



## MINUTES OF MEETING

### AUDIT & RISK ADVISORY COMMITTEE

HELD ON WEDNESDAY 6 NOVEMBER 2013

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

#### PRESENT:

##### Councillors

Clr Hugh Burns  
Clr Candy Bingham  
Clr James Griffin

##### Other Representatives

John Gordon  
Brian Hrnjak

Community Member - Chair  
Community Member

##### Council Staff

Michael Quirk  
Anthony Hewton  
Jenny Nascimento  
Lynne Jess

Head of Internal Audit, North Shore Councils  
Executive Manager, Corporate Services Support  
Chief Financial Officer  
Minute Taker

##### Invited Guests

Nil

#### TO THE MAYOR AND COUNCILLORS OF THE COUNCIL

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

**OPEN** The meeting commenced at 2.40pm.

**ITEM 1 APOLOGIES AND LEAVE OF ABSENCE**  
Jean Hay Mayor, AM

**ITEM 2 DECLARATION OF INTEREST**  
There were no declarations of interest advised by those present.

**ACTION**

**ITEM 3 CONFIRMATION OF MINUTES**

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

Moved: Cllr Hugh Burns    Seconded: Cllr James Griffin

**ACTION**

**ITEM 3A Welcome from the Chair Mr Gordon**

The Chair welcomed the Committee members.

**ITEM 4 Staff Presentation on Strategic Assets Management**

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

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

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

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

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

**Recommendation:**

That the verbal report be received and noted.

Note: Councillors Bingham and Burns wanted noted they were not satisfied with the explanation provided by Mr Malesevic in relation to the methodology. No other Committee members expressed this view.

**ITEM 5 Report – Annual Financial Statements**

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

The following points were made:

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

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

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

**Recommendation:**

**ACTION**

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

**ITEM 6 Status of Internal Audit Program**

The Internal Auditor spoke to his written report entitled "*Internal Auditor's Report on the Internal Audit Program*" and advised on the progress of the activities. The following activities were highlighted.

- Currently finalising rates
- Budget underestimated

*Audit of Recruitment*

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

*Automated Audit of Payroll data*

- Currently finalising rates

The Committee recommends to Council that:

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

**ITEM 7 Implementation of Internal Audit Recommendations**

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

- There were 200 recommendations put to Council management for improvement in 16 reports provided to the Audit and Risk Committee. Of the recommendations 12 have been rejected by management for various reasons, the remainder have been completed or in the process of completion;
- The Internal Auditor advised he was comfortable with the status and there had been a significant culture change;
- All marked 10 and 11 will be discharged by next meeting;
- Once complete mark off.
- The Committee noted the sound effort made by management in embracing the majority of recommendations arising from

the Internal Audit reviews.

**Recommendation:**

**ACTION**

The Committee recommends to Council that:

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

**ITEM 8 Proposed Internal Audit Program 2013-2014**

The Internal Auditor spoke to his written report on Proposed Internal Audit Program 2013-2014 and the following recommendation was recommended.

**Recommendation:**

The Committee recommends to Council that:

- i) The North Shore Council's Internal Audit Program proposed for 2013-2014 be approved by Manly Council as presented in the report.

**ITEM 9 Review of Internal Audit & Risk Committee Charters**

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

Several improvements were recommended to the Internal Audit Charter.

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

**Recommendation:**

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

**ITEM 10 Report on Probity in Tender for External Audit Service**

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

**Recommendation:**

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

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

**ACTION**

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

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

**Recommendation:**

The Committee recommends to Council that:

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

**ITEM 12 Next Meeting:**

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

Meeting closed at 4.55am