



CENTRAL TABLELANDS ALLIANCE (CTA) AUDIT COMMITTEE

MINUTES – 13 December 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 Ray Thompson	Mayor Lithgow City Council - Member
Gary Wallace	General Manager Oberon Council
Lynette Safranek	Finance & Community Services Director Oberon Council
Graham Falkner	General Manager Lithgow City Council
Ross Gurney	Chief Financial and Information Officer Lithgow Council
Leanne Smith	External Auditor - Intentus
Sharon Swannell	Secretariat - Oberon Council

3. Apologies

John Thompson, External Auditor – Crowe Horwath

4. Declarations of Interest

Nil

5. Confirmation of minutes of previous meeting.

The Minutes of the CTA Audit Committee Meeting held on 19 October 2018 were confirmed. The minutes have been endorsed by both Oberon and Lithgow Councils.

6. Business Arising and Action List

The Internal Audit Project has been actioned, this was via Vendor Panel. Quotations were sought from selective group of contractors and the tenders are due by close of business today, 13 December 2018. Lynette Safranek and Ross Gurney will be reviewing the tenders Friday 14 December 2018. The scope has been included in the documents provided to the meeting.

Risk Registers have been reviewed and a copy circulated. The Chairman noted when looking at the risk assessment for Oberon there is only one extreme residual risk which is procurement which falls within the scope of the framework.

Oberon advised it has introduced online requisitions and reviewed its procurement process. This has been left on the register for the time being. Procurement is no longer considered to be extreme risk for Oberon. LCC advised they had assessed this previously as being a high risk area.

It was agreed at last meeting to do something similar for both councils to get one internal audit up and running for the first half of 2019.

Phillip Burgett sought to clarify issue around procurement. In the Oberon scope there is no reference to procurement, in the Lithgow scope it is clear that procurement was included. It was confirmed the scope for each council will be exactly the same. A copy of the scope has been circulated via email.

It was noted the scoping document has not been reviewed before the tender has been issued. The Chair requested a copy be circulated.

LCC advised their organisational structure includes a Risk Officer and each Director has the mandate to develop the risk portfolio across LCC. They are working with StateWide and Civic Risk and they are reviewing the risk strategies. This will be developed at a senior level and rolled out across the whole organisation and will be provided to the Committee once completed.

The Oberon document is also a working document, it has been reviewed by Oberon Council's Risk Management/WHs Coordinator and General Manager, and will be reviewed by the Directors in the New Year.

Discussion was held regarding the framework used for Risk Registers. LCC is utilising the Pulse framework, Oberon is currently using an excel spreadsheet but looking to implement a program called Vault in Civica, which is similar program to the Pulse system. This takes all risks and assesses them across a platform of four areas, being WHS; Reputation; Governance and Environment.

The Chair enquired will separate systems create issues from an internal audit perspective if both councils are utilising different platforms. It was confirmed that the systems will have similar outputs, no issues are envisaged.

7. Chairman's Report

The Chair advised he will continue to raise any issues that the independent members feel are important in relation to the structure around the CTA Internal Audit Committee and will also raise the prospect of what will be required in 2020 when Internal Audits are mandated. (likely date – not mandated yet). It is noted that the Chair and Independent Members believe that in the future it will be harder to get jobs done that cover both Councils and that long term we should not dismiss the concept of having separate Internal Audit Committees.

LCC advised that it is not in favour of employing an Internal Auditor which is an employee of council doing internal audits. This committee is appointed as an independent audit committee.

LCC and OC are both supportive of an external outsourced model, which is likely to be permissible under the act. It is considered the process should be conducted at arms length from management and it is unlikely that an officer could be appointed that would have the experience, skill set or autonomy to be effective. Both Councils preference is to have an independent organisation, develop with Council the scope of that function, which reports to the Internal Audit Committee or Council.

Ross Gurney and Lynette Safranek will have further discussions regarding funding opportunities prior to the next meeting. They will determine what needs to be done to create an internal audit program with priorities and will also look at the budget requirements. Only one internal audit will be able to be completed within this years budget. Budget requirements need to be addressed if we are going to have continual improvement.

Discussion was held in relation to the appointment of External Auditors to conduct Internal Audits. Oberon Council is currently going through a changed external audit process. Intentis has been awarded the contract to conduct External Audits for Oberon Council for next three years, previously this was done by Crowe Horwath. It was noted that should Crowe Horwath be appointed to conduct Internal Audits this would require permission from the Audit Office.

Gary Wallace asked a question regarding councils having classified extreme inherent risk rating as per the last paragraph on page 3 of the Chairman's Report. My understanding of extreme inherent risk is your risk if you have no controls over it. How are these risks going to reduce when you have no control of them? The Chair agreed the comment is badly worded and should refer to residual risk rather than inherent risk. This was noted and will be amended.

8. Confidential Session – Lithgow Council

Nil

9. Confidential Session – Oberon Council

Nil

10. General Business

It was noted by the Chair that the Financial Statements for Oberon Council are good. LCC are also good, and are not running into any financial issues.

Graham Falkner advised that LCC are still waiting for their audit letter from Crowe Horwath six weeks after the due date. LCC has made many representations and have been unable to get their letter from Crowe Horwath or the Audit Office.

The Chair commented that in the Engagement Closing Report for Oberon the Audit Office letter has raised matters they have noted during the audit, there are no residual matters outstanding for Oberon. Procurement was mentioned in the closing report, this has been a focus area for the Audit Office. Lynette Safranek will recirculate a copy of the management letter and engagement closing report. Ross Gurney will circulate LCC's as well. It was noted that one of the Financial Statement attachments was unable to be opened, this will be re-circulated.

The Chair requested all correspondence be circulated to all independent members as well as the Chair. Ross Gurney will also circulate a copy of the action list for implementing the management actions.

Phillip Burgett asked that the action list arising from management letter be reported and monitored by the Internal Audit Committee. It is incumbent on the Audit Committee to monitor management action on points that have been raised. Phillip advised the committee want to see the action list from internal audit reports there needs to be status reports submitted to the audit committee until the action is closed to ensure items that have been identified are being progressed.

Graham Falkner advised LCC send ongoing progress to both the Office of Local Government and the Audit Office every month, this can be reported to the Internal Audit Committee quarterly.

Lynette Safranek circulated the 2017/18 audit timeframe. Want to include the internal audit in part of that timeframe. This will be included for the next meeting.

11. Next meeting, location and secretariat

The next meeting will be held on 14 March 2019, commencing at 10.00am at the Lithgow City Council Chambers.

12. Meeting close

The Chair thanked everybody for their input into the meeting and closed the meeting at 11.04am.

SUMMARY OF ACTIONS

Activity	Responsibility
<ul style="list-style-type: none">Discussions regarding funding opportunities and budget requirements prior to the next meeting.	Ross Gurney and Lynette Safranek
<ul style="list-style-type: none">Last paragraph, page 3 of the Chairman's Report be amended. Should refer to residual risk rather than inherent risk.	Rob Campbell
<ul style="list-style-type: none">A copy of the management letter and engagement closing reports for OC & LCC be circulated to all members. A copy of the Financial Statements will be re-circulated.	Ross Gurney and Lynette Safranek
<ul style="list-style-type: none">Action list arising from management letter be reported and monitored by the Internal Audit Committee	Ross Gurney and Lynette Safranek