



Minutes

Meeting of the Audit & Risk Committee
Tuesday, 29 November 2016

Held in the
Council Chambers
1 Merrijig Drive, Torquay
Commencing at 9.00am

MINUTES FOR THE AUDIT & RISK COMMITTEE MEETING
HELD IN THE COUNCIL CHAMBERS, 1 MERRIJIG DRIVE, TORQUAY
ON TUESDAY 29 NOVEMBER 2016 COMMENCING AT 9.00AM

PRESENT:

COMMITTEE MEMBERS

Cr Clive Goldsworthy
Cr Margot Smith
Brian Keane (Chair) (Term expires 31/01/2017)
Melissa Field (Term expires 31/01/2017)
John Gavens (Term expires 27/01/2018)
Debra Russell (Term expires 27/01/2018)

In Attendance:

Keith Baillie – Chief Executive Officer
Anne Howard – General Manager Governance & Infrastructure
John Brockway – Manager Finance
Wendy Hope – Manager Governance & Risk
Trai Moorthy (Grant Thornton)
Danni Vasiloski – Team Leader Governance (minutes)
Brendan Walsh – Manager Business Improvement
Leanne Perryman – Manager People & Culture
Maureen White – Coordinator Risk Management and Legal Services
Tracey McCarthy – Coordinator Financial Accounting
Gabby Spiller – Coordinator Management Accounting
Trevor Britten – Business Improvement Officer
Ross Williams – Coordinator Occupational Health & Safety

APOLOGIES:

Sanchu Chummar (VAGO)
Tim Loughnan (VAGO)
Ivy Ly (VAGO)
Scott Hartley (Grant Thornton)

CONFIRMATION OF MINUTES:

Committee Resolution

MOVED Mr John Gavens, Seconded Cr Margot Smith

That the Audit & Risk Committee Meeting note the minutes of the meeting held on 8 September 2016 as a correct record of the meeting.

CARRIED

CONFLICTS OF INTEREST:

Nil

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1. OUTSTANDING ISSUES & ACTIONS

1.1 Outstanding Issues & Actions Report

Charter Reference: 9.2.3

Author's Title: Team Leader Governance

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/1127

Appendix:

1. Audit & Risk Committee Outstanding Issues & Actions - Status Log (D16/1527)
2. Audit & Risk Committee Combined Outstanding Issues & Actions - April 2015 Onwards - 29 November 2016 (D16/114444)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Purpose

To receive an update on the progress made on action items identified through previous Audit reports and Audit & Risk Committee meetings.

Items previously notified as completed are shaded in orange and will be removed from the report when the whole of that section has been completed.

Recommendation

That the Audit & Risk Committee receives the Outstanding Issues and Actions Report and notes the progress to date.

Meeting Discussion

- Committee noted good progress made to date and that the status table assists with following progress.
- VAGO Management Letter observations to be added to Outstanding Issues and Actions Report.
- Report at next meeting on actions that remain outstanding that rely on others to be able to complete eg systems issues.
 - Item 15, page 20
 - Item 5, page 11
 - Page 13, Iweigh System.
- Councillor Induction training item for new Councillor Committee members to be closed out as not required.
- SCS 009 Infrastructure Special Rate and Charge Scheme policy review to be discussed at February 2017 meeting.
- Update report to reflect Follow Up Audit (Grant Thornton) internal report findings where there are three instances of recommendations being marked as 'in progress' when previously marked as completed in Outstanding Issues and Actions report. Ensure those items are identified and returned to the Issues and Actions report. Officers to review how these discrepancies have arisen to ensure information presented is reliable.

Committee Resolution

MOVED Cr Margot Smith, Seconded Mr John Gavens

That the Audit & Risk Committee receives the Outstanding Issues and Actions Report and notes the progress to date.

CARRIED

2. PRESENTATIONS

2.1 Chief Executive Officer's Update

Charter Reference: N/R

Author's Title: Chief Executive Officer

CEO: Keith Baillie

Department: Office of the CEO

File No: F16/145

Division: Office of the CEO

Trim No: IC16/1126

Appendix:

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Purpose

To receive an organisational update from Keith Baillie, Chief Executive Officer.

Recommendation

That the Audit & Risk Committee receive and note the Chief Executive Officer's update.

Meeting Discussion

- Council election concluded.
- Targeted induction process, mainly affirming governance and planning, with special sessions for Cr Duke.
- Council Plan process underway with first session in December.
- Budget preparation process has commenced, commencing with an affirmation of the LTFP.
- Our LTFP challenge remains that despite making savings through the Business Improvement Program our financial position remains one of declining.
- CEO objectives remain the same at this stage, with mid-year checkpoint late January providing the opportunity if Council wish to amend post-election.
- Foundations now in place for program management and financial management reporting. This is going well with managers providing monthly commentary on variances.
- Tracking favourable YTD on operating result, although seeing budget timing issues.
- Program delivery represents a major challenge as seeking to lift from \$16m last year to \$26m this year. We are currently behind on project delivery and are bringing on board project management resources in order to get projects underway.
- Preparing for the implementation of allocation of corporate overheads for this upcoming budget, to achieve more accurate service costs to assist with setting fee levels based on cost recovery.
- Financial system health check session held with encouraging insights. Looking forward to the report being formalised enabling an action plan.
- Purchasing system upgrade project has recommenced following year-end and annual leave.
- General Manager (Kate Sullivan) has resigned from her General Manager role, and has accepted a project management role with Council for six months. Phil Rowland has been appointed for six months in an acting General Manager capacity. Phil is a former local government CEO. Permanent recruitment is intended to commence mid-late February.
- The CEO recognised that for Brian and Melissa this is the last meeting in their current term and expressed thanks for their strong contribution.

CEO noted that Council well prepared for fire season, with an expected high risk area of grass fires.

Committee Resolution

MOVED Ms Melissa Field, Seconded Cr Margot Smith

That the Audit & Risk Committee receive and note the Chief Executive Officer's update.

CARRIED

2.2 Confidential Business Improvement Program - Status Report

Charter Reference: 9.2.5

Author's Title: Manager Business Improvement **CEO:** Keith Baillie

Department: Business Improvement **File No:** F16/881

Division: Office of the CEO **Trim No:** IC16/1211

Appendix:

1. Confidential Business Improvement Program - Update for November 2016 Audit and Risk Committee Meeting (D16/107261)

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1989 –
Section 80C:

 Yes No

Status:

Information classified confidential under Section 77
of the Local Government Act:

 Yes No

Reason: Nil

Purpose

To receive an update on activities associated with the Business Improvement Program.

Discussion

A briefing was last provided to the Audit and Risk Committee on the Business Improvement Program at the September 2016 meeting.

This report provides an update on the progress of the 2016/17 work plan.

Recommendation

That the Audit & Risk Committee notes the progress of the Business Improvement Program.

Meeting Discussion

Officer introduced Trevor Britten as the new Business Improvement Officer.

Committee Resolution

MOVED Cr Margot Smith, Seconded Cr Clive Goldsworthy

That the Audit & Risk Committee notes the progress of the Business Improvement Program.

CARRIED

3. RISK MANAGEMENT

3.1 Work Health & Safety Report

Charter Reference: N/R

Author's Title: Team Leader Governance

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/1227

Appendix:

1. Audit & Risk Committee - Workplace Health & Safety Report - July -to September 2016 (D16/111101)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Purpose

To provide and discuss an updated Work Health & Safety report.

Recommendation

That the Audit & Risk Committee receive and note the Work Health & Safety report.

Meeting Discussion

- Maintained OHS accreditations and working through minor non-conformances raised.
- Improvements to Work Cover figures.
- Explained actions taken to address any issues. Campaigns recently launched around safety and elevating attention and alertness of issues include Management Reviews, Cross Functional Audits, 10,000 Steps Challenge, Health and Wellbeing and Sun Smart programs.
- Expecting to see incident reporting to increase with increased awareness.
- Demographic of workforce - 75% are over 40. Workplace diversity strategy - Partnerships with Deakin University and schools are developed to encourage Council being a career of choice. Three year plan.
- Committee commented page 46, Incidents vs Hazards Table - 10 hazards identified with no proactive reporting and identifying hazards. Sought an understanding of what other toolbox meetings, discussions, inspections etc were occurring that would demonstrate a healthy culture towards safety.
- Suggest analysis of injuries based on tenure and age.

Committee Resolution

MOVED Mr John Gavens, Seconded Cr Margot Smith

That the Audit & Risk Committee receive and note the Work Health & Safety report.

CARRIED

3.2 Enterprise Risk Management Report

Charter Reference: 9.5.1, 9.5.2, 9.5.3

Author's Title: Coordinator Risk Management & Legal Services **General Manager:** Anne Howard

Department: Governance & Risk

File No: F16/1075

Division: Governance & Infrastructure

Trim No: IC16/1240

Appendix:

1. Audit & Risk Committee Report November 2016 (D16/115066)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 – Section 80C:

Information classified confidential under Section 77 of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Purpose

To present the Enterprise Risk Management Report to the Audit & Risk Committee.

The report includes:

- a) Risk Profile
- b) Strategic Risks – Current Rating Serious or High – work in progress includes starting to assess and note controls effectiveness and evidence.
- c) Operational Risks – Current Rating Serious
- d) Risk Treatment Action Status
- e) New and Emerging Risks
- f) Risk Management Improvement Activities
- g) Draft Control Effectiveness Table included at Appendix 1 – for ARC member input.

Recommendation

That the Audit & Risk Committee:

1. Note the Enterprise Risk Management Report.
2. Provide feedback on the controls evidence provided in the strategic risk table.
3. Provide feedback on the control effectiveness table.

Meeting Discussion

- Council will be developing its Tree Management Plan in conjunction with the Road Management Plan.
- Stage Three of the Tree Audit in Lorne to commence in February 2017 to assess the health of trees.
- Stage One and Two of the Tree Audit to be re-visited as part of developing an action plan.
- Travis Nelson, risk owner, to present to the Committee on Risk 30 in February 2017. This will include an update on the Tree Management Plan.
- Risk 56, trending upwards as a result of internal assessment to adjust controls.
- Risk 94, check the Great Ocean Road cliff damage included as a risk.
- Risk 36, under review by Rowan Mackenzie and Phil Rowland - General Manager Environment & Development.
- Requested to check that the purchasing system issue is included in register. Wendy Hope to update members via email.
- Discussed Winchelsea Common risk and affirmed that this will remain in the risk register for monitoring.

Committee Resolution

MOVED Ms Melissa Field, Seconded Ms Debra Russell

That the Audit & Risk Committee:

1. Note the Enterprise Risk Management Report.
2. Provide feedback on the controls evidence provided in the strategic risk table.
3. Provide feedback on the control effectiveness table.

CARRIED

4. AUDIT REPORTS

4.2 External Auditor Update (Victorian Auditor General's Office)

Charter Reference: 9.1.7

Author's Title: Team Leader Governance

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/1232

Appendix:

1. VAGO Final Management Letter (D16/106093)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Purpose

To receive a verbal update from the External Auditors (VAGO) including the final Management Letter.

Recommendation

That the Audit & Risk Committee receive and note the External Auditors (VAGO) update including the final Management Letter and ensures outstanding items are included in the Outstanding Issues and Actions report.

Meeting Discussion

VAGO representatives not present to provide verbal update.

- John Brockway advised that VAGO had recently been on-site for an interim audit and will return in April 2017.
- Brief discussion about VAGO released Local Government finances report in last week. Not yet been reviewed by officers.
- Query regarding the internal finance measure being low for one year and then returning to 'green' status. John Brockway advised that this was due to high capital expenditure eg Community Centre.
- Five matters in Management Letter three of which have been closed and two are in progress and will be closed by end of year.
- Accounting policies to be reviewed by Audit and Risk Committee eg Fixed Asset Policy.

Committee Resolution

MOVED Cr Margot Smith, Seconded Ms Melissa Field

That the Audit & Risk Committee receive and note the External Auditors (VAGO) update including the final Management Letter and ensures outstanding items are included in the Outstanding Issues and Actions report.

CARRIED

4.3 Performance Audit Reports - External Agencies

Charter Reference: 9.9.3

Author's Title: Coordinator Risk Management & Legal Services **General Manager:** Anne Howard

Department: Governance & Risk **File No:** F16/1075

Division: Governance & Infrastructure **Trim No:** IC16/1193

Appendix:

1. Performance Audit Report September - October (D16/115081)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Purpose

To present the various external agencies Performance Audit Reports and identify any learnings for Council.

Full copies of the reports can be located at the relevant websites.

Recommendation

That the Audit & Risk Committee receives and notes the various external agencies performance audit reports and identify any learnings for Council.

Committee Resolution

MOVED Cr Margot Smith, Seconded Ms Melissa Field

That the Audit & Risk Committee receives and notes the various external agencies performance audit reports and identify any learnings for Council.

CARRIED

5. FINANCIAL REPORTS

5.1 Quarterly Financial Report - September 2016

Charter Reference: 9.6

Author's Title: Coordinator Management
Accounting

General Manager: Anne Howard

Department: Finance

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/1224

Appendix:

1. Quarterly Financial Report - September 2016 (D16/110508)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Purpose

To present a Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and Statement of Capital Works for the three months ending 30 September 2016.

The key financial results are as follows:

Year to date measure	Value (\$m)	Commentary
Total Comprehensive Result	38.48	\$2.34m favourable to YTD Budget
Capital Works expenditure	1.53	\$1.88m favourable to YTD Budget
Net Assets & Total Equity	490.84	\$59.11m favourable to YTD Budget
Cash & Cash Equivalents (including financial assets)	32.18	\$9.50m favourable to YTD Budget

Recommendation

That the Audit & Risk Committee receive and note the September 2016 Quarterly Financial Report.

Meeting Discussion

Reporting to Council has changed. Monthly Council briefings include investment performance, infringements and debtors.

Committee Resolution

MOVED Mr John Gavens, Seconded Ms Melissa Field

That the Audit & Risk Committee receive and note the September 2016 Quarterly Financial Report.

CARRIED

5.2 Program Status Report July to September Quarter 2016

Author's Title: Manager Program Management Office **General Manager:** Phil Rowland (Acting)
Department: Program Management Office **File No:** F16/189
Division: Environment & Development **Trim No:** IC16/1225
Appendix:

Officer Direct or Indirect Conflict of Interest: **Status:**
 In accordance with Local Government Act 1989 – Section 80C: Information classified confidential in accordance with Local Government Act 1989 – Section 77(2)(c):

Yes

No

Yes

No

Reason: Nil

Purpose

To receive and note the Program Status Report for the April to June 2016 quarter.

Summary

The Program Status Report provides an overview of the status of each capital and operational project for time, cost and scope providing a flag for risks to project delivery. The report highlights changes that have occurred in the program of projects, including a summary of projects budgets that have been amended by Council and the value of the Program at the end of each quarter. This report is provided to Council quarterly.

Each project in the Program Status Report has been assessed for risk to time, cost and scope. Status is reported to Executive Management Team monthly, and to Council quarterly.

A spend target has been established for the 2016/17 program based on:

- the program allocation made by Council in the 2016/17 Budget
- PLUS carry forwards from 2015/16
- LESS
 - Multi-year project funding that is planned to be expended in future years
 - Projects awaiting outcomes, such as grant or project partners preparedness, or high external risk i.e. subject to VCAT
 - Project funding in the process of being accumulated
 - Land transactions
 - Project contingency (from 2016/17 onwards).

In 2016/17 projects will be reported 'Life to Date' therefore multi-year project reporting will include actual spend from years prior and future allocation per Council resolutions for the total project budget. Project budgets will be reported excluding contingency. Contingency funds for each project are centralised in a separate account to be drawn on as requested by the project sponsor and reviewed / approved by the Program Management Office.

Spend targets for the 2016/17 Program, including post-budget adjustments, were presented to Council on 6 September 2016. The difference between the 2015/16 year-end actual spend and 2016/17 target is detailed below, and shows a significant increase in the Program to be delivered:

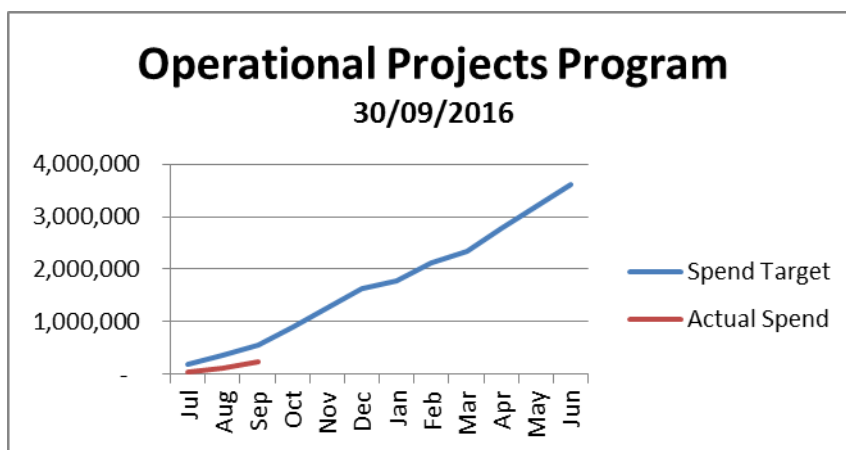
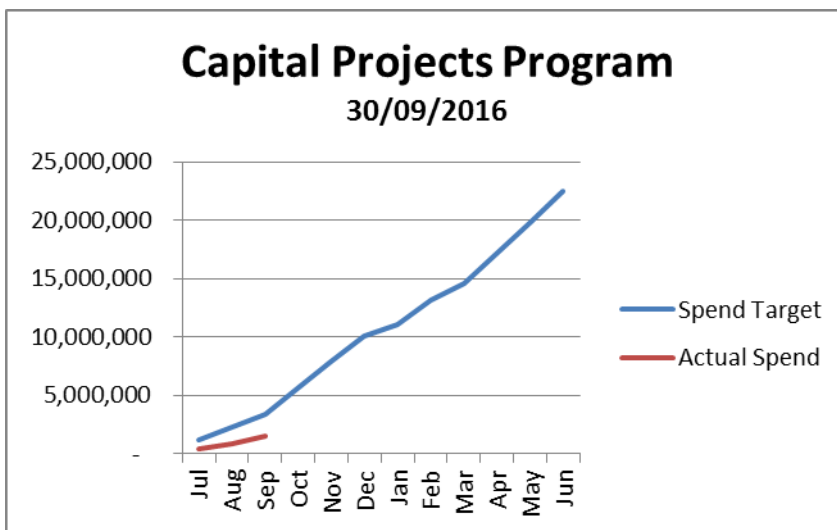
Program	Actual 2015/16 \$'000	Spend Target 2016/17 \$'000	Increase	
			\$'000	%
Capital	14,966	22,455	7,490	50.05
Operational	1,922	3,617	1,695	88.19
TOTAL	16,888	26,072	9,184	54.38

5.2 Program Status Report July to September Quarter 2016

The quarterly profile for 2016/17 spend is based on historical trend:

Quarter	Percentage (%) of annual spend
June to September 2016	15
October to December 2016	30
January to March 2017	20
April to June 2017	35

A graphic representation of spend target and actual spend Year to Date (YTD) at the end of the July to September Quarter 2016 follows:



The graphs indicate that spend is tracking below target. A number of initiatives are being undertaken to address this including:

- In line with Council's project management resourcing model, analysis of project management requirements for the program and recruitment of additional project managers using project budget allocations made for this purpose
- Confirmation of timing for significant project value (>\$200K) to confirm or re-profile the spend target
- Using Sponsor Support Fund to provide support for 2016/17 project charter development where sponsors have significant project load
- Using Sponsor Support Fund to provide support for 2017/18 project proposal development so that sponsors stay focussed on current program delivery

5.2 Program Status Report July to September Quarter 2016

- Continuing support from the Program Management Office to embed the Project Delivery Framework and ensure roles, accountability and responsibilities are clear
- Targeted project health checks to identify where changes can be made to ensure project delivery.

A statement of Capital Works by category for annual budget, YTD budget and actual budget is included in the quarterly Finance Report to Council.

Project variations and new projects, including reserve movements, are reported to Council each month in a separate report prepared by the Finance Department (the Transfer Table).

Recommendation

That the Audit and Risk Committee note the Program Status Report for the July to September 2016 quarter.

Meeting Discussion

- The 16/17 target spend is significantly higher than previous years.
- Current spend is behind target for YTD. It is expected that delivery will lift but may not fully recover this lag.
- Resources are being deployed in a number of areas to lift delivery.

Committee Resolution

MOVED Mr John Gavens, Seconded Cr Margot Smith

That the Audit and Risk Committee note the Program Status Report for the July to September 2016 quarter.

CARRIED

6. OTHER REPORTS

6.1 SCS-002 Councillor Code of Conduct - Review

Charter Reference: 9.7.4

Author's Title: Manager Governance & Risk

General Manager: Anne Howard

Department: Governance & Risk

File No: F11/22

Division: Governance & Infrastructure

Trim No: IC16/1184

Appendix:

1. SCS-002 Councillor Code of Conduct - Final for 31 May 2016 Special Council Meeting (D16/47075)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Purpose

Councillors are required to sign the Oath of Office and make a declaration that they have read and will abide by the Councillor Code of Conduct (Section 63 Local Government Act 1989). If any Councillor fails to comply with this requirement within three months of the election, their position is declared vacant. For the new Council this was completed at a ceremony on Thursday 3 November 2016.

Pursuant to s.76C of the Local Government Act 1989, the Councillor Code of Conduct must now be reviewed within 4 months of the election, by calling a special meeting solely for this purpose. At that special meeting, Council must approve any amendments.

Within one month of any amendments to the Code being approved, each Councillor must make a further declaration stating that they will abide by the Code. A failure to do so will result in disqualification under s.29(1)(ea) of the Act.

If there are no amendments made to the Code, the further declaration is not required.

As the Code of Conduct was only adopted in May 2016 in accordance with the legislation, and was found to be fully compliant following an audit by the Local Government Investigations and Compliance Inspectorate, no changes are recommended at this time.

It is expected that the review by Council will take place in January 2017.

Recommendation

That the Audit & Risk Committee note the Councillor Code of Conduct and provides any feedback for Council's consideration.

Meeting Discussion

- Review of Councillor Code of Conduct - Special Council Meeting - 24 January 2017.
- MAV and LGV guidelines are used to develop the code.
- No changes to the Code of Conduct since adoption in mid-2016. Councillors happy with current version.
- Numbering on page 153 to be amended, heading 2. Purpose of the Council Code of Conduct.
- Include IBAC reporting requirements in a future review.

Committee Resolution

MOVED Cr Margot Smith, Seconded Ms Melissa Field

That the Audit & Risk Committee note the Councillor Code of Conduct.

CARRIED

6.2 Review of Audit Committee Charter

Charter Reference: 9.10.1, 9.10.4

Author's Title: Manager Governance & Risk

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/1185

Appendix:

1. Confidential - Audit and Risk Committee Charter - Draft for Review by Audit and Risk Committee November 2016 (D16/115100)
2. Matrix of Audit and Risk Committee Independent Member Skills and Qualifications 7 November 2016 (D16/115104)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 – Section 80C:

Information classified confidential under Section 77 of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Purpose

Please note this report contains confidential information in the form of a skills and experience matrix.

To present the Audit and Risk Committee Charter for the Committee's review before endorsement by Council (see copy at Attachment 1).

The recent VAGO report relating to Audit Committee Governance provided recommendations for Audit Committees to consider which can help to guide this process. The main points are summarised below:

Recommendation	Response
Ensure an appropriate mix of skills and experience needed for audit committee membership and to identify any gaps.	Skills and experience required outlined in Charter. Skills matrix provided by VAGO – see Attachment 2.
Ensure that annual work programs cover each audit committee charter responsibility.	Charter has been updated to align with the 16/17 Audit and Risk Committee Workplan.
Work with the audit committee to better define, or refine, the committee's information needs, including whether reported information is reliable and understandable.	Recent improvements to risk reporting and format of other reports were agreed in the last 12 months.
Align audit committee meeting materials and agendas with priority areas.	Committee work plan identifies key areas and emerging items are added as needed. More strategic focus in relation to risk management.
Conduct formal reviews of the performance and independence of independent audit committee members before reappointing them for additional terms.	Reviews of performance as a Committee completed.
Consider offering continuing education that addresses topics relevant to the audit committee's needs.	No formal education program although induction program completed and subject matter experts invited to meetings to discuss particular topics of interest.
Work with the audit committee to evaluate whether it has the capacity to fully acquit its obligations under the charter, or whether there is a need	Regular review of Charter.

6.2 Review of Audit Committee Charter

to review its role, structure and/or operational arrangements.	
Recommendation	Response
Ensure that the risk oversight responsibilities of the audit committee are clear and that its role is supported by consistent risk reporting.	Risk reporting streamlined and in accordance with internal audit and Audit and Risk Committee requirements.
Consider whether audit committee minutes should include relevant elements of the committee's discussion to transparently demonstrate the committee's performance.	Brief discussion points now included in minutes which are published in the Council agenda.
Ensure that the audit committee approves final internal audit scopes.	Audit scopes forwarded to Audit and Risk Committee for final approval.
Develop and implement a process where the audit committee makes the final decision on potential conflicts of interest for outsourced internal audit providers who perform other consultancy work for the agency.	No such procedures in place.
Ensure that the audit committee has a formal process to review the performance of the internal audit function and report the results to the head of the agency.	Annual surveys are completed and results provided to CEO within the agenda.
Ensure that the audit committee continues to monitor all audit actions, even if they fall outside the scope of financial management, performance and sustainability.	All audit actions are included in the 'Issues and Actions' report that is provided to the committee.
Have the audit committee require internal auditors to conduct periodic testing of whether audit actions reported as completed by management have been effectively implemented.	This was completed last year and more recently for previous audits.
Have the audit committee require the internal audit function to undertake periodic assessments of a sample of closed audit actions to ensure that underlying issues have been effectively resolved—these should be selected in a risk-based manner.	This was completed last year and more recently for previous audits.

In general the Audit and Risk Committee Charter covers the items outlined above and, based on the above, minimal change appears to be required. The Charter has been aligned with the 16/17 Work Plan and item 9.1.7 relating to the independence of the external auditor has been removed.

The Charter is provided for Audit and Risk Committee feedback and recommendations for amendment before being presented to Council for adoption.

Recommendation

That the Audit & Risk Committee agrees any changes required to the Audit and Risk Committee Charter for this to be updated and forwarded to Council for endorsement.

Meeting Discussion

- Charter updated to reflect Work plan.
- 9.1.7 and 9.6.5 saying the same thing.
- 4.1 Substitute not required.
- 7. Quorum – Change to - Any four members of the Committee, one of which must be a Councillor.

6.2 Review of Audit Committee Charter

- 8.5 Remove ten days.
- 9.1.3 Report on VAGO financials – change to ‘review’ report.
- 9.8.4 Change to – Review fraud and corruption framework and prevention strategies.
- Debra Russell and John Gavens to send through updated profiles.
- Include requirement for Audit Committee to ensure independence of internal auditor when carrying out consulting work. Work plan to be attached to this report.
- Re circulate Audit and Risk Committee Charter and request feedback before Christmas.

Committee Resolution

MOVED Ms Debra Russell, Seconded Mr John Gavens

That the Audit & Risk Committee agrees any changes required to the Audit and Risk Committee Charter for this to be updated and forwarded to Council for endorsement.

CARRIED

6.3 Audit Committee Independent Members - Expressions of Interest

Charter Reference: 9.10

Author's Title: Manager Governance & Risk

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/1222

Appendix:

Nil

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Purpose

To provide an update on the Expression of Interest process for Independent Members.

Background

Brian Keane and Melissa Field's appointments expire on 31 January 2017, with both having served terms of four years.

The Audit and Risk Committee Charter states that 'Appointment of independent representatives shall be made by Council by way of a public advertisement and be for a maximum term of four years'. Accordingly Council is currently advertising the two independent member vacancies with a closing date of 4 December 2016.

The Charter mandates that a selection panel will be convened that includes the CEO (or delegate) and the two Councillor representatives. Applications will be assessed against the criteria described in the Charter at point 5.2 and a recommendation made to Council at their meeting in January 2017 in relation to the appointment of members and the position of Chair.

Council and the Committee thank Brian and Melissa for their hard work and professionalism over the past four years and confirm that both are eligible to apply for the positions being advertised.

Recommendation

That the Audit & Risk Committee:

1. Acknowledge and thank Brian Keane and Melissa Field for their hard work and expert advice over the last four years on this Committee.
2. Note that an expression of interest process is currently underway to recruit two independent members.

Meeting Discussion

- Melissa and Brian's terms expire in January 2017.
- Expression of interest process is underway and applications close 4 January 2017.
- Thanks were given to Melissa and Brian for their expertise and hard work.

Committee Resolution

MOVED Cr Margot Smith, Seconded Cr Clive Goldsworthy

That the Audit & Risk Committee:

1. Acknowledge and thank Brian Keane and Melissa Field for their hard work and expert advice over the last four years on this Committee.
2. Note that an expression of interest process is currently underway to recruit two independent members.

CARRIED

7. ADMINISTRATIVE MATTERS

7.1 Next Meeting, Proposed Agenda Outline and Schedule 2017

Charter Reference: 9.10.2

Author's Title: Team Leader Governance

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/906

Appendix:

1. Audit & Risk Committee Meeting Dates 2017 (D16/110232)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Purpose

The proposed meeting schedule for 2017 is attached at Appendix 1. The next meeting is proposed to be held on **Tuesday, 21 February 2017 from 9.00 – 11.30am.**

The proposed Agenda outline for this meeting is as follows:

- Chief Executive Officer's Update
- Outstanding Issues & Actions
- Presentations
- Business Improvement Update
- Financial Reports
 - Monthly Finance Report
 - VAGO Sustainability Indicators
- Risk Management
 - Enterprise Risk Management Report
 - WHS and Program Management Report
- Audit Reports
 - Internal Auditors Update (Grant Thornton) *(include annual assessment of internal audit performance)*
 - External Audit Update (VAGO)
 - Performance Audit Reports – External Bodies
- Other Reports
 - SCS- 019 Procurement Policy
 - SCS-009 Infrastructure Special Rate and Charge Scheme
 - Fraud Prevention and Awareness Strategies including Fraud Control Plan
 - IBAC mandatory reporting.
- Administrative Matters
 - Next Meeting Date & Proposed Agenda

Recommendation

That the Audit & Risk Committee confirm the 2017 meeting schedule and note the next meeting to be held on Tuesday, 21 February 2017 from 9.00 – 11.30am.

Meeting Discussion

Inclusions for February Agenda

- Briefing on IBAC mandatory reporting.
- Update on Local Government Act changes – Review Responsibilities of Audit Committees.

Committee Resolution

MOVED Ms Debra Russell, Seconded Cr Margot Smith

That the Audit & Risk Committee confirm the 2017 meeting schedule and note the next meeting to be held on Tuesday, 21 February 2017 from 9.00 – 11.30am.

CARRIED

Chair requested item to be moved at the end of Agenda.

4.1 Confidential - Grant Thornton Internal Audit Status Report and Update

Charter Reference: 9.2

Author's Title: Manager Governance & Risk

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/1258

Appendix:

1. Grant Thornton Status Report (D16/114628)
2. Confidential - Purchasing Review Phase One - Final Report (D16/114631)
3. Follow Up Audit - Final Report (D16/114634)

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1989 –
Section 80C:

Status:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Purpose

This report is to receive an update from Grant Thornton including:

- Internal Audit Status report – incorporating the annual performance survey results
- Purchasing Review – Phase 1 – final report
- Follow Up Review – final report

Please note confidential status of this report and attachments.

Recommendation

That the Audit & Risk Committee:

1. Receive and note the status report and performance survey results.
2. Receive and note the Purchasing Review Phase 1 report and add the relevant items to the Outstanding Issues and Actions Report.
3. Receive and note the Follow Up Review final report and ensure relevant items are included in the Outstanding Issues and Actions Report.

Meeting Discussion

- Community engagement and road management reviews have commenced and terms of reference will be circulated to ARC members by email.
- Road Management Plan Review has been scoped with officers.
- Grant Thornton will work more closely to timelines.
- Wendy Hope to email audit scope early to ARC members after management input, for their comment.
- Noted that GT contract due to end in first part of 2018. CEO to bring discussion to next meeting in Feb 2017 to ensure this is managed without impact on audit plans.
- Update report to reflect Follow Up Audit (Grant Thornton) internal report findings where there are three instances of recommendations being marked as 'in progress' when previously marked as completed in Outstanding Issues and Actions report. Ensure those items are identified and returned to the Issues and Actions report. Example Item 6, page 14 ARC Outstanding & Issues Action report and Item 2.1, page 93 Internal Audit Report (Grant Thornton).

Committee Resolution

MOVED Mr John Gavens, Seconded Ms Debra Russell

That the Audit & Risk Committee:

1. Receive and note the status report and performance survey results.
2. Receive and note the Purchasing Review Phase 1 report and add the relevant items to the Outstanding Issues and Actions Report.
3. Receive and note the Follow Up Review final report and ensure relevant items are included in the Outstanding Issues and Actions Report.

CARRIED

Close: There being no further items of business the main meeting closed at 10.50 am.

8. CLOSED SECTION

The Chair then commenced a members meeting only with the internal auditor Grant Thornton.

Closed meeting had no matters arising that required management action.

Meeting closed at 11:15am.