

PRESENT: Graham Marchant (Chair), Paul Nankivell

IN ATTENDANCE: General Manager, Director Corporate and Community Services, Director Environment and Development Services, Director Technical Services (from 10:10am), Chief Financial Officer, Manager Corporate Services (minutes).

APOLOGIES: Cr Ambrose Doolan

DECLARATIONS OF INTEREST: Nil

CONFIRMATION OF MINUTES

THE COMMITTEE RESOLVED that the minutes of the Internal Audit Committee meeting held on 17 September 2019 are confirmed.

Nankivell/Marchant

BUSINESS ARISING FROM MINUTES: Nil

ITEM 6.1.2 – FINANCIAL STATEMENTS

Ms Cathy Wu of the NSW Audit Office joined the meeting by telephone to discuss the finalisation and conduct of the audit. The Audit Office issued an unqualified audit opinion that the Financial Statements are true and clear with no material errors.

Matters of interest to the committee include the financial impairment caused by the Three Rivers Regional Retirement Community (TRRRC) project (approx. \$3,500,000) and reclassification of rural firefighting equipment as Council assets (approx. \$500,000).

Ms Wu discussed ratios; Council met three ratio benchmarks. In the previous audit, Council met four benchmarks.

The audit was completed on time. Ms Wu thanked management for assistance and cooperation in completing the audit.

Discussion

- Mr Nankivell asked whether there are problems in the project cycle (including procurement and management) and, if so, how they can be resolved.

Ms Wu advised that recommendations have been made to improve project management, in particular in monitoring and reporting. No deficiencies in procedure were identified other than monitoring.

Mr Nankivell stated that a whole project cycle approach needs to be adopted that continues across audit periods.

Ms Wu left the meeting.

- The committee notes that the Financial Statements were adopted by Council at its Ordinary meeting of 21 November 2019, and requested details of any items of concern regarding issues raised in the Management Letter.

The Director Corporate and Community Services advised that fixed asset revaluations are being actioned ahead of the next audit, and discussed control processes including procurement, project management and IT issues.

- Mr Nankivell stated that issues with the TRRRC were identified years ago, and asked whether issues 'drop off' the management letter if they are not dealt with during the year of issue.

The Director Corporate and Community Services advised that issues are carried over to the following year's action list if not dealt with; that is, they do not drop off.

THE COMMITTEE RESOLVED that Council management provide a report to the next Internal Audit Committee meeting detailing progress made on actions and issues raised in the 2019 Management Letter.

Nankivell/Marchant

THE COMMITTEE RESOLVED that Council management will provide details of the project plan for completion of the 2019/20 Financial Statements and audit, detailing progress of achievements and identifying any risks in being able to meet compliance.

Nankivell/Marchant

- Mr Marchant asked whether there are any risks identified in contracting out Council's IT services.

The Director Corporate and Community Services spoke about the Agreement between Council and Tamworth Regional Council for the provision of Managed services – Support & Maintenance IT End User Support, including hours of service, price and services provided by Tamworth Regional Council.

ITEM 6.1 – ACTION LIST PROGRESS REPORT

- IA01/1920 – 2019/20 Financial Statements. This item will be on the agenda for the next Internal Audit Committee meeting.
- IA02/1920 – Internal audit function. Proposal/options on this function to be provided to the next Internal Audit Committee meeting.

The Director Technical Services joined the meeting

There was discussion about internal audit functions. Other councils have gone out for expressions of interest and developed an audit plan over years based on identified risk areas. Other options are to complete the audit in-house based on risk assessment, or to partially complete internally and contract out specific functions. It will be necessary to test controls; are they there, how effective are they, and is the organisation complying? The process will identify improvements in procedures and policies.

- IA04/1920 – Project Risk Update. The monthly revotes report is being enhanced to report more fully on projects.

Mr Marchant asked about progress on a project management framework, detailing procedures for inception, procurement, delivery and contract management.

The General Manager advised that Council has delivered training in project management to key staff this year, and is currently recruiting a Manager Projects.

THE COMMITTEE NOTED that Council management advise that a resource is being engaged to fill a project management role and that further updating will be provided to the committee in terms of project items.

ITEM 6.1.3 – MANAGEMENT LETTER

This item was dealt with during discussion on Item 6.1.2 (Financial Statements).

6.1.4 – RISK MANAGEMENT FRAMEWORK

Internal Audit Committee members, the Mayor and Councillors, the Executive Leadership Team, Managers and some specialist roles will be involved in an initial Enterprise Risk workshop, scheduled for 25 February 2020.

A second workshop (date to be advised) will discuss enterprise risk components further.

THE COMMITTEE NOTED the Enterprise Risk Management Framework report. The Director Corporate and Community Services will make arrangements for initial enterprise risk training.

Nankivell/Marchant

ITEM 6.1.5 – COMPLIANCE REGISTER

The Director Corporate and Community Services spoke about the Local Government Legal 'Legislative Compliance Database'. The database captures pieces of legislation relevant to local government and has the ability to assign responsibility for compliance and generate reports.

Mr Marchant stated that the database is a good tool for some level of compliance management and spoke about the need to look at compliance with licencing and understand the risk of non-compliance. Council will need to develop a list of things the organisation is required to comply with and analyse the effectiveness of controls.

THE COMMITTEE NOTED the Compliance Register report. Council management will provide a report on further progress in the area of compliance to future Internal Audit Committee meetings.

Nankivell/Marchant

ITEM 7 – MEETING SCHEDULE

The next meeting of the Internal Audit Committee will be held on 25 February 2020, to coincide with the Enterprise Risk Management workshop.

The date for the meeting after that will be determined on 25 February 2020 and will deal with the interim audit.

GENERAL BUSINESS

The committee was provided with a copy of Council's response to the Office of Local Government s430 Investigation Report. No action arising.

There was discussion about the budget deficit of approx. \$5,000,000. No action arising.

There being no further business the meeting closed at 11:05am.