



NOTICE OF MEETING

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

DATE: Wednesday, 5 November 2014

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

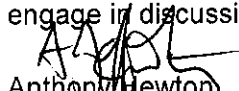
COUNCIL STAFF AND INVITED ATTENDEES:

Anthony Hewton	Executive Manager, Corporate Support Services
Jenny Nascimento	Chief Financial Officer
Helen Lever	Manager, Administration
Mary Rawlings	Manager, Enterprise Risk & Business Development
Michael Quirk	Head of Internal Audit, North Shore Councils
Lynne Jess	Minutes taker

Guest Speaker

Garry Mottau	Hill Rogers Spencer Steer
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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: 30 October 2014



AGENDA

AUDIT AND RISK COMMITTEE

MEETING TO BE HELD ON WEDNESDAY 5 NOVEMBER 2014 AT 3.00 PM

The Councillors' Room, Manly Town Hall

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|---------|--|
| ITEM 1 | Apologies and leave of absence |
| ITEM 2 | Declarations of Interest – Pecuniary
Non- Pecuniary |
| ITEM 3 | Confirmation of minutes of previous meeting – 17 September 2014 |
| ITEM 4 | Presentation – Enterprise Risk Management - Mary Rawlings |
| ITEM 5 | Presentation by External Auditor (Hill Rogers Spencer Steer) on General Purpose Financial Statements for the year ended 30 June 2014 |
| ITEM 6 | Internal Auditor’s Report on the Internal Audit Program |
| ITEM 7 | Internal Auditor’s Annual Performance Report |
| ITEM 9 | Report on Implementation of Audit Recommendations |
| ITEM 10 | General business |
| ITEM 11 | Proposed meeting dates for 2015 |



MINUTES OF MEETING

AUDIT & RISK ADVISORY COMMITTEE

HELD ON WEDNESDAY 17 September 2014

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

Manly Council (arrived at 3.15pm)

Manly Council

Other Representatives

John Gordon

Brian Hrnjak

Community Member - Chair

Community Member

Council Staff

Michael Quirk

Anthony Hewton

Helen Lever

Head of Internal Audit, North Shore Councils

Executive Manager, Corporate Services Support

Manager, Administration

Lynne Jess

Minute Taker

Invited Guests

Nathan Rogers

Chief Information Officer

TO THE MAYOR AND COUNCILLORS OF THE COUNCIL

The **Audit & Risk Committee (the Committee)** met on 17 September 2014, to consider the matters referred to it and now provides the following advice to Council.

OPEN The meeting commenced at 3.00pm.

ACTION

ITEM 1 APOLOGIES AND LEAVE OF ABSENCE

Apologies were received from the Mayor Jean Hay AM, Clr J Griffin and Jenny Nascimento.

ITEM 2 DECLARATION OF INTEREST

There were no declarations of interest declared by those present.

ITEM 3 CONFIRMATION OF MINUTES**ACTION**

The Minutes of the meeting held on 4 June 2014 were confirmed.

The Chair requested a follow up on requests for presentations from the Risk Manager, Ms Rawlings and Deputy General Manager, Mr Stephen Clements.

The above minutes went to Council's Ordinary meeting on 8 September 2014 for notation.

ITEM 5 Internal audit Report on IT Projects

A discussion of outcomes outlined in the audit report was led by Council's Internal Auditor, Michael Quirk with input and clarification as necessary from Nathan Rogers (CIO). Specifically:

- The CIO outlined new project software purchased in response to the subject audit outcomes to assist with incorporating project management methodology for all their projects.

The Chair asked if Council were able to utilise same tool for other Council area's projects e.g., CAPEX projects.

Recommendation:

The Committee recommends to Council that:

1. The Internal Auditor's Report on IT Projects 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.

ITEM 4 Report on the Internal Audit program

The Internal Auditor outlined his report with regards status of the various Internal Audits in progress at Council and the following points were discussed.

- IT Projects – finalised
- Data extraction and analysis covering payroll, rates and accounts payable data – delayed
- Internal audit – Community Property- possibly next meeting but will not guarantee as the scope and complexity of this audit has been noted in a current similar audit being undertaken with another Council.

In response to queries raised, Mr Hewton then outlined status of the Manly2015 project. He outlined current Councillor workshop progress and advised the project was still in the due diligence phase.

Recommendation:

The Committee recommends to Council that:

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

ITEM 6 Implementation of Audit Recommendations

The Internal Auditor provided updated information on the implementation of recommendations arising out of the audits.

The Chair asked if the Matrix plan is discussed and are staff accountable to their peers. The Executive Manager, Corporate Support Services advised that this schedule is circulated to and discussed by the management team regularly.

The Chair asked if staff were experiencing fatigue by the process of ongoing internal audits. The Executive Manager, Corporate Support Services advised the culture had changed and staff were happy to share information and viewed the audit process not as a threat but rather as an opportunity to reflect on and make improvements to the way their work is undertaken.

Recommendation:

The Committee recommends to Council that:

The Internal Auditor's report on Implementation of Internal Audit Recommendations be received and noted.

ITEM 7 Status of Audit & Risk Committee Annual Agenda

The Internal Auditor spoke to his report on "*Audit & Risk Committee Annual Agenda*" and discussion took place on particular points contained in the Audit & Risk Committee Agenda.

- Report annually to Council on the performance of the Committee activities by workshop – to go to a future meeting.
- Report effectiveness of Committee to Council.

Clr Burns requested an update on the External Audit (external for annual accounts).

The Chair asked if Council may want a report annually to Council on the performance of the Audit & Risk Committee activities. He had never done one before but could prepare a presentation including the following:

- Brief report on activities completed
- Self assessment
- Review of Charter

The Executive Manager, Corporate Services Support advised this report could be included in the next minutes and highlighted as an IBM in which case would go to Council highlighted as an item for them.

The Executive Manager, Corporate Services Support also suggested that one of the Auditors attend a Council meeting and give a pre dinner presentation at a high level of the Committee's work and performance over the past year..

Moved: Clr Burns
Seconded: Clr Bingham

Recommendation:

The Committee recommends to Council that:

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

ITEM 8 Other business

The Chair suggested that in future, reporting on the following items occur:

- PID's (high level summary)
- ICAC referrals/activity
- Summary of Number of Complaints received
- Any NSW Ombudsman's activity

ITEM 9 Date of next meeting

Date: TBC
Venue: Councillors Room
Time: 3.00pm

**Anthony
Hewton**

The meeting closed at 4.35pm



TO: Internal Audit & Risk Committee

MEETING DATE: 5 November 2014

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).

Status of Audits

Fieldwork is completed for the *Audit of Work Health and Safety* and the *Audit of Compliance and Enforcement Policy* with the relevant audit results currently being considered by Council management. These reports will be made available to the next meeting of the Audit & Risk Committee.

Completion of fieldwork has delayed 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 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 however it is now likely to be on track by mid-December 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 2014-15 Manly

Michael Quirk

Head of Internal Audit North Shore Councils

October 2014

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	Current	Work Health & Safety	AUD02/13
	Current	Compliance & Enforcement Policy	AUD05/12
September '14	Current	Community Properties	AUD03/13
	17/09/14	<i>Audit & Risk Committee Meeting</i>	CONFIRMED
October '14	Delayed	DA Self Assessment	AUD08/13
	09/10/14	Automated Audits - Rates	AUD09/14
	09/10/14	Automated Audit - Payroll	AUD07/14
November '14	05/11/14	<i>Audit & Risk Committee Meeting</i>	CONFIRMED
	10/11/14	Automated Audit - Accounts Payable	AUD08/14
December '14	15/12/14	Cash Handling	AUD14/05
January '15	26/01/15	Data Security	AUD14/03
February '15			
March '15	04/03/15	<i>Audit & Risk Committee Meeting</i>	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	<i>Audit & Risk Committee Meeting</i>	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.

INTERNAL AUDIT CAPABILITY MATURITY MODEL – SURVEY RESULTS 2014

DIMENSION	Services & Role of IA	People Management	Professional Practices	Performance Management and Accountability	Organisational Relationships and Culture	Governance Structures
AVGE. SCORE	3.73	3.82	3.82	3.55	4.00	4.18
Level 5 – Optimising	Recognised as key agent of change	Leadership involvement with professional bodies Workforce projection	Continuous improvement in Professional Practices Strategic Internal Audit Planning	Public Reporting of Internal Audit Effectiveness	Effective and ongoing relationships	Independence, Power and Authority of the Internal Audit Activity
Level 4 – Managed	Overall Assurance on Governance, Risk Management and Control	Internal Audit Contributes to Management Development Internal Audit Activity Supports Professional Bodies Workforce Planning	Audit Strategy Leverages Organisation's Management of Risk	Integration of Qualitative and Quantitative Performance Measures	Head of Internal Audit Advises and influences Top-Level Management	Independent Oversight of the Internal Audit Activity Head of Internal Audit Reports to Top-Level Authority
Level 3 – Integrated	Advisory Services Performance/Value for Money Audits	Team Building and Competency Professionally Qualified Staff Workforce Co-ordination	Quality management Framework Risk-based audit plans	Performance Measures Cost Information Internal Audit Management Reports	Co-ordination with other Review Groups Integral Component of Management Team	Management Oversight of the Internal Audit Function Funding Mechanisms
Level 2 – Infrastructure	Compliance Auditing	Individual Professional Development Skilled People Identified and Recruited	Professional Practices and Processes Framework Audit Plan Based on management/ Stakeholder Priorities	Internal Audit Operating Budget Internal Audit Business Plan	Managing within the Internal Audit Activity	Full access to the Organisation's Information, Assets, and People Reporting Relationships Established
Level 1 – Initial	Ad-hoc and unstructured, isolated single audits or reviews of documents and transactions for accuracy and compliance; outputs dependent upon the skills of specific individuals holding the position; no specific professional practices established other than those provided by professional associations; funding approval by management as needed; absence of infrastructure; auditors likely part of a larger organisational unit; no established capabilities; no specific key process areas.					



TO: Internal Audit & Risk Committee

MEETING DATE: 5 November 2014

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 eleven months.

2. INFORMATION

Internal Audit Program

Internal Audit provides the Audit 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 4 June 2014. In the past eleven months some five 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.

Client Performance Reporting

A number of trial surveys were undertaken in 2011 seeking feedback from auditees on the performance of the audit. Internal Audit has subsequently developed an online survey process for auditees that provides only non-attributable aggregate results to the Head of Internal Audit. Despite wide distribution and follow-up, responses have not been adequate for representative reporting.

Internal Audit has subsequently provided targeted surveys to senior officers and audit committee members across the shared service with a view to assessing the maturity of the internal audit function. This sought to measure the service against a number of benchmark dimensions. While the number of survey responses was small, the responses provide indicators of dimensions for improvement in the audit service. A short summary of the survey results is attached.

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. 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 will be attending 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 are being further developed to include routines covering Rates data.

Internal Audit has commenced implementation of an online audit planning and working papers system using cloud-based applications however full deployment of this system has been delayed until early 2015.

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 twelve months. The intention to undertake an internal review in relation to the International Professional Practices Framework for Internal Audit is scheduled for late 2014.

Time Allocation

The funding for the Internal Audit Service was set in the original Agreement which, for Manly, remains at approximately 9.7 staff days per month inclusive of all reporting. 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.

3. RECOMMENDATION:

The Committee recommends to Council that:

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

ATTACHMENTS

Internal Audit Maturity Assessment Results 2014

Michael Quirk

Head of Internal Audit North Shore Councils

October 2014



TO: Audit & Risk Advisory Committee

MEETING DATE: 5 November 2014

AUTHOR: Secretariat

SUBJECT: **Committee Meeting Dates for 2015**

1. INTRODUCTION

Below are proposed meeting dates for the Audit & Risk Advisory Committee for 2015.

2. INFORMATION

The following table sets out the proposed meeting dates for the Audit & Risk Advisory Committee meetings for 2015. The meetings have been scheduled quarterly for the first Wednesday of the month, meeting to commence at 3.00pm and held at Manly Town Hall, 1 Belgrave Street, Manly and will run for a maximum of 2 hours.

Jan 2015	Feb 2015	Mar 2015	April 2015	May 2015	June 2015	July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015
		4			3			2		4	

3. RECOMMENDATION:

That the proposed dates for 2015 be approved.

Secretariat
Corporate Services Division

Date: 23 October 2015