



CENTRAL TABLELANDS ALLIANCE (CTA) AUDIT COMMITTEE

MINUTES - 22nd June, 2018

1. Welcome and Acknowledgement of Country

We acknowledge the traditional custodians of the land on which we live and work - the Wiradjuri and Gundungurra Nations of people and we pay our respects to the Elders past, present and emerging.

2. Attendance

Rob Campbell	Chair
Neil Maltby	Independent Member
Phillip Burgett	Independent Member
Mayor Kathy Sajowitz	Mayor Oberon Council - Member
Mayor Stephen Lesslie	Mayor Lithgow City Council - Member
Gary Wallace	General Manager Oberon Council
Lynette Safranek	Finance & Community Services Director Oberon Council
Ross Gurney	Chief Financial and Information Officer Lithgow Council
John Thompson	External Auditor Via Phone Conference
Sharon Swannell	Secretariat - Oberon Council

3. Apologies

Graham Faulkner, General Manager, Lithgow City Council

4. Declarations of Interest

Nil

5. Confirmation of minutes of previous meeting.

This is the first constituted meeting of the Internal Audit Committee held so therefore there are no minutes of previous meetings for confirmation.

6. Business Arising and Action List

Nil

7. Chairman's Report

Rob Campbell presented the Chairman's report which had been circulated as part of the Agenda and Business Paper for the meeting. Mr Campbell outlined the background of the establishment and activation of the Central Tablelands Alliance (CTA) Audit Committee and discussion was held as follows:

Committee composition - under the charter, the committee is comprised of a Chairman, two Independent Members who should not be residents of either local council areas. The two independent members are both chartered accountants. Phillip Burgett lives in Bathurst and Neil Maltby lives in Molong, which meets the requirements. The two Mayors are council representatives and that comprises the official committee. Also in attendance is the General Manager of each Council and the Chief Financial representatives.

Charter - the charter was largely taken from the DPC internal audit guidelines. A copy of the charter has previously been endorsed by both Councils. It has been used to set up an internal audit program which Rob will distribute.

Rob Campbell sought input from the committee regarding the reporting hierarchy. As the internal audit committee covers two councils it needs to clarify the reporting hierarchy. Who is above the Committee?

Both the Councils will report the Minutes of this meeting for resolution. Any changes to the charter would be via resolution of both councils.

Discussion was held regarding Section 7.4 Selection of Members.

Moved: Mayor Kathy Sajowitz
Second: Mayor Stephen Lesslie

That Section 7.4 (i) of the Audit Committee Charter be amended from "*The Committee shall seek nominations.....*" to "*The Council shall seek nominations....*".

Carried – Unanimous

Moved: Mayor Stephen Lesslie
Second: Mayor Kathy Sajowitz

That Section 7.4 (ii) of the Audit Committee Charter be amended from "*The eligible persons will be interviewed by the General Manager of the LGA's who shall make recommendations to the Committee.*" to "*The eligible persons will be interviewed by the council representatives and chairman of the committee or alternate independent member who shall make recommendations to the Councils.*"

Carried - Unanimous

Moved: Mayor Stephen Lesslie
Second: Mayor Kathy Sajowitz

Section 7.4 (iii) of the Audit Committee Charter be amended from

“Following receipt of recommendations from the General Manager, the Committee may appoint the independent external members by:

- o Making a direct appointment based on merit; or*
- o Determining the representative by the drawing of lots where there are suitable and complying nominations with equal merit.”*

to *“Following receipt of recommendations from the Selection Committee the Committee may appoint the independent external members by making a direct appointment based on merit.*

Carried - Unanimous

Moved: Phillip Burgett
Second: Mayor Stephen Lesslie

That clause 7.4 (iv) be deleted.

Carried - Unanimous

Moved: Rob Campbell
Second: Mayor Kathy Sajowitz

That clause 4.2 be amended to include the words *“to make recommendations that will facilitate an adequate and effective system of internal control throughout the Councils and to oversee the operation and implementation of the Internal and External audit plans.”*

Carried - Unanimous

The Chair commented that there is a full review and amendments required for section 6 of the Audit Committee Charter and due to time constraints it was suggested that the independent members sit down and examine this in detail.

Moved: Phillip Burgett
Second: Neil Maltby

That the external members review Clause 6.1 to 6.7 and make recommendations by 30 June 2018 and those recommendations will be circulated to the voting and non voting members of the committee and the voting members will be asked to clarify any questions with the chair and vote via email within three days of the report being circulated to them. Further this will then form part of the report to the next available Council meeting of each member Council.

Carried - Unanimous

Discussion was held regarding Section 12 – Reporting. It was agreed that any recommendations from this committee need to come to Council via a report from the committee to the Council. The Committee agree there is no change required to this section of the Charter. If a matter relates to one Council a report will be provided to that Council only.

Moved: Phillip Burgett
Second: Mayor Kathy Sajowitz

That Section 12.3 of the Audit Committee Charter be moved to the committee meetings section of the Charter.

Carried - Unanimous

Moved: Mayor Stephen Lesslie
Second: Neil Maltby

That Section 14.2 of the Audit Committee Charter be amended to "*the councils will approve any change to the audit committee charter*" to ensure consistency with other changes made at this meeting.

Carried - Unanimous

Mayor Kathy Sajowitz asked when the work of this Committee will commence. Discussions held at this meeting will give the framework to work under. The Chair agreed that we should commence some audit as soon as possible. It was agreed that the committee would deal with the amendments to Section 6 of the Charter via a circular resolution of the committee.

Discussion was held in relation to dealing with sensitive information. It is noted there are two confidential sections include in the agenda, one for each Council. This will allow the opportunity to deal with the internal audit recommendations which may be different or confidential in nature for each member Council. The committee works under the same parameters as Council and has the same Code of Conduct and confidentiality provisions. In this instance the non-voting representatives from the alternate council could leave the room as required. The Councillor representatives could remain and deal with these matters as a confidential item. In this type of structure there will be separate risk factors and each Council will have separate issues to consider, therefore the internal audit plan requirements may be different. It is noted that the structure is under a 12 month trial.

Moved: Mayor Stephen Lesslie
Second: Mayor Kathy Sajowitz

That the non-independent voting members agree that we proceed on the basis there is nothing that is confidential unless the non-independent council representatives report to the Chair that a matter is confidential.

Carried - Unanimous

Support Structures – the Chair advised that there is no budget provision for an independent audit person to carry out the work. A good starting point for the work is to look at the risk assessments that were done under Grant Thornton. The Chair proposed that we should move towards having a shared internal auditor.

Discussion was held in relation to other Internal Audit Committee structures that the Independent Members have been involved with and the process around the appointment of an Internal Auditor on a cost sharing basis. The success of an internal audit function comes down to working out how much councils are prepared to invest in it. Each of the Councils is different would have a separate risk register and internal audit plan. Each Council could share the same internal auditor. If we are serious about working from the individual risk registers, Oberon may wish to do something different to Lithgow, we may choose to do different audits and share the outcomes. If an internal auditor is doing a good job it can cut down on the cost of external audits.

The Chair advised the Committee that Internal Audit is shortly to be mandated across Local Government.

Discussion was held in relation to funding for an internal audit function. Centroc is looking at options and both Oberon and Lithgow Finance Directors will attend the next meeting where this will be discussed.

Moved: Mayor Stephen Lesslie
Second:

That the committee recommend that each of the Central Tablelands Alliance Councils consider the appointment of an internal auditor as a matter of priority.

Following discussion this matter was deferred until further information about the forward plans is clarified.

Moved: Phil Burgett
Second: Mayor Kathy Sajowitz

That each Council review the risk register and from this develop its own 2018-2019 internal audit plan, and provide a report back to the next committee meeting for endorsement of an 2018-2019 audit plan to address the priority issues affecting each council independently.

Carried - Unanimous

Moved: Mayor Kathy Sajowitz
Second: Phil Burgett

Each Central Tablelands Alliance Council member consider carrying forward any unspent funds from the 2017-2018 budget period.

Carried - Unanimous

The meeting rose at 1.22pm for a short lunch break.

The meeting resumed at 1.44pm

As a recommendation has been put forward to carry over unspent budget there will be no works undertaken between now and the end of financial year.

The Chair circulated a document which is being developed and will become an audit plan. Each Council's Risk Assessments will be reviewed. It was noted in item 3.2 committee responsibilities, each council will review its risk matrix and conduct an analysis of its risk profile.

There are a number of Risk Assessment tools available. Oberon Council has just signed up to implement Vault which is a free service for StateCover members. It is a WHS tool that looks at how you look at your risk profile.

8. Next meeting, location and secretariat

The next meeting will be held on Friday 14 September, commencing at 11.00am at the Lithgow City Council Chambers.

9. Meeting close

The Chair thanked everybody for their input into the meeting and closed the meeting at 2.01pm.

SUMMARY OF ACTIONS

Activity	Responsibility
REVIEW OF SECTION 6 OF THE AUDIT COMMITTEE CHARTER <ul style="list-style-type: none">Undertake a review of Section 6 of the Audit Committee Charter and seek a circular resolution via email to endorse the proposed changes by 30 June 2018.	Chair and Independent Members

CENTRAL TABLELANDS ALLIANCE (CTA) AUDIT COMMITTEE

Audit Committee Charter

1 Name

The Committee will be called the Central Tablelands Alliance (CTA) Audit Committee.

2 Status

Established by authority of the Lithgow and Oberon Councils on 20 Sept 2010
Minute 10-402

3 Purpose

The Audit Committee Charter sets out the role, composition, authority, responsibilities and operation for the CTA Audit Committee.

4 Objective

- 4.1 The main purpose and function of this Committee is to provide independent assurance and assistance to Councils on risk management, control, governance and external accountability responsibilities
- 4.2 In addition, the purpose and function of this Committee is to **make recommendations that will facilitate an adequate and effective system of internal control throughout the Councils and to oversee the operation and implementation of the Internal and External audit plans.**

5 Authority

The Councils authorise the Committee, within the scope of its role and responsibilities, to:

- i) Obtain any information it needs from any employee or external party (subject to their legal obligation to protect information)
 - ii) Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations)
 - iii) Request the attendance of any employee or councillor at Audit Committee meetings
- 5.1 Subject to the approval of the Councils, the Committee may obtain** external legal or other professional advice, as considered necessary to meet its responsibilities

6 Role and Responsibilities

- i) The role of the Audit Committee is to **monitor** risk, compliance, external accountability and the internal control environment on behalf of **the Councils**
- ii) The Committee has no executive powers, except those expressly provided by the Councils
- iii) In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Councils rest with the Councils and the General Managers as defined by the Local Government Act 1993 (as amended). **The Councils and General Managers shall ensure that reasonable resources are allocated to providing the audit committee with the information it needs to discharge its responsibilities.**
- iv) The responsibilities of the Committee may be revised or expanded by CTA Councils from time to time

Specifically, the Audit Committee's responsibilities are:

6.1 Risk Management – **monitor** CTA Councils' risk management arrangements and review whether or not:

- i) Management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud
- ii) A sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings
- iii) A sound and effective approach has been followed in establishing business continuity planning arrangements, including if plans have been tested periodically

6.2 Control Framework - **monitor** whether or not:

- i) Management has adequate and effective internal controls in place, including over external parties such as contractors and advisors
- ii) Management has in place relevant policies and procedures, and if these are periodically reviewed and updated
- iii) Appropriate processes are in place to assess if policies and procedures are complied with
- iv) Appropriate policies and procedures are in place for the management and exercise of delegations
- v) Management has taken steps to embed a culture which is committed to ethical and lawful behaviour

6.3 External Accountability:

- i) **Review the audited financial statements and consider whether they are complete, consistent with the information known to members of the Audit Committee, reflect appropriate accounting principles and are supported by appropriate management sign-off on their completeness, accuracy and adequacy of the Council's internal controls. Without having conducted its own assessment, the Audit Committee will rely on the work of the Internal and External Auditor and management representations. Therefore any recommendation to the Councils would be in accordance with these limitations and may comment on matters such as the audit process, access to records, suitable qualifications of the External Auditor, sufficient time to complete the audit and satisfactory resolution of contentious matters arising in the course of the audit.**
- ii) Reviewing the External Audit opinion, including whether or not appropriate action has been taken in response to audit recommendations and adjustments
- iii) Considering contentious financial reporting matters in conjunction with Council's management and External Auditors
- iv) Reviewing the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements
- v) Being satisfied that there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations

6.4 Legislative Compliance

- i) Determine if management has appropriately considered legal and compliance risks as

part of risk assessment and management arrangements

- ii) Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies

6.5 Internal Audit

- i) Act as a forum for communication between the Councils, General Managers, senior management, Internal Audit and External Audit
- ii) Review and authorise the annual and long-term Internal Audit Plan as developed by the Internal Auditor including consideration of the Risk Management Plan
- iii) Monitor the resources of the Internal Audit function and make recommendations to the General Managers to ensure that the Internal Audit function is sufficient and appropriate
- iv) Ensure and support the independence of the Internal Audit function
- v) Make recommendations for inclusion and/ or prioritising projects in the Internal Audit Plan/s
- vi) Make recommendations to commission audits of any kind, whether to be conducted by the Internal Auditor or otherwise
- vii) Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices
- viii) Review and discuss the Internal Auditor's quarterly reports including:
 - YTD progress as per the Internal Audit Plan
 - Significant variations that have occurred from the Internal Audit Plan
 - Any specific concerns the Internal Auditor may have to discuss
- ix) Monitor the acceptance and implementation of Internal Audit recommendations by management
- x) Approve and periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place
- xi) Periodically review the performance of Internal Audit

6.6 External Audit

- i) Review the proposed audit scope and approach, with particular respect to coordination of audit effort with internal audit
- ii) Act as a forum for communication between the Council, General Manager, senior management, Internal and External Audit
- iii) Provide input and feedback on the financial statement and performance audit coverage proposed by External Audit, and provide feedback on the External Audit services provided
- iv) Review all external plans and reports in respect of planned or completed external audits, and monitor management's implementation of audit recommendations
- v) Consider significant issues raised in relevant External Audit reports and better practice guides, and **monitor that** appropriate action is taken

6.7 Responsibilities of Members

Members of the Committee are expected to:

- i) Understand the relevant legislative and regulatory requirements appropriate to Council

- ii) Contribute the time needed to study and understand the papers provided
- iii) Apply good analytical skills, objectivity and good judgment
- iv) Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry

7 Membership and Tenure of the Audit Committee

7.1 Skills and Experience

- i) The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Council
 - ii) At least one member of the Committee shall have accounting or related financial management experience, with understanding of accounting and auditing standards in a public sector environment.
- III. Each Council will contribute \$25000 per annum to fund the expenses of the independent members appointed to the committee.
- IV. Each Independent member will be paid \$5000 per annum for attending the four committee meetings planned each year. **The Chairman will be paid \$10000 per annum for attending the four committee meetings planned per year, compiling the agenda for each meeting, reviewing the minutes for each meeting and liaising with the other 2 independent members.**
- V. Reasonable travel expenses of the independent members will be reimbursed by the CTA Councils.

7.2 Membership of the Committee is by virtue of the appointed position; no delegates of the members are permitted

7.3 The Audit Committee shall consist of:

- i) Members (voting)
 - One Councillor from each of the CTA Councils
 - One Independent Chairperson external to the LGA's
 - Two independent members with relevant experience external to the LGA's
- ii) attendees (non-voting)
 - General Managers
 - Internal Auditor
 - Directors of Corporate Services
 - Representative of the External Auditor
- iii) Invitees (non-voting) for specific Agenda

items

- Other officers may attend by invitation as requested by the Committee

7.4 Selection of Members

The selection criteria and process for the appointment of the independent external members

(to the LGA's) shall ordinarily be as follows:

- The Councils shall seek nominations via media advertisement from persons interested in being appointed to the available position. All nominees who satisfy the conditions of this charter shall be eligible for appointment
- The eligible persons will be interviewed by the Council representatives and chairman of the committee or alternate independent member who shall make recommendations to the Councils.
- Following receipt of recommendations from the Selection Committee, the Committee may appoint the independent external members by making a direct appointment based on merit

7.5 Term of Office

- The independent external members will be appointed for the term of Council, after which they will be eligible for extension or re-appointment following a formal review of their performance.

Voting shall be undertaken in accordance with section 13 of this Charter, except that the independent external members seeking reappointment may not vote on the reappointment and will be deemed to be absent for the vote for the purpose of section 9 of this Charter.

This will mean that, if the external member seeking reappointment is usually the Chair, the other independent external member will become the Chair for the purpose of the vote.

- The maximum number of terms an independent external member can sit on the committee without the need for further nominations is 2 terms

7.6 Vacancy

In the case of resignation from the committee by an independent external member, the committee is to appoint another independent external member as soon as is practicably possible in accordance with the process set out in 7.4, but no later than one month prior to the next meeting, so that there are always two independent external members on the committee.

8 Code of Conduct

All members of the Audit Committee are to abide by Council's Code of Conduct.

9 Chairperson

- An independent external member acts as Chair of the Committee for the full term of office; i.e. for the term of Council
- In the case of resignation by the Chair, one of the other current serving independent external member will be appointed as Chair

- iii) In the absence of the appointed Chair, one of the other current serving independent external member shall serve as the Chair for the period of absence of the duly nominated Chair
- iv) Note that this role is an administrative role only with no authority to act or direct action on behalf of the Committee/ Council

10 Quorum

A quorum will consist of a majority of Committee members, including at least two independent external members.

11 Proceedings

11.1 Meetings

- i) The Committee shall meet at least four times per year, with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion as well as review and endorsement of the annual Internal Audit Plan
- ii) The need for any additional meetings will be decided by the Chair, although the other Committee members may make requests to the Chair for additional meetings
- iii) Meetings can be held in person, by telephone or by video conference
- iv) A forward meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Audit Committee Charter
- vi) The Committee may, at any time, consider any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Chair of the Committee (moved from 12.3)

NB 1: Where either Internal Audit Plan priorities change between meetings or new urgent issues arise, and where it is not possible to schedule an additional meeting, the Committee will be kept fully informed of all changes via email.

11.2 Attendance of Non-Members:

- i) The attendance of non-members is subject to invitation by the Chair
- ii) The Internal Auditor will be invited to attend each meeting unless requested not to do so by the Chair

11.3 Venue

Committee meetings will be held on a rotating basis at CTA Councils.

11.4 Conflicts of Interest

- i) Committee members must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted

- ii) Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interest, it may be appropriate they be excused from Committee deliberations on the issue where the conflict of interest may exist. The final arbiter of such a decision is the Chair of the Committee

11.5 Minutes

- i) The Committee will appoint each CTA Council to provide secretariat support to the Committee on a rotating basis
- ii) The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure minutes of the meetings are prepared and maintained
- iii) Minutes shall be approved by the Chair and circulated to each member within three weeks of the meeting being held

11.6 Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

12 Reporting

12.1 The Committee shall report at least annually to each CTA Council

12.2 At the first Committee meeting after 30 June each year, the Internal Auditor will provide a performance report of:

- i) The performance of Internal Audit for the financial year as measured against agreed key performance indicators
- ii) The approved Internal Audit Plan of work for the previous financial year showing the current status of each audit

13 Decision Making/Deliverables:

13.1 Decision Making/ Deliverables

- i) The Committee is expected to make decisions by consensus but if voting becomes necessary then the details of the vote are to be recorded in the minutes
- ii) Each member of the Committee shall be entitled to one vote only. In the case of an equality of votes on any issue the Chair shall have the casting vote
- iii) Between meetings the Chair may circulate to members by email specific proposals for adoption by the Committee. Members shall be given a set time – at least 5 (five) days – in which to reply to indicate their agreement with a particular proposal
- iv) A member's failure to respond within the timeframe given shall be taken as a vote against the proposal. Any decision taken by the Committee by email is to be noted and minuted at the commencement of the next meeting

NB: The Internal Auditor and the External Auditor representative are not voting members of the Committee.

13.2 Assessment of Committee Performance

