



MINUTES

Finance Committee

9 July 2018

4:30 p.m.

Name of Committee	
Item Number	Agenda
1	Welcome/present/ apologies
2	Confirmation of Minutes – June Meeting
3	Finance Update – EOFY, SRV
4	June Performance Reporting to OLG
5	Review of Insurance Arrangements
6	Central Tablelands Alliance Audit Committee – June meeting
7	External Audit – Fraud Questionnaire – Governance Section
8	June 2018 Investment Report
9	July Council Meeting – Review of Finance and Assets Reports
10	Audit Action List
11	General Business
12	Next Meeting – 13 August 2018

MINUTES – FINANCE COMMITTEE MEETING – 9 JULY 2018



ITEM: 1 PRESENT AND APOLOGIES

PRESENT: Councillor R Thompson (Chair), Councillor Stephen Lesslie, Councillor Steven Ring, Councillor Wayne McAndrew (4.57pm)

APOLOGIES: NIL

OFFICERS: Graeme Faulkner- General Manager, Ross Gurney - Chief Financial & Information Officer, Michael McGrath – Executive Manager People & Services, Andrew Muir – Director Economic Development and Environment, Rhiannan Whiteley - Minutes.

DECLARATION OF INTERESTS: Nil

ITEM: 2 CONFIRMATION OF MINUTES FROM THE PREVIOUS MEETING

The minutes of the Finance Committee Meeting held on 13 June 2018 were endorsed by Council on 25 June 2018 with the resolution number 18-172.

MOVED: Councillor S Ring

SECONDED: Graeme Faulkner

ITEM: 3 FINANCE UPDATE – EOFY, SRV

CFIO provided a verbal report to the committee. Finance are currently working on EOY processes and it is too early to report on the 18/19 year.

CFIO advised he would present a preliminary 2017/18 report to the next meeting.

Consultation on the Special Rate Variation has commenced with a survey being conducted throughout the LGA.

Operational carryovers / revotes need to be kept to a minimum to maintain budgetary controls for the 2018/19 year. Councillor Ring asked what processes were in place throughout the year to monitor progress towards completing projects and spending budgeted funds. General Manager advised that EMT/CMT reported on operational expenditure throughout the year.

The Capital and Operational carryovers/ revotes will be considered by EMT and then put to Council in August or September.

Councillor Ring made enquiries about early close practices. CFIO advised that Local Government is not required to do this, however it may change with the switch to the NSW Audit Office. Council has completed its revaluations early and Council is in a much better position this EOFY for the auditors to sign off than we have in the past.

ACTION

THAT the above information be noted.

MOVED: Councillor S Ring

SECONDED: Councillor S Lesslie

ITEM: 4 JUNE PERFORMANCE REPORTING TO OLG

SUMMARY

Six new Engagement Officers have been appointed to the OLG. Lithgow's OLG officer (Karen Purser) will be meeting with the General Manager on Wednesday 11 July. General Manager will discuss ongoing reporting requirements.

The report was noted by the Committee

MOVED: Councillor S Ring

SECONDED: Councillor S Lesslie

ITEM: 5 REVIEW OF INSURANCE ARRANGEMENTS

SUMMARY

The committee were advised that Civic Risk Mutual had provided a list of risk management improvement recommendations to Council. An action list has been prepared with timeframes for implementation. If Council were to join Civic Risk Mutual, there is an expectation that Council would address each recommendation (action is already underway).

Council has obtained a \$189,000 2018/19 budget saving from amending Council's premium excesses.

General Manager advised that Council has joined Civic Risk as associate members without voting rights but at no cost to council at this stage. The General Manager has notified Statewide that Council intends to resign from the mutual on 30 June 2019.

Once Council has worked through insurance plans for next financial year, a report will be put to Council.

The information in the report was noted by the committee.

MOVED: Councillor S Lesslie

SECONDED: Councillor S Ring

ITEM: 6 CENTRAL TABLELANDS ALLIANCE AUDIT COMMITTEE – JUNE MEETING

SUMMARY

CFIO advised that the first meeting of the Audit Committee with Oberon Council took place on 22 June 2018. There are three independent members and five voting

members in total. Rob Campbell, an independent Chartered accountant from Orange is the Committee's chairperson.

This meeting focused primarily on the Charter and its customisation. The Committee agreed that it be made clear in the Charter that the power to make final decisions remains with each Council and not with the Audit Committee. Additionally, that issues affecting individual councils remain independent and confidential as necessary. The Audit committee must operate within each Council's budget. The Audit committee expects that each Council will conduct a high risk internal audit program in 2018/19 – within the budget allocation for the Committee in the 2018/19 budget.

The General Manager has recommended that we approach the process with due care to ensure that it meets Council's needs.

The establishment of this committee meets the expectations of the OLG and finalises a Financial Management Maturity Assessment action.

CFIO attended Centroc meeting last week and advised they are looking at a regional approach to internal audit.

MOVED: Councillor S Lesslie

SECONDED: Graeme Faulkner

ITEM 7: EXTERNAL AUDIT – FRAUD QUESTIONNAIRE – GOVERNANCE SECTION

SUMMARY

The Auditors have requested that a Fraud Questionnaire be signed off annually. The Governance section of the questionnaire is required to be signed off by the Mayor, General Manager requested that the Responsible Accounting Officer co-sign.

CFIO to follow-up Crowe Horwath for the Interim Audit Management letter, which has not been received on time. Any issues relating to missed deadlines are to be referred to the Audit Office for resolution.

MOVED: Councillor S Ring

SECONDED: Graeme Faulkner

ITEM 8: JUNE 2018 INVESTMENT REPORT

The June 2018 Investment Report has not been finalised and will be presented to the July Council meeting.

ITEM 9: JULY COUNCIL MEETING – REVIEW OF FINANCE & ASSETS REPORTS

SUMMARY

The following report being presented to the Council meeting by Finance and Assets was discussed and recommended for approval at the Council meeting on 23 July 2018.

ACTION/RECOMMENDATION

Audit Committee Meeting Minutes 22 June 2018

FINANCIAL IMPLICATIONS

- Budget approved – N/A
- Cost centre – N/A
- Expended to date – N/A
- Future potential impact – N/A

THAT Council

1. Note the CTA Audit Committee June meeting minutes; and
2. Endorse the amended CTA Audit Committee Charter.

MOVED: Councillor S Ring

SECONDED: Graeme Faulkner

ITEM 10: AUDIT ACTION LIST

CFIO provided an update of the Audit Action List with all 2017/18 actions completed.

The Auditors have accepted completion of the 2017/18 audit actions. There are some ongoing actions.

Finance Committee congratulated Finance team on their efforts.

MOVED: Councillor S Ring

SECONDED: Councillor S Lesslie

ITEM 11: GENERAL BUSINESS

1. Councillor R Thompson –

Enquired as to whether the Workmen's Club had made a submission regarding assistance with their water account.

A meeting has taken place with members from Workmen's Club and Council staff. A submission has not been received.

2. Councillor Lesslie –

Enquired about an email he had received from a resident at South Bowenfels in relation to an invoice for Water connection fee. General Manager advised he would provide a response to the resident.

3. Councillor McAndrew –

Raised concerns with the amount of complaints and requests for assistance in relation to water rates. He suggested that the amount of requests for assistance has increased dramatically over the past 12-18 months.

It was suggested that a communication exercise occur to better inform rate payers about these increases.

Committee requested a report comparing what other councils charge for water.

ITEM 12: NEXT MEETING

Next Meeting: 13 August 2018 at 4:30 pm
The Committee Room

There being no further business the meeting closed at 5.14pm.



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