

ATTACHMENT TO AGENDA ITEM

Ordinary Meeting

15 March 2016

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Summary Report of Audit and Risk Management Committee (ARMC) Meetings

1. ARMC Meeting 22nd January 2015

<p style="text-align: center;">Meeting Highlights</p>	<ul style="list-style-type: none"> • Discussed VAGO's Final Management Letter for the year ended 30 June 2014 • Council seeing a trend of increasing motor vehicle incidents • The number of workcover claims has significantly reduced in 2014/15 due to the implementation of a number of successful programs to help reduce sick days, eg. the Soft Tissue Centre • Victorian Government has approved a new performance reporting framework for Councils to trial, effective 1 July 2014. • Discussed applications for the available position on the ARMC and recommended appointment of John Calleja
<p style="text-align: center;">New Items of Business Discussed</p>	<ul style="list-style-type: none"> • Applications for appointment of new ARMC member • Local Government Performance Reporting • Proposed ARMC meeting dates in 2015 • Legislative Compliance Progress Report • Charter Report • Confidential Meeting with Internal Audit Representative
<p style="text-align: center;">Internal Audits Finalised this Quarter</p>	<ul style="list-style-type: none"> • None

2. ARMC Meeting 26th March 2015

<p style="text-align: center;">Meeting Highlights</p>	<ul style="list-style-type: none"> • Mr. John Calleja appointed as an external representative on Council's ARMC for a 3 year term • Council has a procurement policy, authorisers of purchase orders have delegated authority and creditors are actioned in a timely manner. • Procurement policy has not been reviewed in accordance with legislation and credit card processes are not in line with policy • Council does not have a chemical register • Council's IT policies and procedures are in draft • The disaster recovery plan and backup procedures require review and updating
<p style="text-align: center;">New Items of Business Discussed</p>	<ul style="list-style-type: none"> • Internal Audit - Review of Accounts Payable • VAGO Management Letter for year ended 30 June 2014 • Internal Audit – Review of Occupational Health and Safety • Internal Audit – Review of Management of Consultants • Internal Audit – Review of Management of IT Governance • 2014-15 Insurance Renewals • Procurement Review • Audit Committee Remuneration Review • S.A.M. Update • Update on Former Councillor Milvan Muto • ARMC 2013-14 Annual Report • ARMC Charter Review
<p style="text-align: center;">Internal Audits Finalised this Quarter</p>	<ul style="list-style-type: none"> • Review of Accounts Payable • Review of Occupational Health and Safety • Review of Management of Consultants • Review of Management of IT Governance

3. ARMC Meeting 23 July 2015

<p style="text-align: center;">Meeting Highlights</p>	<ul style="list-style-type: none"> • VAGO Audit identified that Rates and Charges reconciliations were not occurring. • Council found to have adequate insurance cover as per the requirements of the Local Government Act • Physical security of IT equipment is adequate. • Procedure for decommissioning and disposal of IT equipment needs to be developed. • Reporting from new risk management tool (IRM) demonstrated to the ARMC
<p style="text-align: center;">New Items of Business Discussed</p>	<ul style="list-style-type: none"> • Final VAGO Audit Management Letter • Internal Audit - Review of Insurance Portfolio Management (2 Low Findings Raised) • Internal Audit – Review of Management of IT Equipment (1 High, 2 Medium and 1 Low finding Raised.) • Audit Committee Remuneration Review • ARMC Planner • ARMC 2013-14 Annual Report • Confidential Meeting with Internal Auditors
<p style="text-align: center;">Internal Audits Finalised this Quarter</p>	<ul style="list-style-type: none"> • Review of Insurance Portfolio Management • Review of Management of IT Equipment

4. ARMC Meeting 15 September 2015 (Special Meeting)

Meeting Highlights	<ul style="list-style-type: none"> • Annual Financial Statements were presented and discussed • Performance Statement was presented and discussed • Advice received from external auditor that it will be a “clean” audit report • ARMC recommended that Council approve the financial statements and performance statement for year ended 30 June 2015.
New Items of Business Discussed	<ul style="list-style-type: none"> • Financial Statements and Performance Statement for Year Ended 30 June 2015
Internal Audits Finalised this Quarter	<ul style="list-style-type: none"> • N/A
Audit Recommendations Completed This Quarter	<ul style="list-style-type: none"> • N/A
Total No. of Audit Recommendations Outstanding	<ul style="list-style-type: none"> • N/A

5. ARMC Meeting 08 October 2015

<p style="text-align: center;">Meeting Highlights</p>	<ul style="list-style-type: none"> • OHS: There has been an increase in the good practice of reporting near misses and minor injuries • New report on the status of outstanding Audit Actions presented and discussed. • New report on work planned by the Risk Team presented and discussed. • Staff surveys found that people are positive about working for council • Need to improve staff termination checklist
<p style="text-align: center;">New Items of Business Discussed</p>	<ul style="list-style-type: none"> • VAGO Final Management Letter • Internal Audit – Review of HR Management • Internal Audit – Review of Strategic Procurement • Remuneration for Independent Committee Members • Approval of Risk Management Policy • ARMC Chair’s report for the 2014/15 Year • Confidential Discussion with Internal Auditors
<p style="text-align: center;">Internal Audits Finalised this Quarter</p>	<ul style="list-style-type: none"> • Review of HR Management • Review of Strategic Procurement
<p style="text-align: center;">Audit Recommendations Completed This Quarter</p>	<p>14 audit recommendations completed this quarter, including 2 rated High. The completed items related to revaluations of land and buildings and recording a provision for rehabilitation of Cosgrove 2 Landfill.</p>
<p style="text-align: center;">Total No. of Audit Recommendations Outstanding</p>	<p style="text-align: center;">63</p>

MINUTES

Greater Shepparton Audit and Risk Management Committee Meeting

Thursday 22 January 2015
at 4.00 pm
in the Bill Hunter Room
90 Welsford Street, Shepparton

Committee Membership:

Mr Geoff Cobbledick (Chair)
Mr Peter Johnson
Mr Graeme Jolly
Mayor Dennis Patterson
Cr Michael Polan

INVITED	TITLE / POSITION / ROLE	PRESENT	APOLOGY
Geoff Cobbledick	Community Representative / Chairperson	✓	
Peter Johnson	Community Representative	✓	
Graeme Jolly	Community Representative	✓	
Dennis Patterson	Mayor	✓	
Michael Polan	Councillor	✓	
Gavin Cator	Chief Executive Officer	✓	
Matthew Jarvis	Manager Finance and Rates	✓	
Chris Teitzel	Director Business	✓	
Sharlene Still	Acting Manager Corporate Performance		✓
Christian James	Team Leader - Risk Management	✓	
Jodie Sessions	Risk Advisor - Risk Management	✓	
Virginia Boyd	Manager People Performance	✓	
Brian Doyle	OHS Officer	✓	
Stephen O'Kane	Partner – LDA Assurance Chartered Accountants		✓
Shamiso Kamunga	HLB Mann Judd – Engagement Partner	✓	
Mark Peters	HLB Mann Judd - Engagement Partner		✓

CHAIRPERSON
Mr Geoff Cobbledick

Meeting opened at 4:04pm by Geoff Cobbledick.

Geoff Cobbledick opened the meeting by acknowledging the passing of Laurie Gleeson and his dedicated contribution to the Audit and Risk Management Committee. Council had organised a public notice to be published in the local paper to offer their condolences to Laurie's family and friends and also to commemorate his contribution to Council.

1. CONFLICT OF INTEREST

Disclosure of Interests – Committee members are required to disclose an 'interest' in a decision if they would receive, or could be reasonably perceived to receive a direct or indirect financial or non-financial benefit or detriment from the decision. In addition, Committee members are required to declare, where they may have a conflict of interest, or they could reasonably be perceived to have a conflict of interest, with their employing organisation or any of their committee memberships.

Peter Johnson announced an interest pursuant to being a Committee member for the Greater Shepparton Connected Community Incorporated who determine community based projects that are to be supported financially with distributions received from Bendigo Bank

2. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

2.1 Minutes of Meeting – 11 September 2014 and 17 September 2014

Moved: Mr Peter Johnson
Seconded: Mr Michael Polan

That the minutes of the meeting held on 11 September 2014 and 17 September 2014 as circulated be taken as read and confirmed.

CARRIED (subject to amendments)

Outcome:

Geoff Cobbledick made reference to several items that were omitted from the agenda which were required to be presented at the 22 January 2015 meeting which initiated a discussion with Christian James about providing an amended agenda to the Committee which was provided on 20 January 2015.

Recommendations/Actions

It was established that the following items of discussion will be presented at the next scheduled ARMC meeting:

- Procurement Review – Manager Corporate Performance
- Insurance Policy Renewals – Team Leader Risk Management
- Corporate Credit Card Operational Policy – Manager Rates and Finance
- Self-Assessed Action Items – Team Leader Risk Management

Responsibility: Manager Corporate Performance - Sharlene Still
Team Leader Risk Management - Christian James
Manager Finance and Rates - Matthew Jarvis

Target Date: 26 March 2015

2.2 Action Register

An updated action register was provided to the Audit and Risk Management Committee resulting in previous actions being referenced for discussion.

Outcome:

Geoff Cobbledick examined the action sheet with the Committee confirming which actions are still outstanding and which were to be deemed completed upon the presentation undertaken at the meeting.

It was established that an amended action sheet will be presented in the agenda for the next meeting clearly displaying actions that have been completed to be represented accordingly. It was also established that the Committee would meet with HLB Mann Judd and the Victorian Auditor General's Office (VAGO) independently.

The following are actions that are now overdue and will be presented at the next scheduled ARMC meeting:

- Procurement Review – Manager Corporate Performance
- Self-Assessed Action Items – Team Leader Risk Management
- Progress Report – Manager Corporate Performance
- Corporate Credit Card Operational Policy – Manager Rates and Finance

Responsibility: Manager Corporate Performance - Sharlene Still
Team Leader Risk Management - Christian James
Manager Finance and Rates - Matthew Jarvis

Target Date: 26 March 2015

3. STANDING REPORTS

3.1 Financial Reporting

Manager of Finance and Rates, Matthew Jarvis addressed the Committee with the option of whether there were any enquiries about the September Quarter Budget Review.

Outcome

The Committee were overall happy with the figures presented in the budget review. Geoff Cobbledick and Graeme Jolly made enquiries in relation to the operating activity expenses reflected in the income statement in which Matthew Jarvis provided clarity in reference to materials and consumables.

The September Quarter Budget review has been approved by the Executive team.

3.1.2 Financial Statements

Matthew Jarvis addressed the Committee with the option of whether there were any enquiries about the November Monthly Financial Report.

Outcome

- Investments with Bendigo Bank
- Rates debtors are higher than the same time last year due to the generation of more ratepayers and more ratepayers taking the opportunity to pay their rates in Ten (10) Monthly Direct Debit instalments.

- Increase Sundry > 90 Days – Over the past seven years there has been a trend where the finishing year was below the previous year's ending balance. This is nothing to be alarmed about.

3.1.3 Corporate Credit Card Operational Policy

Matthew Jarvis proposed that the Corporate Credit Card Operational Policy be discussed at the next scheduled ARMC meeting pursuant to its amalgamation with the Review of Accounts Payable which is at the finalisation stages.

Recommendations/Action

The Committee accepted this proposal and noted that the item be addressed in the next ARMC meeting with updated information.

Responsibility: Manager of Finance and Rates

Target Date: 26 March 2015

3.2 Internal Audit (HLB Mann Judd) **Draft Review of Management of Consultants October 2014**

The Team Leader of Risk Management, Christian James provided the Committee with an amended version of the Review of Management of Consultants that was intended to have been provided initially with the agenda and apologised for the incorrect version provided prior to the meeting.

Outcome

The amended version of the Review of Management of Consultants reflects the final audit findings and discussion with Corporate Performance.

Shamiso Kamunga from HLB Mann Judd provided some key findings in relation to the review outlining Council's need to engage consultants to complete work the Council is not in a position to undertake. Shamiso also noted that further clarification was sought for the definition of a consultant v contractor. Shamiso noted that Council did not have a definition of a consultant that aligned with the Victorian Government Purchasing Board (VGPB).

Shamiso also noted the importance of Council having a consultant register to measure the performance of consultants and an adequate review process to ensure the appropriate engagement of consultants is in operation.

The risk rating for findings one and two within the amended review have decreased from HIGH to a MEDIUM risk.

The Chief Executive Officer, Gavin Cator acknowledged the findings and verbally confirmed that the Council agreed to the findings.

Recommendations/Actions

It was agreed that management responses will be implemented and reviewed by the Executive team and finalised by HLB Mann Judd before the final version of Review of Managements of Consultants will be presented at the next scheduled ARMC meeting.

Responsibility: Manager of Corporate Performance

Target Date: 26 March 2015

3.3 Internal Audit - Victorian Auditor-General's Office (VAGO) Greater Shepparton City Council Final Management Letter Year ended 30 June 2014

Matthew Jarvis addressed the Committee with requests for any questions in relation to the internal audit undertaken by VAGO.

Outcome

Graeme Jolly and Geoff Cobbledick raised questions in relation to the two HIGH risk findings within the report.

The first finding pertaining to the Land and Building Revaluation was raised for a response. Matthew Jarvis advised that the Council was still awaiting the outcome of the definitions for specialised and non-specialised zoning to determine the true value of the Council's land and building assets. It was estimated that they would have a realistic idea by 30 June 2015.

The second item to be raised for discussion was the Landfill Provision for Rehabilitation. Matthew Jarvis advised that Council were awaiting a response from the Environment Protection Authority (EPA) to finalise the Memorandum of Understanding (MOU) agreement between the Council and EPA. Once this has been determined, Council will have an accurate reflection of contingent and non-contingent liabilities.

3.4 Risk Management Report

Christian James presented a summary on the numbers of incidents and cost of insurance claims for the 1st Quarter 2014/15 under the following categories:

- Public liability claims history
- Motor vehicle claims history
- Property insurance history
- Professional indemnity claims history

Outcome:

Geoff Cobbledick made an enquiry into whether there were any trends worth mentioning to the Committee. Risk Advisor Jodie Sessions advised that Risk Management were seeing an increase in motor vehicle incidents and that will be reflected in the report for the next quarter. Jodie also advised that Risk Management were looking at strategies to minimise Council driver error by possibly implementing driver training for those reoffending.

Christian provided the Committee with an update on the risk register outlining that a spread sheet had been constructed to collect data pertaining to operational risks across the organisation for each business line to input into the Integrated Risk Manager (IRM).

Recommendations/Actions

Risk Management are to continue providing the Committee with updates on the progress with IRM.

Risk Management will provide their 2nd Quarter report at the next scheduled ARMC meeting.

Responsibility: Team Leader Risk Management

Target Date: 26 March 2015

3.4.1 2014-2015 Insurance Renewals

Christian advised the Committee that Risk Management will be meeting with Jardine Lloyd Thompson (JLT) in March 2015 to discuss the insurance renewals.

Outcome

The Committee acknowledged that Risk Management was still liaising with JLT about the insurance renewals for the 2015/2016 period and that this item will be reported on at a later date.

Recommendations/Actions

The Committee requested that an update on the insurance renewals be presented at the next scheduled ARMC meeting.

Responsibility: Team Leader Risk Management

Target Date: 26 March 2015

3.5 OHS Report

OHS Advisor, Brian Doyle invited the Committee to raise any questions in relation to the 1st Quarter OHS report provided to the Committee.

Outcome:

It was noted by the Committee that the number of Work Cover claims had significantly been reduced in the 2014/2015 financial year. This figure currently sits at one registered claim for this financial year. This is due to the successful implementation of a number of programs to help reduce the number of sick days staff are taking. One of the successful programs implemented is the Soft Tissue Centre (STC) appointments made readily available to all Council employees.

Manager of People Performance, Virginia Boyd presented on the Early Intervention Program with a power point presentation on the Health and well Being Program implemented by the Council.

The program outlines the strategic management of Council staff's wellbeing through various elements consisting of the following:

- **Diet**

Healthy eating plans were provided to educate staff on the importance of nutrition and its effects on health. It was reported that staff were losing weight as a result of making dietary changes. Fruit is provided in the kitchen areas at both offices on a fortnightly basis to encourage staff to include fruit into their own personal diet.

- **Stretching**

Staff are encouraged to have 10 minute energy sessions at regular intervals throughout the day involving stretching to alleviate muscular and joint issues from sitting for prolonged periods. Stretches were shown to outdoor staff to assist with prolonged periods of any manual labour and were reported to be beneficial.

- **EAP**

The Employee Assistance program is being utilised by staff and statistics show that there is a shift in the nature of the visit with the specialised therapist indicating that more staff are using the program for personal issues rather than work related issues.

- **Soft Tissue Therapist**

Council have engaged a soft tissue specialist to perform soft tissue therapy on staff who book in each week during the two days the specialist is available to receive treatment for physical ailments ranging from injuries to everyday stress related aches and pains in the body.

The Committee acknowledged the Award given by the Goulburn Valley Safety Group to the Council's representatives Brian Doyle and Virginia Boyd for Best Workplace Wellbeing Initiative.

The Committee will appreciate seeing another review of this initiative in 12 months' time.

Responsibility: Manager People Performance and OHS Advisor

Target Date: TBA

3.6 Internal Audit program (HLB Mann Judd) – Review of Management of Occupational Health and Safety September 2014

The committee announced that they would await the final version of the review scheduled for the next ARMC meeting.

Shamiso noted that the Council should implement formal induction training for contractors which is represented at audit finding No.9 and that an amendment to the management response for this finding is actioned.

Recommendations/Actions

The final Review of Management of Occupational Health and Safety be presented to the committee at the next scheduled ARMC Meeting.

Responsibility: Manager People Performance and OHS Advisor

Target Date: 26 March 2015

4. NEW BUSINESS

4.1 Discussion of applications for appointment of new ARMC member

It was agreed that the Committee would independently discuss the candidate's suitability and nominate the best suited candidate to be presented to Council.

Geoff Cobbledick has provided minutes from the Committee's independent discussion that occurred after the meeting which can be referred to in item 6.4

4.2 Local Government Performance Reporting

Matthew Jarvis briefed the Committee that the Victorian Government have legislated a new system of performance reporting framework for Councils to trial effective 1 July 2014.

There are performance indicators covering 11 areas in which some indicators were difficult to provide an update on. The Council are to utilise a best practice guide reference from the auditor Local Government Victoria (LGV)

Recommendations/Actions

Matthew will provide a copy of the books to the Committee.

Responsibility: Manager of Finance and Rates

Target Date: 26 March 2015

4.3 Discussion of proposed ARMC meeting dates in 2015

It was agreed that Jodie would propose dates to the Committee for the ARMC's 2015 meetings. It was confirmed that the 4th Thursday of March, July, September and December be recommended with the exception of a Special Meeting to be held in October.

The meeting date will be subject to the availability of its members.

Outcome: Jodie to e-mail out a list of preferred dates to Committee members.

Responsibility: Risk Management Advisor

Target Date: 23 January 2015

5. CHIEF EXECUTIVE MATTERS

5.1 Chief Executive Officers Update

GVRC Alliance

Gavin Cator will present on the legal indemnity and insurance implications of each Council regarding the Goulburn Valley Regional Collaborative Alliance (GVRC).

Chief Executive Officer, Gavin Cator will provide a verbal update on various matters.

6. GENERAL / URGENT BUSINESS

6.1 Legislative Compliance Progress Report

Chief Executive Officer Gavin Cator advised that he was seeking advice to complete the Legislative Compliance requirement which will be in the next year's budget estimated at \$20,000 - \$30,000.

6.2 Charter Report

Geoff Cobbledick advised that he had provided a charter report that will be presented to the Committee at the next scheduled meeting.

It was agreed that the report can go straight to Council.

Meeting Closed at 5:45pm

6.3 Confidential Meeting with Internal Audit representative

At 5:50pm Members of the ARMC met with HLB Mann Judd representative Shamiso Kamunga. Shamiso reported that in general HLB Mann Judd have developed a good working relationship with management and staff at Greater Shepparton City Council. Some difficulty has been experienced with the changeover of staff however this appears to now be settling.

Board members reiterated to Shamiso the importance of Audit Reports being completed in a timely manner and reported to the ARMC in a final version rather than in draft format. This was noted.

Shamiso reported that some difficulty had been encountered by HLB Mann Judd in completion of the audit work due to the unavailability of key Council Staff during scheduled audit visits. This situation was particularly evident during the Review of Management of Consultants.

Committee members requested that it be reflected in Audit Reports if it was felt undue delay was being experienced by the Audit Team.

6.4 Discussion of applications for appointment of new ARMC member

Four expressions of interest were received for the available position, these being from;

- Nancy Collins
- Stephen Coates
- John Calleja
- Kathie Teasdale

Each of the ARMC members provided input into the merits of each candidate and it was agreed that John Calleja is the preferred candidate.

Moved: P Johnson

Seconded: G Jolly

That John Calleja is recommended to Council as a member of the Audit and Risk Management Committee for a period of three years.

Carried.

Responsibility: CEO
Target Date: February 2015

7. DATE OF NEXT MEETING

Date: 26 March 2015
Time: 4.00 PM
Venue: Bill Hunter Room, Welsford Street Office

ATTACHMENTS

MINUTES

Greater Shepparton Audit and Risk Management Committee Meeting

Thursday 26 March 2015
at 4.00 pm
Bill Hunter Room
90 Welsford Street, Shepparton

Committee Membership:

Mr Geoff Cobbledick (Chair)
Mr Peter Johnson
Mr Graeme Jolly
Mr John Calleja
Mayor Dennis Patterson
Cr Michael Polan

INVITED	TITLE / POSITION / ROLE	PRESENT	APOLOGY
Geoff Cobbledick	Community Representative / Chairperson	√	
Peter Johnson	Community Representative	√	
Graeme Jolly	Community Representative	√	
John Calleja	Community Representative	√	
Dennis Patterson	Mayor	√	
Michael Polan	Councillor	√	
Gavin Cator	Chief Executive Officer	√	
Matthew Jarvis	Manager Finance and Rates	√	
Chris Teitzel	Director Business	√	
Sharlene Still	Acting Manager Corporate Performance	√	
Christian James	Team Leader - Risk Management	√	
Jodie Sessions	Risk Advisor - Risk Management	√	
Virginia Boyd	Manager People Performance	√	
Brian Doyle	OHS Officer	√	
Stephen O'Kane	Partner – LDAssurance Chartered Accountants	√	
Shami Kamunga	HLB Mann Judd – Engagement Partner		x
Mark Peters	HLB Mann Judd – Engagement Partner	√	

CHAIRPERSON
Mr Geoff Cobbledick

Meeting commenced at 4:03pm

1. CONFLICT OF INTEREST

Disclosure of Interests – Committee members are required to disclose an 'interest' in a decision if they would receive, or could be reasonably perceived to receive a direct or indirect financial or non-financial benefit or detriment from the decision. In addition, Committee members are required to declare, where they may have a conflict of interest, or they could reasonably be perceived to have a conflict of interest, with their employing organisation or any their committee memberships.

2. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

2.1 Minutes of Meeting – 22 January 2015 (see attached minutes)

Recommendation:

That the minutes of the meeting held on 26 March 2015 that was circulated as being read and confirmed.

Moved: Mr P Johnson

Second: Mr G Jolly

Responsibility: Audit and Risk Management Committee Chair
Target Date: 26 March 2015

2.2 Appointment of New ARMC Member

On 18 February 2015 a motion was passed by Council to appoint John Calleja as an external representative on the Council's Audit and Risk Management Committee for a 3 year term.

Please congratulate and welcome Mr Calleja to his position on the Committee.

Responsibility: Manager Corporate Performance

Outcome:

Sharlene Still Manager Corporate Performance welcomed and congratulated John Calleja who was appointed as a Committee member on 18 February 2015 the Council moved a motion to appoint John for a three year period.

Sharlene highlighted some of John's major achievements and accolades. Ten years' experience as a CFO, comprehensive board and company secretary experience, financial management of \$2 billion and management of 40 staff.

Responsibility: Manager Corporate Performance
Target Date: 26 March 2015

2.3 Action Register

An updated action and completion register resulting from previous meetings with the Audit and Risk Management Committee has been provided to reference and will be discussed as required.

The amended action sheets have been attached for your perusal.

Responsibility: Audit and Risk Management Committee Chair

Outcome:

Sharlene provided an update on the action register. Green items completed; red outstanding.

Geoff asked about the legislative compliance analysis and Sharlene advised that they are waiting for the approval of the 2015/16 budget before purchasing and once purchased the policies will be completed upon budgetary allocations.

The Risk Management register will be maintained using all identified components of all Acts that Council currently work with and all staff within the organisation will be allocated their responsibilities as per the legislative requirements.

Responsibility: Manager Corporate Performance

Target Date: 23 July 2015

2.4 Self-Assessment Actions

The self- assessment actions have been reviewed by Manager Corporate Performance and comments have been implemented to address each action item. The self-assessment action sheet has been attached for your perusal.

Responsibility: Manager Corporate Performance

Outcome:

Sharlene advised that Management responses have been updated on the self-assessment actions and whether any further clarification was required.

Geoff Cobbleddick recommended that a work plan is implemented and updated to reflect legislative reports and to ensure the essential review and compliance issues are addressed by the ARMC and not missed. This is to be done on an annual basis.

John Calleja will provide an example of one he currently uses.

Responsibility: Manager Corporate Performance

Target Date: 23 July 2015

Moved: Mr G Jolly

Second: Mr P Johnson

3. STANDING REPORTS

3.1 Monthly Financial Report

The February 2015 Monthly Financial Report will be presented by Matthew Jarvis Manager Finance and Rates which includes the following:

- Income Statement
- Balance Sheet
- Cash Flow Statement
- Operating and Capital Budgets
- Investments
- Rates and Sundry Debtors
- Councillors Expenses

The February 2015 monthly financial report was circulated by e-mail prior to the meeting.

Responsibility: Manager Finance and Rates

Outcome:

Matt Jarvis Manager Finance and Rates presented on the February 2015 monthly financial report.

As of 28th February the accounting surplus is \$26.3m, \$3.6m (16%) ahead of the year-to-date budget mainly due to Contributed/Gifted Assets being \$5.3m ahead. This related mainly to the completion of developer works on the Mooroopna West Growth corridor project.

Noted: an increase in the write off of assets after Strategic Assets conducted a review of the asset register.

Does the budget get ratified (John Calleja)? – Yes, the budget and any movements within the budget are approved by Council.

Capital Expenditure – 8% behind on year-to-date due to timing of works on the Greater Shepparton Regional Sports Precinct.

Balance Sheet – noted change to reserves in equity through asset re-valuation. This was completed late in the 2013/14 financial year but recorded in 2014/15.

Investments - \$40m in investments as at February 2015 mainly due to rates income from the lump sum and third instalment payment deadlines.

Rates, Debtors – improved after key dates in February. Final notices have been issued to outstanding ratepayers.

Questions – John Calleja - Is there a treasury policy – yes – submitted to Council last year and adopted. John Calleja requested a copy.

Responsibility: Manager Finance and Rates

Target Date: 23 July 2015

3.2 2014-2015 Midyear Financial Review

The Midyear Financial Review outlining the Council's current financial position will be presented by Matthew Jarvis Manager Finance and Rates.

Due to the length of the document, a shortened version of the Midyear Financial Review has been attached for your perusal to allow for a more streamlined review of relevant information for Committee members.

Responsibility: Manager Finance and Rates

Outcome:

Matt Jarvis Manager Finance & Rates presented on the mid-year budget review.

Summary – Surplus \$1.5 million, \$2.4 million reduction from September quarter largely due to the operating income with reduction in capital grants of \$1.6 million for Greater Shepparton's regional sports precinct and \$510k variance in External Contracts due to the transfer of saleyards water main relocation works from capital to operating and Marungi Street works being reclassified to external contracts in the mid-year review.

Noted: A \$500,000 payment was made to the S.A.M foundation which included the transferring of investment funds from materials and consumables.

Capital Expenditure – forecast reduced from \$38.8 million to \$33.7m (\$5.1m reduction). This is largely due to Greater Shepparton's Regional Sports Precinct and \$2m worth of expenditure on saving on plant purchases.

John Calleja asked about the increase in Materials and Consumables from Adopted Budget to September Quarter and Mid-Year Review. Matt Jarvis clarified this was due to the re-budgeting of Mooroopna West Growth corridor (Building better Regional Cities Project) rebates council required to provide to home buyers and works for funds previously received for the Goulburn Broken Greenhouse Alliance Street Lighting Project.

Responsibility: Manager Finance and Rates

Target Date: 23 July 2015

3.3 Corporate Credit Card Operational Policy

The Corporate Credit Card Operational Policy will be addressed by Matthew Jarvis Manager Finance and Rates in conjunction with item 3.4 *Review of Accounts Payable* as agreed in the 22 January 2015 Audit and Risk Management meeting.

Responsibility: Manager Finance and Rates

Outcome:

The credit card policy forms part of the Review of Accounts Payable audit and was discussed in conjunction with section 3.4 of the agenda.

Responsibility: Manager Finance and Rates

Target Date: 23 July 2015

3.4 Review of Accounts Payable (Final) Internal Audit – HLB Mann Judd

Matthew Jarvis Manager Finance and Rates alongside with a representative of HLB Mann Judd will be available to address any enquiries relating to the audit findings and management responses contained within the *Review of Accounts Payable*.

Background

In line with the 2014-2015 Internal Audit Program approved by the Audit Committee of Greater Shepparton City Council, HLB Mann Judd, Internal Auditors, have completed a review of accounts payable.

It is important that GSCC maintains an effective purchasing and accounts payable system. Comprehensive expenditure policies and procedures with adequate levels of internal control enhance the purchasing/expenditure system. However, an effective purchasing framework requires compliance with these policies and procedures to ensure that accounting records are complete and accurate.

Key Findings and Recommendations

Ref.	Description of Finding	Risk Rating
Appendix A		
1	Instances where credit card processes were not in line with the policy. In addition the policy needs to be updated. We recommend Council management: <ol style="list-style-type: none"> 1. Reinforce to staff the requirement to follow policies and procedures in all instances; 2. Ensure that corporate credit card payments are only made after they have been approved by the relevant supervisor; and 3. Update the Corporate Credit Card Policy with the processes for the use of the workflow tool in the TRIM system. 	Medium (6)
2	The Procurement policy and guidelines have not been reviewed as required and in accordance with legislation.	Low (4)

	<p>We recommend Council management:</p> <ol style="list-style-type: none"> 1. Ensure the current reviews of the Procurement policy and guidelines are completed in a timely manner; and <p>In future the document should be reviewed on an annual basis as required.</p>	
3	<p>No credit card register is maintained.</p> <p>We recommend Council management:</p> <ol style="list-style-type: none"> 1. Establish a corporate credit card register and include details documented in the "Observation" column in the register. 	Low (4)
Appendix B		
4	<p>There is no formal process for reviewing the list of suppliers on a periodic basis and making potentially redundant suppliers inactive.</p> <p>We recommend that Council management:</p> <ol style="list-style-type: none"> 1. Perform a data cleansing and housekeeping exercise over the vendor master table to render all vendors that have not been used for more than 2 years and/or duplicates inactive in the system; and 2. Implement a formal process for reviewing the list of suppliers on a periodic basis and make redundant suppliers inactive. 	Medium (9)
5	<p>The ABN/ACN numbers of some suppliers were incorrect in the finance system.</p> <p>We recommend that:</p> <ol style="list-style-type: none"> 1. Finance ensure they always check the ABN/ACN on the invoice and agree the numbers with those per the finance system; 2. Valid changes to the ABN/ACN of suppliers should be updated in the finance system as soon as they are communicated/identified; and 3. Finance establishes a process that ensures ABN/ACN numbers in the finance system match what is stated on ABR's database. 	Medium (6)

Please refer to the complete review attached for further details regarding the scope, method and strategies proposed by responsible managers in response to the findings.

Responsibility: Manager Finance and Rates - HLB Mann Judd

Outcome:

The main reason for conducting an audit into the Review of Accounts Payable was to establish:

1. The controlling side
2. Data Interrogation

Mark Peters presented on this audit and its findings and advised that it was a reasonably sound result.

Highlighted observations included – Procurement policy in place, authorisers of PO's have the delegated authority, creditors reviewed and actioned in a timely manner, no issues in regards to segregation of duties.

Important findings to be addressed – Procurement policy hadn't been reviewed in accordance with legislation, and credit card processes were not in line with the policy. It was also noted that the credit card register is incomplete.

It was noted by Mark Peters that these issues are fairly common throughout local government. Mark reported on the Data Interrogation exercise and advised that the system does throw out variances. The biggest issue was to ensure Council performed a cleanse on all historic data. Mark advised that the overall result of the audit was a pretty good result for the organisation.

Geoff Cobbledick raised the question of how many credit cards council have – 12.

Geoff also asked who has use of the credit cards.

Mark Peters advised that there are no set quantity for the number of credit cards the Councils hands out, it depends on the risk to the organisation and the organisation's appetite for credit card use.

Responsibility: Manager Finance and Rates

Target Date: 23 July 2015

3.5 Internal Audit - Victorian Auditor-General's Office (VAGO) Greater Shepparton City Council Final Management Letter Year ended 30 June 2014

Stephen O'Kane from LDAssurance Chartered Accountants will be available to discuss any enquiries in relation to VAGO's audit findings and Matthew Jarvis Manager Finance and Rates will be available to address any queries into management responses provided in the report which is attached for your perusal.

Responsibility: Manager Finance and Rates - LDAssurance Chartered Accounts

Outcome:

Stephen O'Kane presented on the findings and recommendations of VAGO's Final Management Letter relating to the audit. Stephen commented on the land and buildings valuations advising that implications occurred due to the differences in revaluations of Council owned assets and errors may occur where the asset has not been re-valued.

VAGO Audit Strategy – Stephen O'Kane presented on the financial impact on Council when assets are not valued.

Land, buildings and bridges are to be completed by May 2015.

Stephen advised that as part of the performance statements, 31 indicators will be audited.

An interim audit will be conducted on 29 April for the controls testing followed by an interim audit management letter on 22nd May.

The balance sheet reconciliations are to be reported on at the September meeting.

Matt Jarvis Manager Finance & Rates exited the meeting at 1640hrs.

Brian Doyle OHS Advisor entered the meeting at 1640hrs.

Responsibility: Manager Finance and Rates

Target Date: 23 July 2015

3.6 Review of Management of Occupational Health and Safety (Final) Internal Audit - HLB Mann Judd

A representative from HLB Man Judd alongside with OHS Advisor Brian Doyle will be available to address any enquiries relating to the audit findings contained within the *Review of Management of Occupational Health and Safety* (see attached report).

Background

Occupational Health and Safety ("OH&S") is a major issue in the Australian workplace and if not managed appropriately can have a number of legislative, legal, reputational and workforce planning implications to organisations. By pursuing better OH&S practices an organisation can improve employee morale and minimise costs.

As a Victorian workplace, Council should comply with a set of laws, regulations and compliance codes which set out the responsibilities of employers and workers to ensure that safety is maintained in daily operations. The Occupational Health and Safety Act 2004 (the "Act") is the cornerstone of legislative and administrative measures to improve OH&S in Victoria.

Accordingly, in line with the 2014-2015 Internal Audit Program approved by Greater Shepparton City Council's Audit Committee, HLB Mann Judd, Internal Auditors, have completed a review of the management of OH&S.

Key Findings

Ref	Description	High	Moderate	Low
1.	A chemicals register does not exist within the Council to comply with the requirement under the OH&S Regulation 4.1.23.			
2.	OH&S risks are not adequately assessed at the operational level.			
3.	A formal OH&S schedule/calendar does not exist to prioritise and guide OH&S activities and monitoring programs such as audits and tests.			
4.	Instances where new employees had not been inducted on OH&S when they commenced.			
5.	KPIs were not developed to measure performance and assist in ensuring that OH&S objectives and targets are being met.			
6.	Monthly OH&S reports produced could be improved.			
7.	Formal procedures have not been documented to govern the resolution of OH&S related issues and reporting channels available within GSCC.			
8.	Instances identified where the Hazard Corrective Action form had not been completed by the respective Manager, Supervisor or Team Leader for the investigation of incidents reported.			
9.	Instances where contractors had not completed the Council's online or paper based OH&S Induction form to ensure they were informed about the standard of safety required prior to performing any works/services on the Council's site.			

10.	An OH&S training matrix has not been developed to assist in monitoring and tracking training needs and competencies of staff.			
11.	There was no requirement for the Workplace Inspection Site Checklist forms and Workplace Inspection Reports to be signed-off by Managers/Team Leaders or Supervisors as evidence of review.			
12.	Instances where procedures lacked adequate document control related information.			
13.	Departmental toolbox talk meetings held which also identify site and activity specific hazards associated with work performed are not documented.			

Due to the length of this report, further details pertaining to the scope, method, findings, recommendations and management responses can be read in the full report attached.

Responsibility: OHS Advisor - Manager People Performance - HLB Mann Judd

Outcome:

Mark Peters reported on the findings and recommendations of the OH&S Audit report. The major room for improvement is for Council to implement a chemical register as one does not currently exist within the organisation and is not centralised which can cause significant risks to Council.

A program will be implemented into council to assist with the controls of chemical recording and usage.

Peter Johnson raised a question about formalising OH&S schedules/calendars that did not exist however Mark advised that the auditing/risk assessment should not only include workplace inspections but also training elements.

Mark accepts the management comments from the Council.

Responsibility: Manager People Performance

Target Date: 23 July 2015

3.7 OHS Report

OHS Advisor Brian Doyle will present the 2014-2015 - 2nd Quarter OHS Report to the Committee and will be available to answer any queries in relation to the data provided in the report. The 2014-2015 2nd quarter report is attached for your perusal.

Responsibility: OHS Advisor - Manager People Performance - HLB Mann Judd

Outcome:

Brian Doyle presented the OHS report to the Committee for the 2014/2015 2nd quarter incidents.

Three notifiable incidents were reported to Victoria Workcover Association which has been investigated. Each action from the investigation outcome has now been completed. It was noted that there was a trend in the total number of incidents being reported each year. The trend shows that more near miss incidents are being reported than ever before and this is largely due to the effective communication around these types of incidents. The council acknowledges the reporting is still not as good as it should be however there has been a huge improvement in the number of incidents being reported to OHS.

The Council's WorkCover premiums have reduced significantly since introducing the Soft Tissue Centre and PCP into the organisation.

At the conclusion of Brian's presentation he exited the meeting at 1650hrs.

Responsibility: Manager People Performance

Target Date: 23 July 2015

3.8 Review of Management of Consultants (Final) Internal Audit - HLB Mann Judd

The *Review of Management of Consultants* was presented to the Committee at the 22 January 2015 in draft format. The final copy of the review will be presented to Committee with a representative of HLB Man Judd and Chief Executive Officer Gavin Cator available for any further queries in relation to any queries regarding the final copy (see attached report).

Background

Organisations draw upon the services of consultants for a number of reasons, including gaining external (and presumably objective) advice and access to the consultants' specialised expertise. The Council uses the services of consultants across different programs and services as and when needed. It is important that a comprehensive framework governing the appointment, engagement and monitoring of consultants, as well as reporting on consultants' activities, exists within the Council.

In line with the Internal Audit Program as approved by the Audit Committee of Greater Shepparton City Council, HLB Mann Judd, Internal Auditors, have completed a review of the management of consultants.

Key Findings

Ref.	Description of Finding	Risk Rating
1	<p>The council's definition of a consultant is not aligned to better practice for the management of consultants. We recommend that:</p> <ol style="list-style-type: none"> 1. A policy for the management of consultants should be documented for the council which is aligned to the policy issued by VGPB and includes the definition of a consultant; and 2. The policy should be communicated to all staff. 	Medium (9)
2	<p>There are no formal procedures for evaluating and reporting consultants' performance. We recommend that:</p> <ol style="list-style-type: none"> 1. Management develop a standard template for assessing consultants' performance that addresses the following key questions: <ul style="list-style-type: none"> • Was the service delivered in accordance with the agreed scope of work? • Did the final cost of the engagement exceed budgeted / agreed amounts? • Did the consultant possess adequate knowledge and skills for the subject matters in scope? • Was the output of the engagement (e.g. draft report) delivered within an agreed or acceptable timeframe? • Did the output meet council's expectations in terms of content and quality? • Were there any issues in terms of communication with 	Medium (9)

	<p>the consultant through-out the engagement?</p> <p>2. The results of the evaluations should be recorded or the template should be linked to the register of consultants recommended under finding number 2 below; and</p> <p>3. The outcome of the evaluation and de-brief should be used for decisions to engage consultants in the future and communicated to all relevant internal stakeholders at the council.</p>	
3	<p>A register of consultants is not maintained for the council. We recommend that:</p> <p>Management should create and maintain a register of consultants for the council which satisfies the requirements of the policy issued by VGPB.</p>	Medium (6)
4	<p>Expenses for consultants and/or contractors are not allocated to the appropriate general ledger account codes. We recommend that:</p> <p>1. In line with the recommendation under finding number 1, consultants expenses to be charged to account code 362 should be clarified; and</p> <p>2. Staff members should then be made aware of the protocols for using the different account codes, i.e. 362 should be used exclusively where the definition of a consultant is aligned to the policy, and expenditure for contractual staff, labour hire and contractor payments should be charged to different codes.</p>	Medium (6)
5	<p>There was insufficient supporting documentation for the engagement of one consultant. We recommend that:</p> <p>1. Management ensure that the engagement of all consultants is supported by appropriate procurement, contractual or project documentation; and</p> <p>2. The documents should be saved in council's electronic document management system (TRIM).</p>	Low (4)
6	<p>Procurement policy has not been reviewed and approved in accordance with legislation. We recommend that:</p> <p>In line with section 186 of the Local Government Act and the review date, the Procurement Policy be reviewed and updated as soon as possible.</p>	Low (4)

Due to the length of this report, for further details pertaining to the scope, method, findings, recommendations and management responses, please refer to the full report attached.

Responsibility: Manager Corporate Performance - HLB Mann Judd

Outcome:

The Review of Management of Consultants was provided in final format to the Committee. Geoff asked whether there were any additional amendments or variations based on the findings of the report and also if there were any further comments to add.

The only additional comment from CEO Gavin Cator was to advise the Committee that Council had been working with Heetesh Choony and Shamiso Kamunga from HLB Mann Judd to clarify the definition of a 'Consultant'. This has now been resolved.

Responsibility: Team Leader Risk Management
Target Date: 26 March 2015

3.9 Review of Management of IT Governance (Final) **Internal Audit – HLB Mann Judd**

A representative from HLB Mann Judd alongside with Chris Teitzel Director Business will be available to respond to any queries in relation to the *Review of Management of IT Governance*.

Background

Information technology (IT) has become crucial in the support, sustainability and growth of most organisations. While the need for governance at the highest level is driven primarily by the need for transparency, accountability and to meet strategic objectives contained in the Council Plan, the significant costs, risks and opportunities associated with IT call for a dedicated, yet integrated, focus on IT governance which should be an integral part of corporate governance. Accordingly the following key domains are normally considered in implementing an effective IT governance framework:

Alignment – Provide for strategic direction of IT and the alignment of IT and the business with respect to service delivery, project delivery, on-going support, organisational planning and drivers for innovation;

Value Delivery – Ensure that business processes are designed to derive maximum value from IT while providing oversight over the delivery of services by IT to the council on an on-going basis and in the long term;

Risk Management – Processes are in place to ensure that IT risks have been adequately identified, assessed and treated, including the linkage between strategic risks, operational business risks and compliance risks;

Resource Management – Provide high-level direction for sourcing and use of IT resources. Oversee the aggregate funding of IT at enterprise level. There should be adequate IT capability and infrastructure to support current and expected future requirements; and

Performance Measurement – Develop measures of IT performance and the contribution of IT to the business (including intangible benefits) by ensuring that appropriate reporting mechanisms are in place.

ISO/IEC 38500:2008 provides guiding principles for directors of an organisation on the effective, efficient, and acceptable use of Information Technology (IT) within their organisations. The standard applies to the governance of management processes (and decisions) relating to the information and communication services used by an organisation.

These processes could be controlled by IT specialists within the organisation or external service providers, or by business units within the organisation. In line with the 2014-2015 Internal Audit Program as approved by the Audit Committee of Greater Shepparton City Council, HLB Mann Judd, Internal Auditors, have completed a review of IT Governance.

Key Findings

Ref.	Description of Finding	Risk Rating
1	The IT support software is not effective in managing the	High (16)

	operational and reporting needs for the IT Department.	
2	The disaster recovery plan and back-up procedures have not been reviewed and updated.	High (12)
3	IT Change Management policy and procedures have not been implemented.	High (12)
4	An internal Service Level Agreement has not been documented for the provision of IT Services.	High (12)
5	There is insufficient monitoring and reporting for long outstanding items in the Application Steering Committee Action Registers.	Medium (9)
6	IT policies are in draft form.	Medium (6)
7	IT staff annual performance reviews for FY2013/2014 had not been finalised at the time of our review.	Medium (8)
8	Terms of Reference for the IT Steering committee and Application Steering Committees have not been reviewed on an annual basis.	Low (2)

For further details pertaining to the scope, method, findings, recommendations and management responses, please refer to the full report attached.

Responsibility: Director Business - HLB Mann Judd

Outcome:

The Review of IT Governance was presented by Mark Peters who acknowledged that Council is committed to carrying out effective IT Governance framework. Mark highlighted this as being extremely important to the organisation. Mark said it was pleasing to see a strategy in place and aligned with the Council plan. Mark also commented on the planned works and the documentation of the works including the project works register being maintained.

Mark also acknowledged that it was pleasing to see that IT Governance was taken seriously and that all risks had been factored into the project works including the risk register.

Room for improvement included the completion of IT policies and procedures as they were still in draft format and to conduct regular testing on the disaster recovery side of things.

Overall, HLB Mann Judd said "there is some really pleasing cultural things and creates a pretty solid foundation".

It was noted that four risks were rated in the 'High' category.

It was concluded by Chris Teitzel Director Business providing an update on the four 'High' category risks for this project.

1. IT support software has been purchased and on track for being installed by end of September 2015. A key resource left the organisation in early March which has left a significant gap to backfill however is being addressed.

2. The disaster recovery plan is on track and needs to be tested. Chris has also acknowledged that procedural gaps have been identified and need to be addressed. Unfortunately the disaster recovery plan will not meet the deadline of March 2015 and will most likely be April 2015.

3. IT Change Management has had some network issues around this and the Steering Committee are not currently being utilised to its full capacity. The timeframe has been pushed out to September 2015.

4. Internal Service Level Agreement is now referred to as a Service Statement. Chris is looking into adding additional controls and will review both the Steering Committee and the Terms of Reference. Chris will touch on the hardware and major software purchases to ensure it meets the service level requirements of the customers.

The Committee also enquired about finding five and six of the audit report which were categorised as a 'Medium' risk to the organisation.

Chris provided further clarification on the following points:

5. The Steering Committee had not met since before Christmas to discuss the Action Register which requires updating. The timeframe is likely to be mid-year for the completion of this.
6. IT Policies have been integrated into the ICT Usage CEO Directive which is for use by all staff. This is in the process of being completed.

Responsibility: Director Business
Target Date: 23 July 2015

3.10 Risk Management Report

The 2nd Quarter 2014-2015 Risk Management Report has been provided (see attached report and appendices) to detail the current status of significant risk management issues including:

- Public liability claims history
- Motor vehicle claims history
- Property insurance history
- Professional indemnity claims history
- Risk Register

Responsibility: Team Leader Risk Management

Outcome:

Christian James Acting Team Leader Risk Management presented this report and asked the Committee whether they had any questions regarding the report.

John Calleja asked whether this would be reported at each Audit & Risk Management Committee meeting. Christian advised that this report is provided on each quarter and submitted to the Committee at each meeting.

John also asked what happens with the business and financial risks. Christian advised the Committee that Council has introduced Integrated Risk Manager (IRM) to the Council which can include project, strategic and operational risks. Christian also advised the Committee that it comes with an Audit Manager component.

Geoff Cobbledick raised the question in terms of timing of the project how long until it is up and running. Sharlene acknowledged that it is in its initial stages of entering data and that we require additional staff to input the data; however it is a high priority for the organisation and Risk Management.

Responsibility: Team Leader Risk Management
Target Date: 23 March 2015

3.11 2014-2015 Insurance Renewals

Risk Advisor Jodie Sessions will provide an update to the Committee on the 2015-2016 insurance policy renewals with JLT and any key factors that may affect the insurance premiums.

Responsibility: Risk Advisor Risk Management

Outcome:

Jodie Sessions Risk Advisor advised the Committee that she had a meeting with Jardine Lloyd Thompson's insurance broker's Account Manager in early March to discuss the 2015/2016 insurance renewals for the Council. Jodie advised the Committee that she is currently reviewing all of Council's assets including Motor Vehicle, Community Liability Pack Insurance, Personal Accident, Councillor's & Officers Liability, Property, Art Works, Commercial Crime, Landfill & Pollution, Hangarkeeper's, Business Pack and Clean-Up Australia Day Insurance.

Jodie advised the Committee that all information will be forwarded to JLT which will be tendered to ensure Council is getting best value for money for Council's insurances.

Jodie will provide a table at the July meeting outlining the premiums for the above insurances including the policies.

Geoff asked whether an audit was due on the insurance portfolio. I advised the Committee that the audit was undertaken in early March and that we received two 'Low' category items from the audit.

On behalf of the Committee, Geoff requested a list of Council's premiums and policies for the 2015/2016 period once finalised. This is to be provided at the July meeting and included in the action sheet.

Responsibility: Team Leader Risk Management
Target Date: 23 July 2015

3.12 Procurement Review

Manager Corporate Performance Sharlene Still will present an update on CAMMS Audit Manager and outstanding procurement actions to be implemented into the system.

Responsibility: Manager Corporate Performance

Outcome:

Manager Corporate Performance Sharlene Still presented on this topic.

Sharlene proposed that a new audit be conducted in the 2015-2017 internal audit schedules as the recommendations from this report are out-dated as it was from 2010.

Geoff Cobbledick, Chair of Committee advised that he would be happy for the recommendations to not be implemented but with good reason.

Sharlene advised that a review of Council's Procurement occurred as late as 2014 and asked that a new audit be undertaken on the current policy to obtain new data as best practice has changed since 2010 and it would be difficult to implement recommendations from 2010 as the direction of Procurement is changing significantly. Sharlene advised that she would consult with HLB Mann Judd and would recommend a Procurement audit for the scheduled audit plans for 2015-2017.

In terms of the direction, Procurement was a de-centralised system however they are now looking at centralising the system in accordance with the Procurement guidelines.

Sharlene put a business case forward to CEO Gavin Cator to have Procurement centralised. A Contract's Procurement Analyst will be commencing with the Greater Shepparton City Council on 20 April 2015. In addition to this, two extra staff has been included into the 2015/2016 budget, one of those being a Compliance Officer; however, does not mean it will happen.

Sharlene is looking into implementing a program called LEAP through the MAV which will provide a list of all suppliers' expenditures and confirm any non-compliance activities.

Geoff was happy with this outcome; however, advised that the Committee is to review the scope before going ahead with audit and the audit is to not occur too early or too late ensuring progress of Procurement is addressed in a timely manner.

Responsibility: Manager Corporate Performance
Target Date: 23 July 2015

4. **NEW BUSINESS**

4.1 **Audit Committee Remuneration Review**

A review of remuneration for independent Committee members will be discussed pursuant to the proposed review timeframe outlined in the March 2013 ARMC minutes.

Responsibility: Manager Corporate Performance

Outcome:

Letter received from the Committee on 20 March 2014 which was taken to Council and approved at the current fee. Remuneration fees are to be reconsidered in February 2015.

It was agreed that the Committee members would convene after the meeting to discuss remuneration figures for the 2015/2016 period and provide a letter confirming their decision.

Responsibility: Audit and Risk Management Committee
Target Date: 23 July 2015

5. CHIEF EXECUTIVE MATTERS

5.1 S.A.M. Update

The Chief Executive Officer Gavin Cator will be presenting an update on the feasibility study of S.A.M

Responsibility: Chief Executive Officer

Outcome:

The findings from the feasibility study will go to May Council meeting.

If the project continues it'll be one of the biggest capital project works for the Greater Shepparton City Council. Governance structure of S.A.M may or may not require additional works.

If project goes ahead significant funding will be required from Federal and State Government. This could be in the vicinity of \$12.5 million.

Responsibility: Chief Executive Officer
Target Date: 23 July 2015

5.2 Update on Former Councillor Milvan Muto

The Chief Executive Officer Gavin Cator will be advising the Committee of the current position towards former Councillor Milvan Muto.

Responsibility: Chief Executive Officer

Outcome:

CEO Gavin Cator advised the Committee that Muto lost his Supreme Court case appeal from VCAT.

Cost orders are still outstanding from this appeal.

Cr Michael Polan declared a conflict of interest and exited the room at 1724hrs.

CEO Gavin Cator advised that there was a third case that the Greater Shepparton City Council is involved in as a third party between Milvan Muto and his solicitor Janovo. Muto reportedly owes \$120,000 to his previous solicitor. Mr Muto believes he should be indemnified for all costs associated with this claim. Hearing is to occur in April sometime. Gavin advised that the Greater Shepparton City Council should provide legal representation in this matter because Mr Muto will continue to appeal the decision. This has been agreed to. Mr Cator indicated that the Council would have nothing to worry about with the third parties. Gavin advised the Committee that all parties (Councillors) were notified that they would not be paying any fees until the VCAT hearing which cannot occur until after the Supreme Court hearing.

Geoff thanked Gavin for the update.

Before proceeding onto 6.1 Geoff asked about IRM and the detail regarding individual risks. Is it possible that smaller risks can accumulate into bigger risks for the organisation? Will IRM have the capability of inputting detailed information?

Responsibility: Chief Executive Officer
Target Date: 23 July 2015

6. GENERAL / URGENT BUSINESS

6.1 ARMC 2013-2014 Annual Report

Geoff Cobbledick attended the Councillors briefing meeting held on 17 February 2015 to present the 2013-2014 ARMC Annual Report as required in the Audit and Risk Management Committee Charter.

The opportunity to discuss any items listed in the report will be available

Responsibility: Chair of the Audit and Risk Management Committee

Outcome:

Cr Michael Polan re-entered the room at 1730hrs.

The annual ARMC report was presented to Councillors at the 17 February meeting by Audit and Risk Management Committee member and Chair Geoff Cobbledick.

No issues arose from the presentation.

Responsibility: Audit and Risk Management Committee Chair

Target Date: 17 February 2015

6.2 ARMC Charter Review

The ARMC Charter is required to be reviewed annually as has been attached for your perusal. The opportunity to discuss any proposed amendments to the Charter is available at this time.

Responsibility: Manager Corporate Performance

Outcome:

The Charter is due to be reviewed and anyone with significant changes can confirm it in writing with Sharlene. Sharlene advised that the position of Director Organisation no longer exists and will be amended accordingly. It was recommended that under the heading 'Memberships' on third paragraph where it states "The valuation of all candidates will be undertaken by the Chief Executive Officer, Director Organisation and one Councillor Committee member be amended to "Chief Executive Officer and ARMC Committee members". There was no objection to this change.

Graeme Jolly asked whether an annual review was appropriate. The decision was made to review it when legislation changed or when required.

A motion was moved by Graeme Jolly to amend these changes and second by Geoff Cobbledick.

Meeting closed at 1733hrs by Geoff Cobbledick, Chair.

Audit and Risk Management Committee members will reconvene on Thursday 23 July 2015.

8. DATE OF NEXT MEETING

Date: 23 July 2015
Time: 4.00 PM
Venue: Bill Hunter Room, Welsford Street Office

ATTACHMENTS

M15/11969 - Minutes – 22 January 2015 ARMC Meeting

M15/15784 - 2014-2015 Action Sheet (March)

M15/15799 – Self Assessment Actions

M15/12320 - 2014-2015 Midyear Financial Review (Summarised Version)

2015/9184 - Review of Accounts Payable – Final

M14/76774 - VAGO Financial Management Letter
M15/10380 - Review of Management of Occupational Health and Safety - Final
M15/11920 - OHS Report
M15/7277 - Review of Management of Consultants - Final
M15/7279 - Review of Management of IT Governance - Final
M15/15811 - Risk Management 2nd Quarter Report
M15/12073 - Appendix A – Public Liability Incidents
M15/12792 - Appendix B – Motor Vehicle Incident
M15/12077 - Appendix C – Property Incidents
M15/11153 - ARMC 2013-2014 Annual Report
M15/11158 - ARMC Charter

MINUTES

Greater Shepparton Audit and Risk Management Committee Meeting

Thursday 23 July 2015
at 4.00 pm
Bill Hunter Room
90 Welsford Street, Shepparton

Committee Membership:

Mr Geoff Cobbledick (Chair)
Mr Peter Johnson
Mr Graeme Jolly
Mr John Calleja
Mayor Dennis Patterson

INVITED	TITLE / POSITION / ROLE	PRESENT	APOLOGY
Geoff Cobbledick	Community Representative / Chairperson	✓	
Peter Johnson	Community Representative	✓	
Graeme Jolly	Community Representative	✓	
John Calleja	Community Representative	✓	
Dennis Patterson	Mayor		x
Chris Teitzel	Acting Chief Executive Officer	✓	
Matthew Jarvis	Manager Finance and Rates	✓	
Sharlene Still	Acting Manager Corporate Performance	✓	
Jodie Sessions	Risk Advisor - Risk Management	✓	
Virginia Boyd	Manager People Performance	✓	
Brian Doyle	OHS Officer	✓	
Stephen O'Kane	Partner – LD Assurance Chartered Accountants		x
Shami Kamunga	HLB Mann Judd – Engagement Partner		x
Mark Peters	HLB Mann Judd – Engagement Partner	✓	

CHAIRPERSON
Mr Geoff Cobbledick

1. **CONFLICT OF INTEREST**

Disclosure of Interests – Committee members are required to disclose an 'interest' in a decision if they would receive, or could be reasonably perceived to receive a direct or indirect financial or non-financial benefit or detriment from the decision. In addition, Committee members are required to declare, where they may have a conflict of interest, or they could reasonably be perceived to have a conflict of interest, with their employing organisation or any their committee memberships.

2. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

2.1 Minutes of Meeting – 23 July 2015 (refer attached report)

Recommendation:

That the minutes of the meeting held on 23 July 2015 as circulated be taken as read and confirmed.

Motion: John Calleja

Second: Peter Johnson

Carried

Responsibility: Audit and Risk Management Committee Chair

Target Date: 23 July 2015

Action: Carried

2.2 Action Register

An updated Action Register resulting from previous meetings with the Audit and Risk Management Committee was provided for reference and discussion by the Committee as required.

Action:

- Jodie to update Action Register with the following:
 - The legislative requirements from all Acts will be documented and then entered into IRM. Progress report to be presented at next meeting. Action: Manager Corporate Performance October/November 2015.
 - Revised Date column as per John Calleja's request. Action: Risk Management July 2015
 - Summary Report to be provided to ARMC Committee regarding OHS recommendations from Review of Management OHS audit. Action: Virginia Boyd/Brian Doyle October 2015
 - Summary Report to be presented to ARMC Committee on outstanding actions from Review of IT Governance. Action: Chris Teitzel October 2015
 - An update of the insurance premiums is to be provided to all Committee members via e-mail. Action: Risk Management August 2015
 - Update on Credit Card Policy. Action: Manager Finance and Rates October 2015
 - Review of Procurement to be presented to the October ARMC meeting. Action: HLB Mann Judd
 - Data Interrogation update including review of ABN/ACN's to be presented at next meeting. Action: Manager Finance and Rates October 2015

3. STANDING REPORTS

3.1 March Quarter Budget Review

The March 2015 Quarter Budget Review Report was presented by Matthew Jarvis, Manager Finance and Rates, and included review of the following:

- Income Statement
- Capital Works Statement
- Balance Sheet
- Cash Flow Statement

Outcome:

- Income Statement March quarter forecast had an accounting deficit of \$1.3m, \$2.7m reduction from surplus reported at mid-year
- \$6.7M increase in write-off – writing off over \$3m worth of works in progress from the GV Link project. Council agreed on a resolution to postpone the works on GV Link.
- Contributed Assets – forecast increased by \$5m – handed over by developers. Working with Strategic Assets to accommodate future forecasts
- Depreciation increased by \$1.5m – largely due to revaluations of buildings which were carried over from 2013/14 into 2014/15 financial year.
- Received notification from the Victorian Grants Submission prior to 30 June 2015 advising that they would pay half of the 2015/16 grants submission in advance which will impact on Council's budgeted surplus. The grants submissions were received two days out from end of 2014/15 financial year.
- Capital Works forecast reduced by approx. \$2m – due to Sports Precinct and Aquamoves carpark
- Balance Sheet forecasting works capital increased to 175% up from 171%. Restricted investments balance was \$23m which exceeds current work value.
- Cash Flow Statement quarter forecast – Council did not utilise \$2m loan borrowing for the Sports Precinct as it was identified that there were savings from the Plant Renewals. This would effectively save Council 12 months' worth of interest.

Action: Matt Jarvis to coordinate a meeting with John Calleja to explain Council's financial reporting framework and practices.

3.2 May 2015 Monthly Financial Statements

Matthew Jarvis, Manager Finance and Rates, presented the May 2015 Monthly Financial Statements outlining Council's current financial position.

The following financial reports were discussed:

- Summary of Monthly Finance Report
- Income Statement
- Balance Sheet
- Cash Flow Statement
- Operating Budget
- Capital Budget
- Investments Summary
- Comparative Rates & Sundry Debtors
- Councillor Expense Report

Outcome:

- May YTD Operating Surplus of \$6.5m versus March quarter year-end of \$6m. \$2.5m of assets to be entered into system and also included an additional \$2m of depreciation.
- \$5m in employee costs were accounted for in the May budget
- Materials and Consumables – significant forecast of \$2 to \$3m to come through and waiting for all end-of-year adjustments. Continuing to work with budget officers on budget phasing to reduce the high level of variation.
- John Calleja queried the treatment of Labour Costs, specifically are long service leave provisions recorded at the end of the year as opposed to monthly? Matt explained that adjustments were only processed annually and that the Finance area will work with People Performance area to achieve monthly costing's. This process has proved difficult to automate.

Geoff Cobbley queried as to whether there has been a first run of Financials for the end of June. Matt responded that this has not occurred at this stage however the grants submission income has given an accounting surplus of \$12m to date. Income is ahead of projections because of the grants submission however the operating expenses had fallen.

3.3 FINAL VAGO Interim Audit Management Letter – LD Assurance

The Interim Audit Management Letter was presented by Matthew Jarvis in the absence of a representative of LD Assurance.

Outcome:

- Three new Findings were identified and Matt focussed his report on these areas
- Performance Reporting. This was identified as a medium risk and data information is being captured to meet this requirement. The 2014/15 Financial Reports will be the first year in which these Performance standards will be subject to audit. Matt believes we will satisfactorily report on each of the measures.
- Rates and Charges Reconciliations. This was also identified as a medium risk with regular reconciliations not occurring. Staff changes in the Rates Department had contributed to this situation however GSCC are up-to-date with the reconciliations as at 30 June 2015.
- Payroll Reconciliations Also a medium risk with reconciliations not being completed in a timely manner. Again staffing factors have contributed to this situation developing however we are now on track with required reconciliations.
- Of the eleven prior actions previously identified six are now closed
- The open risks include:
 - Lack of a Risk Register 3.1 (IRM) – medium risk – further work to be done to get this program up and running
 - Performance Reporting 3.5 – medium risk- had to apply for specialised and non-specialised assets regarding land and building revaluation, however this has now been addressed
 - Land and Buildings revaluations – High Risk – Matt reported this will be resolved in the current Financial Statements.
 - Landfill Provision for Rehabilitation 3.8 – currently working with Waste Services to book a provision. Clarification from other Council's is being gathered. There are no EPA guidelines but rather guidance notes for financial assurance.
 - Old Trust Deposits and Bonds – medium risk – historical items are listed in the system and needs to be addressed. Council are currently working through

this however it is not an easy process. Balance currently around \$2m however will drop significantly once the historical data has been cleansed.

3.4 Review of Insurance Portfolio Management

A review of Insurance Portfolio Management was undertaken by HLB Mann Judd on 12 January 2015 and the report was presented by Mark Peters. A number of positive actions by GSCC were identified by HLB Mann Judd during the Audit process and included in their report.

Outcome:

- Council had adequate insurance cover as per the requirements of the Local Government Act
 - Certificates of Currency were provided.
 - Key assets were all covered by insurance
 - Incident claims and the incident register were all up to date and claims were processed by relevant policies
 - Two key findings were identified and are required to be addressed:
 - Formal procedures to govern the processes for the annual review of the insurance portfolio and claims management processes have not been documented
 - An insurance and indemnities register has not been implemented
- Both of these findings were rated as being of Low Risk.
- Jodie advised the two key findings have been actioned and completed.

3.5 Review of Management IT Equipment

HLB Mann Judd conducted an audit on the review of Management IT Equipment on 9 February which was presented by Mark Peters to the meeting.

A number of positive actions by GSCC were identified by HLB Mann Judd during the Audit process and included in their report.

Outcome:

- No issues were identified with the physical securities (restricted access) of IT equipment. Mark commented that this was a positive outcome. .
- Tracking and monitoring of IT equipment processes appear adequate
- Replacement schedule for IT equipment including expected life-cycle, capacity requirements, emerging technologies and out-of-budget purchases are adequate
- Maintenance carried out on some items as required
- Council's procurement policies apply to the acquisition of IT equipment.
- Issues to be addressed include:
 - Procedure for the decommissioning and disposal of IT equipment to be developed and implemented. This was rated as a High risk area.
 - IT Asset Register to be continually updated – has not been updated since 2013. It was queried as to whether the asset register was used in determining a value to be included in the Balance Sheet and it was explained that it was. Medium Risk.
 - Physical stocktakes of IT equipment – not completed in the last two years. Medium Risk.
 - Warranty period to be considered so that it coincides with expected equipment life. Discussion was held on how this might be best achieved. Low Risk.

- Mobile device purchased outside IS Department involvement. Low Risk.
-
- It was noted by the Chair that a number of the suggested timeframes for actions were inappropriate and that action to resolve these issues need to be completed in a more timely manner than indicated by management in the report. This was particularly the case in regards to the procedure for the decommissioning and disposal of IT equipment which was rated as a high risk. Action: Manager Information Services/Director Business/Chief Executive Officer. Chris to follow up on timeframes and ensure all required actions are completed in a timely manner. A progress report will be provided to the next meeting. .

3.8 Risk Management Report

The Risk Management Report was provided and detailed the current status of significant Risk Management issues including:

- Public Liability claims history
- Motor Vehicle claims history
- Property insurance claims history
- FINAL Internal Audit Plan 2015/2016
- Business Continuity Planning updates
- Integrated Risk Management (IRM) updates
- Operational Risks updates
- Vero Inspection - Eastbank report
- Insurance Premiums and Policies for 2014/2015 and 2015/2015 status updates

Outcome:

- **IRM and Audit Manager (AM)** - report was presented to the Committee to show an example of the types of reports Risk Management will be able to produce once the system is fully operational.
- A summary to be included with all future IRM and AM reports as current IRM and AM reports are currently difficult to read. Include in summary all identified risks outlining high, medium and low risks and the number of outstanding risks.
- Committee did not raise any questions regarding the Vero report.
- **Strategic Internal Audit Plan Review**
 - Initially three year plan - HLB Mann Judd's audit program would cease at the end of 2015/16
 - Strategic Procurement – currently in draft format awaiting management comments. Action Jodie: final copy to be provided at 8th October meeting.
 - Added to 2015/16 audit plan – Review of Inventory Management and Cash Handling (external locations)
 - Removed from 2015/16 plan – Review of Business Continuity Planning and Disaster Recovery and Fraud Management
- Graeme Jolly queried as to the reason why the Review of BCP and DR were removed from the list. Sharlene Still responded that Council are in the process of implementing BCP and will not start testing the BCP until early 2016. As such it would not be effective to audit a procedure that hasn't been implemented. Also noted by Graeme as to why the Review of Risk Management Process had been removed from the list. Sharlene responded that Council were close to appointing a Team Leader Risk Management who will assess the risk management processes into the future. The whole organisation will require educating in risk processes.
- John Calleja requested that we include the next three years of audits on the existing plan so we can clearly identify the upcoming audits for 2016/17, 2017/18 and

2018/19. HLB Mann Judd noted that they will include the additional data in an amended report.

- Graeme Jolly queried why Fraud Management has been removed from the list. Sharlene explained that management of Fraud sits under the Risk Section and due to staffing issues this area is not operating as it should. Considerable steps are being taken to improve performance in this area with the whole organisation attending mandatory training in Fraud over the next month by the end of August 2015. Chris also advised that external auditors will investigate hot areas where there is a higher risk e.g. finance, cash handling, etc.
- ARM Committee to receive draft Scoping reports of all audits prior to approval of the audit work being commenced by HLB Mann Judd. It was agreed that these documents can be emailed with the expectation of a short turn around period to ensure approval for audit occurs in a timely manner. Action Risk Management.
- **Business Continuity Plan** – meeting held with Echelon on 23 July 2015 to discuss the next steps in the BCP process. A further meeting with Echelon will be held in September 2015 to finalise the BCP document. BCP document is to be reviewed by the Team Leader Risk Management and the Committee prior to finalisation. A BCP Testing Schedule will be developed in October/November and scenarios will be decided e.g. losing the building for six hours. Practice testing scenarios will occur in February 2016
- **IRM** – Camms recently did an onsite health check on the system to identify issues with the system but getting the system up and running and operational. It was estimated that it would cost Council \$21,000 to get it operational; however, Council will be able to fix some of the issues identified during the health check. Sharlene advised that the Committee would have it fully operational by end of September 2015 for IRM and AM.
- **Insurance Premiums 2015/16 Update.** Action Jodie: include figures and brief summary of each cover and e-mail out to Committee
 - Commercial Crime \$7,840.46
 - LMI \$446,556.00
 - Products & Public Liability – Senior Citizens \$2571.25
 - Personal Accident \$660
 - Total for the year \$920,084.43
- John Calleja the Local Government Liability (LMI) and what was covered under this Policy. Jodie responded that LMI is Council's Public and Products Liability cover and the reason it has increased depends on the amount of claims Council submitted during the 2014/15 financial year.
- **Operational Risks**
 - No questions asked about the organisation's operational risks.

3.7 OHS Report

Brian Doyle, OHS Advisor will present a standing report of OHS incidents/statistics to the Audit and Risk Management Committee for the third quarter.

Responsibility: OHS Advisor
Target Date: 23 July 2015

Outcome

- Brian Doyle presented the 4th Quarter statistics to the Committee
- YTD incidents 30 per calendar year (3 serious, 10 minor and 17 near misses) or 115 for financial year. Graeme Jolly requested the YTD heading be put into the report.
Action: Brian Doyle October 2015

- Graeme Jolly queried a trend in recent years show an increase in incidents, however, the numbers have dropped since 2013. Brian explained that whilst it was encouraged that all staff report incidents and near misses as much as possible this did not always occur for varying reasons. Action was being taken to encourage appropriate behaviours in this regard.
-
- Purchased Elumina software earlier in the year. This program is up and operational and will assist in more accurate reporting.
- No notifiable Workcover incidents
- Workcover premium for this year is \$348,000, last year the premium was \$620,000. Significant reduction of \$272,000. Currently 55.45% better than the industry average

4. NEW BUSINESS

4.1 Audit Committee Remuneration Review

Discussion has been held with Council as a result of the recommendation put by the Independent Members of the ARMC regarding an increase in remuneration for their participation on the Committee.

Council has not officially adopted the recommendations however they had no objections with the proposed remuneration submitted when previously discussed with them. Rates will not formally be adjusted until August and will be applicable from the 1st July 2015.

4.2 ARMC Planner

Jodie Sessions Risk Advisor presented an ARMC Planner based on the Charter requirements of the Committee which will assist in keeping track of what is required to be reported on and reviewed throughout the year.

It was agreed that Geoff Cobbledick will review the Planner with a view to streamlining some of the requirements as listed. Geoff will circulate this document for discussion when completed.

It was also agreed that the Charter will be reviewed during the balance of 2015. Peter Johnson also requested that his term of appointment be confirmed. Jodie Sessions will confirm this with Peter as soon as possible.

5. CHIEF EXECUTIVE MATTERS

5.1 CEO Updates

Chris Teitzel had nothing further to report.

A query was raised regarding legal proceedings involving former Councillor Muto. Little progress has been made since the last meeting and the issue remains unresolved. John Calleja queried as to whether the quantum of funds involved may impact on the Annual Financial Statements however it was felt by Chris Teitzel that the amount would not be material in relation to the Statements.

6. GENERAL / URGENT BUSINESS**6.1 ARMC 2013-2014 Annual Report****Outcome:**

- This report was presented to Council by Geoff Cobbledick. No further action required.
- Geoff will write the 2014/15 report and this will be presented to the October ARMC meeting. If adopted it will then be presented to Council. Action Geoff
- Discussion of the next meeting (8 October 2015). Jodie advised that she will be on leave and Chris to confirm his calendar

6.2 Confidential Meeting – ARMC members and HLB Mann Judd

As required under the Committee's Charter the ARMC members took the opportunity to meet with Mark Peters of HLB Mann Judd regarding the audit work being under taken by his firm.

In summary Mark reported that he was comfortable with the level of support being provided by GSCC and that reasonable progress was being made on audit issues.

Committee members queried the content of upcoming audits and provided input into some areas in which they believe focus is required.

8. DATE OF NEXT MEETING

Date: 10th September 2015 (Special Meeting)
Time: 4.00 PM
Venue: Bill Hunter Room, Welsford Street Office

MINUTES

**Greater Shepparton Audit and Risk
Management Committee Meeting
held
Tuesday 15 September 2015
At 8.30 am
in the Hunter Room
90 Welsford Street, Shepparton**

Committee Membership:

Mr Geoff Cobbledick, Chair
Mr Peter Johnson
Mr Graeme Jolly
Mr John Calleja
Mayor Dennis Patterson
Cr Chris Hazelman

INVITED	TITLE / POSITION / ROLE	PRESENT	APOLOGY
Geoff Cobbledick	Community Representative / Chairperson	✓	
Peter Johnson	Community Representative		X
John Calleja	Community Representative	✓	
Graeme Jolly	Community Representative	✓	
Dennis Patterson	Mayor	✓	
Chris Hazelman	Councillor		X
Chris Teitzel	Acting Chief Executive Officer	✓	
Ian Couper	Acting Director Business	✓	
Sharlene Still	Manager Corporate Performance	✓	
Natarlie Phillips	Team Leader Risk	✓	
Jodie Sessions	Risk Management Advisor	✓	
Matthew Jarvis	Manager Finance and Rates	✓	
Peter Schnorrenberg	Asset Systems Data Officer	✓	
Michael Dwyer	Team Leader Accounting	✓	
Stephen O'Kane	Partner – LDAssurance Chartered Accountants	✓	

Meeting opened 8.30 am.

1. CONFLICT OF INTEREST

Disclosure of Interests – *Committee members are required to disclose an 'interest' in a decision if they would receive, or could be reasonably perceived to receive a direct or indirect financial or non-financial benefit or detriment from the decision. In addition, Committee members are required to declare, where they may have a conflict of interest, or they could reasonably be perceived to have a conflict of interest, with their employing organisation or any their committee memberships.*

No conflicts of interest were declared.

2. FINANCIAL ANNUAL STATEMENTS YEAR ENDED 30 JUNE 2015

As part of its annual reporting requirements, Council is required to prepare a set of annual statements, comprising of financial statements, standard statements and a performance statement, which comply with sections 131 and 132 of the *Local Government Act 1989*.

Financial Statements:

Michael Dwyer provided an updated version of the Financial Statements.

Discussion was held surrounding the following:

- Provision for landfill rehabilitation. Shown in prior year as a contingent liability. Now a provision for after care and a contingent liability for operational assurance.
- Action: for the 2015/16 financial statements the committee requested that a list of accounting treatments be provided to the ARMC next year in April 2016.
Responsible: Manager Finance and Rates
- The Balance Sheet is currently out by \$578k. This is believed to be related to the revaluation of land under roads which has moved materially. The finance team are currently working to address this.
- Statement of Changes in Equity: Figures in yellow will be consolidated in the final draft.
- Action: In future years, the finance team are to provide the ARMC a key summary of movements between prior and current year in the financial statements. **Responsible:** Manager Finance and Rates.
- Note 11 – art collection and regalia appreciate in value so no depreciation
- Note 1y – Discussed revaluation of land under roads. Treatment complies with accounting standard. Revaluation was backdated and is effective 1 July 2014.
- Note 2a – Committee advised may need to drill into Materials and Services figure to further explain variance in consideration of landfill provision.
- Note 10b – defined benefit fund closed to new members
- Note 11 – Large variation for office administration due to rebates. Need to reclassify to ensure that the variance doesn't appear to be due to operational overheads. Consider rewording the description.
- Note 16 – Discussed GV Regional Library Corporation
- Note 22 – This note is impacted by the balance sheet error referred to above. The main reason for the change in opening balance of "Land – Specialised" is that a lot of new roads have been included that were not recognised before.
- Note 22 - a table is to be added for Plant and Equipment

- Note 22 – Reconciliation of Specialised Land. Need to consider whether this reconciliation is helpful and possibly remove. 2014 figure also needs to be revised to reflect revaluation.
- Note 26 – Discussed Rostered Days Off. Need to examine the risk associated with people not taking leave.
- Note 28 – Artwork and Regalia: material change is due to revaluation rather than purchases.
- Note 34 – Stephen O’Kane confirmed that the treatment of Cosgrove Landfill (as a provision and contingent liability) is consistent with other councils.

Performance Statement:

Michael Dwyer provided an updated version of the Performance Statements.

Discussion was held surrounding the following:

- There are no prior year results as this is the first year that the Performance Statement has been produced. Will appear in future years.
- The finance team used a target range from Local Government Victoria to determine whether there was a material variation for each indicator. Need to add an explanatory note for this. To be included in the “Basis for Preparation.”
- Need to adjust population indicators so they are consistent.

Draft (Final) Management Letter 2015

As this document has not been finalised with management comments, it was agreed to delay detailed discussion until the October ARMC meeting.

General Discussion:

- Stephen O’Kane confirmed that:
 - He is comfortable that the Land Buildings revaluation is materially correct
 - Whilst there may be some errors in the Land and Buildings value, they would not be material
 - The financial statements will be reviewed by VAGO. Signed financials need to get to VAGO by 23rd September.
- Stephen O’Kane walked through the Draft Closing Report. (Not provided to the ARMC in advance of the meeting.) He noted:
 - There has been a lot of changes to the statements this year, including a lot of asset changes, a new provision for the tip and a new performance statement
 - Audit adjustments included an extra landfill provision, a provision for a termination payment and an error of \$10 million.
 - Will be a clean audit report, subject to changes being made as discussed.
- Action: Draft Closing Report to be circulated to the ARMC prior to the special meeting next year. **Responsible:** Manager Finance and Rates.

Outcome:

<p>Moved: Mr Graeme Jolly Seconded: Mr John Calleja</p>

That the Audit and Risk Management Committee recommend:

1. *That Council approve in principle the financial statement, and performance statement for the financial year ended 30 June 2015.*
2. *That Council authorise the Mayor, Dennis Patterson and the Deputy Mayor Fern Summer to certify the financial statements, and to certify the performance statement in their final form after any changes recommended or agrees to by the auditor, have been made.*

CARRIED (subject to all discussed amendments)

Meeting Closed: 9:35 am

3. DATE OF NEXT MEETING

Date: 8 October 2015
Time: 4.00 pm
Venue: Bill Hunter Room, Welsford Street Offices

MINUTES

**Greater Shepparton Audit and Risk
Management Committee Meeting
held
Thursday 08 October 2015
At 4:00 pm
in the Hunter Room
90 Welsford Street, Shepparton**

Committee Membership:

Mr Geoff Cobbledick, Chair
Mr Peter Johnson
Mr Graeme Jolly
John Calleja
Mayor Dennis Patterson
Cr Chris Hazelman

INVITED	TITLE / POSITION / ROLE	PRESENT	APOLOGY
Geoff Cobbledick	Community Representative / Chairperson	✓	
Peter Johnson	Community Representative	✓	
John Calleja	Community Representative	✓	
Graeme Jolly	Community Representative	✓	
Dennis Patterson	Mayor	✓	
Chris Hazelman	Councillor		X
Chris Teitzel	Acting Chief Executive Officer	✓	
Ian Couper	Acting Director Business		X
Sharlene Still	Manager Corporate Performance	✓	
Natarlie Phillips	Team Leader Risk	✓	
Matthew Jarvis	Manager Finance and Rates	✓	
Stephen O'Kane	Partner – LDAssurance Chartered Accountants		X
Virginia Boyd	Manager, People Performance		X
Brian Doyle	OH&S Advisor	✓	
Mark Peters	Partner – HLB Mann Judd		X

Meeting opened 4pm.

Apologies provided on behalf of Mr Mark Peters. Mr Mark Holloway, Partner HLB Mann Judd attended the meeting to represent Mark Peters.

1. CONFLICT OF INTEREST

Disclosure of Interests – *Committee members are required to disclose an 'interest' in a decision if they would receive, or could be reasonably perceived to receive a direct or indirect financial or non-financial benefit or detriment from the decision. In addition, Committee members are required to declare, where they may have a conflict of interest, or they could reasonably be perceived to have a conflict of interest, with their employing organisation or any their committee memberships.*

No conflicts of interest were declared.

2. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

2.1 Minutes of Meeting – 23 July 2015 (refer attached report)

Recommendation:

That the minutes of the meeting held on 23 July 2015 as circulated be taken as read and confirmed.

Motion: Peter Johnson
Second: Graeme Jolly

Carried, subject to the following revision:

The minutes are to be adjusted to note discussion of Strategic and Operational Risks.

Action: Adjust minutes to reflect that there had been discussion of review of strategic and operational risks. Responsible: Team Leader Risk.

3. ACTION REGISTER

Outstanding items on the action register were discussed.

Action: Take necessary steps to make recommendations to Council regarding renewal of term for committee members Peter Johnson, Geoff Cobbledick and Graeme Jolly.
Responsible: Team Leader Risk.

4. STANDING AGENDA ITEMS

4.1 OH&S Report

Brian Doyle presented the 4th Quarter 2014/15 OH&S Report for discussion. He highlighted that whilst the number of incident reports in 2014/15 has increased compared to the prior year, this is due to an increase in the number of near misses and minor injuries being

reported. These items were previously often not reported. Brian provided an updated status of outstanding internal audit action items from the Review of Management of Occupational Health and Safety.

Action: Include commentary at the start of the report to highlight anything the committee should be made aware of. **Responsible: OHS Advisor.**

Action: Item 4 of the report – Determine if the sequence of incident types can be changed in the graph, so they are in order of severity. Only do this if possible to do so in the system. **Responsible: OHS Advisor.**

4.2 August 2015 Monthly Financial Report

Matthew Jarvis presented the August Monthly Financial Report. Discussion was held surrounding the following:

- Accounting recognition of rates and interest revenue
- Tender evaluations for a new financial system. Targeting first quarter next financial year for go live. Discussed the importance of having good specifications, and adequate resourcing for project implementation.
- Impact of Rates Capping.

Action: As an interim measure prior to introduction of the new financial system, Finance to report Balance Sheet variances from previous month actual to current actual figures. **Responsible: Manager Finance and Rates.**

4.3 Risk Report

Natarlie Phillips presented the Fourth Quarter Risk Management Report. An update was provided on the status of the 3 major claims.

Natarlie informed the Committee that Council currently appear to be in breach of an EPA license condition with regards to gas emissions at Cosgrove 2 Landfill Operations, and that monitoring bores may be giving false readings due to their close proximity to the edge of waste.

Sharlene Still advised that the Risk Report would be revised to provide previous and current year to date comparisons instead of just quarter to quarter.

Action: Raise issue of potential EPA breach with insurer. **Responsible: Team Leader Risk.**

4.4 Status of Audit Recommendations

Natarlie Phillips presented the Status of Outstanding Audit Action Items as at 11 September 2015. Discussion was held surrounding the following:

- The ARMC were satisfied with the format of the report. (This is a new report.)
- The ARMC expressed concern at the large number of outstanding action items, particularly in regards to those rated as high.
- A cultural change is required in the organisation to ensure that the importance of these items is recognised by management and that it is given priority.

- Management needs to be realistic about deadlines agreed to for completion of audit recommendations.
- The process for extending recommendation deadlines is currently informal
- Mark Holloway raised that some organisations reflect completion of audit items in individual performance management plans.

Action: The status of outstanding audit items should be put on the agenda for discussion at monthly executive meetings. **Responsible: Acting CEO.**

4.5 Risk Team Planner

Natarlie Phillips presented the Risk Team Planner as at 11 September 2015. It was agreed that the status of these items would be reported to the ARMC at each meeting.

4.6 CEO's Report

Chris Teitzel provided a verbal update on the following matters:

- The Local Government Act is under review. This is the first review of the Act in 25 years
- A bill is currently with parliament to amend the Local Government Act 1989 to add more detail around expected behaviour from Councillors.
- There has been a decision to reimburse councillor expenses with regard to the Muto action.

5. NEW BUSINESS

5.1 VAGO Final Management Letter

Matthew Jarvis presented the VAGO Final Management Letter June 2015. Discussion was held surrounding the following:

- Changes in accounting policy to be reported to the Executive and ARMC.
- Whether 40 years is an appropriate useful life for buildings.
- ARMC are concerned that items 2.1 and 2.2 in the management letter have been rated as High. This may not be an appropriate rating, as the auditor found that the Council's financial statements were not materially misstated. Matthew Jarvis stated that concerns about ratings had been expressed to the auditor in past audits.

Action: Discuss concerns with the audit process with the auditor, regarding the lack of an exit interview. **Responsible: Acting CEO.**

Action: Request for a representative from VAGO to attend the next ARMC committee meeting. **Responsible: Acting CEO.**

5.2 Review of HR Management – Final Report

Mark Holloway provided some background to the Review of HR Management and gave an overview of the report findings. Discussion was held surrounding the following:

- There were 3 Framework and 4 Compliance related issues raised in the report.

- Need to make improvements regarding the termination checklist
- HLB Mann Judd looked at exit interviews
- Possible improvement would be to introduce reporting on trends relating to why people leave
- Chris Teitzel advised that Staff surveys found that employees are positive about working for Council

5.3 Review of Strategic Procurement– Final Report

Mark Holloway provided some background to the Review of Strategic Procurement and gave an overview of the report findings. Discussion was held surrounding the following:

- There were 3 Framework and 8 Compliance related issues raised in the report.
- Procurement practices at different organisations.
- ARMC expressed concern that two management responses in the report did not adequately acknowledge the need to take action to address the issue raised:
 - Item 1, point 3. Should establish a framework that specifies criteria to guide the review of contractor's performance, with simpler requirements for smaller contractors.
 - Item 10. The executive should be able to address reinforcing the requirement to comply with procurement guidelines.

Action: Provide the ARMC with a report on the waste services tender process which was aborted. This report should outline failings of the original process followed. **Responsible: Acting CEO.**

Action: Revise management responses to Item 1, point 3 and Item 10, taking into account ARMC's comments. **Responsible: Acting CEO and Manager Corporate Performance.**

5.4 Remuneration for Independent Committee Members

Sharlene Still informed the Committee that the recommendation for remuneration of independent committee members was passed at the August Council meeting. The remuneration approved was \$850 for each member and \$1075 for the Chair. (Note: this item was moved in the agenda and was discussed after item 4.1.)

5.5 Approval of Risk Management Policy

Natarlie Phillips requested that approval of the draft risk policy be managed by circulating the document and getting feedback from ARMC members by email, rather than tabling at the December meeting. This will allow the policy to be presented to the 15th December ordinary council meeting for approval.

The ARMC agreed to this approach, with the provision that members could flag the need for a meeting to discuss if they believed this to be necessary upon reviewing the document.

5.6 Chair's Report for the 2014/15 Year

The ARMC noted the report.

6. ANY OTHER BUSINESS

The ARMC requested that meetings be organised for the 2016 calendar year. There should be 4 ordinary meetings spread approximately evenly throughout the year and one special meeting in September.

Action: Circulate proposed meeting dates to ARMC members for their approval, prior to the next meeting. **Responsible: Team Leader Risk.**

At 6:30pm the Chair invited Mark Holloway to stay for a private discussion with the ARMC. Natarlie Phillips, Chris Teitzel and Matthew Jarvis left the room.

7. DATE OF NEXT MEETING

Date: 8 October 2015
Time: 4.00 pm
Venue: Bill Hunter Room, Welsford Street Offices