Council and recognises the importance of such an independent and objective service to the organisation. • It outlines the legal and operational framework under which Internal Audit will operate. • It authorises the Internal Auditor to promote and direct a broad range of internal audits across Council and, where permitted, external bodies.	Item 1.3
2. Role and Authority	
The Head of Internal Audit is authorised to direct a comprehensive program of internal audit work in the form of reviews, previews, consultancy advice, evaluations, appraisals, assessments and investigations of functions, processes, controls and governance frameworks in the context of the achievement of business objectives. For this purpose, all members of Internal Audit are authorised to have full, free and unrestricted access to all functions, property, personnel, records, information, accounts, files and other documentation, as necessary for the conduct of their work.	Modified in Item 2.1

3. Objectivity, Independence and Organisational Status	
Objectivity requires an unbiased mental attitude. As such, all Internal Audit staff shall perform internal audit engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Further, it requires Internal Audit staff not to subordinate their judgment on internal audit matters to that of others. To facilitate this approach, Internal Audit shall have independent status within Council, and for this purpose shall be responsible directly through the Head of Internal Audit to the Audit and Risk Committee and administratively to the General Manager. Internal Audit shall be independent of the activities reviewed, and therefore shall not undertake any operating responsibilities outside internal audit work. Neither shall Internal Audit staff have any executive or managerial powers, authorities, functions or duties except those relating to the management of Internal Audit. Internal Audit staff and contractors shall report to the Internal Auditor any situations where they feel their objectivity may be impaired. Similarly, the Head of Internal Audit should report any such situations to the Audit and Risk Committee. The work of Internal Audit does not relieve the staff of Council from their accountability to discharge their responsibilities. All Council staff are responsible for risk management and the operation and enhancement of internal control. This includes responsibility for implementing remedial action endorsed by management following an internal audit. Internal Audit shall not be responsible for operational activities on a daily basis, or in the detailed development or implementation of new or changed systems, or for internal checking processes.	Item 1.4
4. Scope of Work	
The scope of services provided by Internal Audit shall encompass: • The examination and evaluation of the adequacy and effectiveness of systems of internal control, risk management, governance, and the status of ethical behaviour. • Ascertaining conformity with the goals and objectives of Council. • Assessment of the economic and efficient use of resources. • The examination of compliance with policies, procedures, plans and legislation. • Assessment of the reliability and integrity of information. • Assessment of the safeguarding of assets.	Item 6.2

• Any special investigations as directed by the Audit and Risk Committee. • All activities of Council, whether financial or non-financial, manual or computerised.	
5. The scope of work may include	
• **Assurance services** – objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organisation. Examples may include financial, performance, operational, compliance, system security, and due diligence engagements. • **Consulting services** – advisory and related client service activities, the nature and scope of which are agreed with the client and which are intended to add value and improve an organisation's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.	Item 6.2
6. Internal Audit Methodology	
Internal Audit shall use the most appropriate methodology for each internal audit engagement, depending on the nature of the activity and the pre-determined parameters for the engagement. Generally, internal audits will include: • Planning • Reviewing and assessing risks in the context of the audit objectives • Examination and evaluation of information • Communicating results • Following up on implementation of audit recommendations	Item 6.1
7. Operating Principles	
Internal Audit shall conform with: • The Standards and Code of Ethics issued by the Institute of Internal Auditors. • Where relevant, the Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association. • Relevant auditing standards issued by the Auditing and Assurance Standards Board.	Modified in Item 5.2

8. Internal Audit shall:	
• Possess the knowledge, skills, and technical proficiency essential to the performance of internal audits. • Be skilled in dealing with people and in communicating audit issues effectively. • Maintain their technical competence through a program of continuing education. • Exercise due professional care in performing internal audit engagements.	Item 5.1
9. Internal Audit staff shall:	
• Conduct themselves in a professional manner. • Conduct their activities in a manner consistent with the concepts expressed in the Standards and the Code of Ethics.	Modified in Item 5.1
10. Reporting Arrangements	
The Head of Internal Audit shall at all times report to the Audit and Risk Committee. At each Audit and Risk Committee meeting the Head of Internal Audit shall submit a report summarising all audit activities undertaken during the period, indicating: • Internal audit engagements completed or in progress. • Outcomes of each internal audit engagement undertaken. • Remedial action taken or in progress. On completion of each internal audit engagement, Internal Audit shall issue a report to its audit customers detailing the objective and scope of the audit, and resulting issues based on the outcome of the audit. Internal Audit shall seek from the responsible senior executive an agreed and endorsed action plan outlining remedial action to be taken, along with an implementation timetable and person responsible. Responsible officers shall have a maximum of ten working days to provide written management responses and action plans in response to issues and recommendations contained in internal audit reports. The Head of Internal Audit shall make available all internal audit reports to the Audit and Risk Committee. However, the work of Internal Audit is solely for the benefit of Council and is not to be relied on or provided to any other person or organisation, except where this is formally authorised by the Audit and Risk Committee or the Head of Internal Audit. In addition to the normal process of reporting on work undertaken by Internal Audit, the Head of Internal Audit shall draw to the attention of the Audit and Risk Committee all matters that, in the Head of Internal Audit's opinion,	Modified in Item 6.8

warrant reporting in this manner.	
11. Planning Requirements	
Internal Audit uses a risk-based rolling program of internal audits to establish an annual Internal Audit Plan to reflect a program of audits over a 12 month period. This approach is designed to be flexible, dynamic and more timely in order to meet the changing needs and priorities of Council. The Head of Internal Audit shall prepare an annual Internal Audit Plan for review and approval by the Audit and Risk Committee, showing the proposed areas for audit. The annual Internal Audit Plan shall be based on an assessment of the goals, objectives and business risks of Council, and shall also take into consideration any special requirements of the Audit and Risk Committee and senior executives. The Head of Internal Audit has discretionary authority to adjust the Internal Audit Plan as a result of receiving special requests from management to conduct reviews that are not on the plan, with these to be cleared through the Chair of the Audit and Risk Committee and the General Manager prior to approval at the next meeting of the Audit and Risk Committee.	Modified in Item 6.3
12. Quality Assurance & Improvement Program	
The Head of Internal Audit shall oversee the development and implementation of a quality assurance and improvement program for Internal Audit, to provide assurance that internal audit work conforms to the Standards and is focused on continuous improvement.	Item 6.15
13. Co-ordination with External Audit	

The Head of Internal Audit shall periodically consult with the external auditor, to discuss matters of mutual interest, to co-ordinate audit activity, and to reduce duplication of audit effort.	Modified in Item 7
14. Review of the Internal Audit Charter	
The Head of Internal Audit shall periodically review the Internal Audit Charter to ensure it remains up-to-date and reflects the current scope of internal audit work.	Modified in Item 8.1
15. Evaluation of Internal Audit	
The Head of Internal Audit shall develop performance measures (key performance indicators) for consideration and endorsement by the Audit and Risk Committee, as a means for the performance of Internal Audit to be periodically evaluated. Internal Audit shall also be subject to an independent quality review at least every five years. Such review shall be in line with the Standards of Professional Practice in Internal Audit and be commissioned by and report to the Audit and Risk Committee.	Modified in Item 6.14
16. Conflicts of Interest	
Internal auditors are not to provide audit services for work for which they may previously have been responsible. Whilst the Standards provide guidance on this point and allow this to occur after 12 months, each instance should be carefully assessed.	Modified in Item 5.4
When engaging internal audit contractors, the Head of Internal Audit shall take steps to identify, evaluate the significance, and manage any perceived or actual conflicts of interest that may impinge upon internal audit work.	Item 5.5
Instances of perceived or actual conflicts of interest by the Head of Internal Audit or Internal Audit staff and contractors are to be immediately reported to the Audit and Risk Committee by the Head of Internal Audit.	Item 5.4
Any changes to this Internal Audit Charter will be approved by the Audit and Risk Committee.	Item 8.2
17. Related Documents	
Manly Council Code of Conduct for Community Members on Special Purpose Committees and Working Groups Manly Council Audit and Risk Committee Charter North Shore Councils Internal Audit Operating Protocols	Modified in Item 8.3

Approved: Audit and Risk Committee Meeting — Date: 31st August 2010

Reviewed — Date: 6th November 2013

TO: Internal Audit & Risk Committee

MEETING DATE: 4 March 2015

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 twenty-two 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 in addition to data audit reports:

Cash Handling (24 November 2010)	Fraud & Corruption Prevention (6 February 2013)
Tendering Procedures (24 November 2010)	Capital Projects (6 February 2013)
Credit Cards (Finalised November 2011)	Competitive Neutrality (6 February 2013)
Records Management (24 March 2011)	Investments (6 June 2013)
Payroll Data Integrity (22 November 2011)	ICT Service Continuity (6 June 2013)

EFT Payments (22 November 2011)	Recruitment (5 December 2013)
Legal Services Expenditure (November 2011)	Rates (5 December 2013)
Commercial Leasing (20 March 2012)	Contract Management (5 March 2014)
Parking Management & Revenue (20 March 2012)	Staff Terminations (5 March 2014)
Long Term Financial Plan (5 June 2012)	Purchasing (4 June 2014)
Asset Acquisitions & Disposals (6 February 2013)	IT Projects (September 2014)

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 over 255 recommendations to Council management for improvement in 22 reports provided to the Audit and Risk Committee.

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	12	1	0	7	1	8
COMPLETED	0	4	6	0	6	0	6
NOT AGREED	0	0	0	0	0	0	0
NEW	0	4	6	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.
Not Agreed recommendations include those recommendations which Council management have not agreed to and have 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 together with recommendations closed in the current period 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

February 2015

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	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	31/01/14	Work to progress on this in quarter Sep to Dec 2014. 19/1/15 Health Check still being finalised	19/01/2015	31/03/2015
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	28/11/13	Guidelines and a training program presented for approval 19/1/15 Guidelines have been endorsed by the General Manager and have been provided to all staff who conduct investigations	19/01/2015	Complete
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	28/11/13	a training and implementation program has been prepared and will be deployed once Guidelines are approved. 19/1/15 Guidelines have been deployed	19/01/2015	Complete
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	28/11/13	a training and implementation program has been prepared and will be deployed once Guidelines are approved. 19/1/15 Training will be conducted at earliest opportunity by the ICAC. Staff who have experience and training in investigations will assist until this training is provided.	19/01/2015	Complete
AUD1201	20/02/14	5/03/2014	Contract Management	R1	We recommend Council develop a corporate level Contract Management Policy. This policy should cover, as a minimum, the following areas: * Performance Management and reporting; * Requirements to retain or sight current insurance certificates; * Segregation of duties in relation to contract payment approval and invoice payment; * Review and approval of Contract variations or contract extension; * Approval process for release of contract performance bonds or retentions; * Document management in the ECM (Enterprise Content Management).	Moderate		EM CSS / Manager Corporate Governance	31.12.14	Policy, Guidelines and resource kit being developed.	19/01/2015	30/04/2015
AUD1201	20/02/14	5/03/2014	Contract Management	R2	We recommend Council formally assess contract management risks and consequences for each contract.	Moderate		EM CSS / Manager Corporate Governance	31.12.14	Will be included in resouce kit currently being developed.	19/01/2015	30/04/2015
AUD1201	20/02/14	5/03/2014	Contract Management	R3	We recommend Council formally document the risk assessment, periodically review and implement mitigating controls. This document should be signed off by an appropriate level of management.	Moderate		EM CSS / Manager Corporate Governance	31.12.14	See recommendation for R1	19/01/2015	30/04/2015
AUD1201	20/02/14	5/03/2014	Contract Management	R4	We recommend Council provide guidelines in relation to contract price adjustments above the terms and conditions of the contract.	Minor		EM CSS / Manager Corporate Governance	31.12.14	See recommendation for R1	19/01/2015	30/04/2015
AUD1201	20/02/14	5/03/2014	Contract Management	R5	We recommend Council develop a checklist to enable the supplier to provide a regular feedback on each required deliverable in the contract before processing invoices for payment. A deduction should be negotiated if necessary.	Moderate		EM CSS / Manager Corporate Governance	31.12.14	See recommendation for R1. Documents currently in draft - consultation to commence in November	19/01/2015	30/04/2015

AUD1201	20/02/14	5/03/2014	Contract Management	R6	We recommend Council closely monitor contractor's KPIs and the required contract deliverables as per the contract.	Moderate		EM CSS / Manager Corporate Governance	31.12.14	Contract Management is decentralised and this will be up to each person who is nominated as the contract manager. This informaiton will be included in the guidelines mentioned in R1	19/01/2015	30/04/2015
AUD1304	23/05/14	4/06/2014	Purchasing	R1	We recommend that the Procurement guidelines be reviewed to explicitly define the responsibilities of each reviewer, together with the escalation steps required by the Purchasing Officer and Manager, Administration if the purchasing requirements have not been met. Any updates to the guidelines are to be circulated to staff and appropriate training provided.	Moderate	Agreed, to be undertaken by Manager Administration and Manager, Corporate Governance	Manager, Administration, Manager Corporate Governance and CFO	3 months 1/9/14	Amendments to current guidelines are in draft and are currently undergoing review. 19/1/15 Amendments to current guidelines reviewed. Sent to the GM for approval	19/01/2015	Complete
AUD1304	23/05/14	4/06/2014	Purchasing	R3	We recommend that specifications and quotations for high value procurements ($75,000 - $150,000) be retained in TRIM in the same manner as tender specifications and submissions as required by the Procurement guidelines.	Moderate	Agreed	Divisional Managers and Office Managers	3 months 1/9/14	Noted and included in drafted changes to Procurement Guidelines COMPLETE	19/01/2015	Complete
AUD1304	23/05/14	4/06/2014	Purchasing	R8	We recommend that Management implement a process whereby an up to date list of contracts and tenders is maintained by the relevant staff, and made available for reference by all officers undertaking procurement.	Moderate		CFO, Contract superintendents and Office Managers	3 months 1/9/14	Commenced	in progress	30.11.14
AUD1304	23/05/14	4/06/2014	Purchasing	R9	We also recommend that all contracts be saved on TRIM in accordance with the Procurement guidelines.	Moderate		Divisional Managers and Office Managers	3 months 1/9/14	Implemented	**COMPLETE**	**Complete**