

EC5 – Audit, Risk, Improvement Committee Annual Report

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TRIM 5374-4

EXECUTIVE SUMMARY

- The purpose of this report is to advise of the performance of the Audit, Risk, Improvement Committee.
- It is recommended that Council receive the report and thank the external representatives for their contribution to the effectiveness of Council's Audit Risk Improvement Committee in the 2016/17 financial year.

REPORT

Council's Audit Risk Improvement Committee (ARIC) provides Council with independent oversight and monitoring of the Council's audit processes, including the organisation's internal control activities.

A strong relationship between the ARIC and the internal audit function enables the ARIC to meet its responsibilities and carry out its functions. The ARIC establishes the importance and executive direction for the internal audit function and ensures that Council achieves maximum value from the internal audit function.

To maintain the independence of the ARIC each external member serves a four (4) year term. In the second half of the financial year an expression of interest was held and a new member was appointed by Council resolution on 19 June 2017.

Internal Audit

During 2016/17 three internal audits were completed in the following areas:

- Waste contracts
- Staff recruitment and performance management
- Development engineering.

A fourth audit on Section 149 certificate processing was commenced but has not as yet been finalised.

The key findings from the completed audits can be summarised as follows:

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Waste Contracts

Positive Findings

- Council has in place systems and processes for administering the waste collection and disposal contracts and the Bargo Waste Management Centre contract. The Team Leader has knowledge and experience in the delivery of waste management services.
- Council has a Waste Minimisation and Resource Recovery Strategy 2013-18 in place, which contains 53 action plan items to further improve the waste management function.

Opportunities for Improvement

- A Contract Management Plan should be developed, consisting of operational requirements, performance requirements and annual contractual requirements to ensure robust contract management practices are in place.
- Council should obtain from the contractors updated copies of the necessary documents specified in the contract (WH&S System including SWMS, WHS Risk assessments and control plans, Emergency Plan, Business Continuity Plan, Environmental Management Plan and Industrial Relations and Workforce Plan) to protect Council's interests.
- Contractors should be required to provide Council with Annual Assurance Certification to provide assurance that the annual contractual requirements have been satisfactorily met.
- Council should request updated copies of the Contractors' Risk Management Plans on an annual basis.
- Council should undertake an annual WHS inspection of the Bargo Waste Management Centre.
- Council should continue to reconcile bin numbers in the Rates system with the number of services claimed by the contractor to ensure, as far as practicable, that Council is only paying for services rendered.
- On an annual basis, a report should be provided to the Executive and Council on the progress against the initiatives outlined under the Waste Minimisation and Resource Recovery Strategy.

Staff Recruitment and Performance Management

Positive Findings

- Council has good systems and processes in place for the recruitment and selection of employees. The staff in the Employee Relations Branch are skilled and experienced in managing the various stages of recruitment and appear to provide excellent support to the business areas.

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- The engagement of casuals and labour hire resources was mainly on a needs basis and casual employment was concentrated in Library Services and Children’s Services business areas due to the nature of their business needs.
- The Administrative Protocol Recruitment and Selection and the Employee Relations Recruitment and Selection Procedure were updated in June 2016 and were found to be comprehensive.
- The Employee Relations Branch has a comprehensive “Employee Relations Strategies and Actions 2016 -2018” in place, which contains 33 projects to further improve the employee relations function in the Council. Council moved towards an online recruitment system in 2016.

Opportunities for Improvement

- Council should ensure that convenors of selection panels complete the recruitment and selection training and refresher training should be provided to those staff who attended recruitment training more than 5 years ago.
- Employee Relations should progressively review and update the position descriptions of those positions that have not undergone recruitment over the past 3-5 years.
- All selection panel members should complete the assessment of applications on Council’s system. The selection panels should ensure that an assessment of every criteria is completed and scored and the convenor must review the panel’s assessment for completeness prior to proceeding with the interview process.
- Council should implement an online Conflict of Interest (COI) declaration and require all panel members to declare any COI or confirm no COI was identified.
- Council should develop a performance management protocol and procedure to support the performance management practices.
- Council should also develop a protocol for managing poor performance and disciplinary action.

Development Engineering

Positive Findings

- Council has in place generally good systems, processes and practices relating to the development engineering function. The Council has embarked on a Continuous Improvement Project to further achieve efficiencies in the way the development engineering function is delivered.
- Council’s Design Specification and the Construction Specification were last reviewed and updated in 2016.



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Opportunities for Improvement

- Council should undertake reviews of the Design Specification and Construction Specification at least once every 3 years. An electronic master file should be utilised to record changes identified to the Specifications. There should also be a proper review and sign off process in place when finalising draft Specifications.
- A Procedures Manual should be developed for the Development Engineering function.
- A spreadsheet or other document should be developed to record all pre-lodgement meeting advice given to developers.
- Council should develop a bonds policy. Council should also develop a report listing all bonds in the DA Register in AUTHORITY and periodically conduct a reconciliation of this list against the Trust Register and the Legal Documents Register to ensure all bonds received have been accounted for.
- Council should implement the use of tablet PCs for the Development Engineering Team with direct access to AUTHORITY for the recording of inspections and the issue of final certificates of practical completion.
- Council should consider providing administrative support to the Development Engineering Team.
- A checklist should be developed for use when determining the conditions to be applied for the development to comply with the Council's Design and Construction Specifications.

In addition to the above audits, the internal auditors also conducted a review of senior staff salaries and an investigation of the circumstances leading to the temporary closure of the Bargo Waste Management Centre in August 2016. These reviews also resulted in a number of recommendations for improving internal controls.

The performance of the internal audit function was measured regularly against the following Key Performance Indicators:

KPI	How will it be measured	Target Level	Progress as at 30/6/17
Level of satisfaction of business units subject to internal audit with: - Communication between the audit team and business unit management	Brief survey to be issued to business area following completion of each audit	At least 90% satisfaction	1 survey completed. All responses were "very satisfied"

Council

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KPI	How will it be measured	Target Level	Progress as at 30/6/17
- Comprehensiveness of the audit - Relevance of audit recommendation - Quality of the audit report			
% of audits completed annually v's proposed audits in audit plan	Tally of audits completed	100%	Three audits completed as part of current audit plan
Level of satisfaction of Audit Committee and MANEX with internal audit function	Annual survey of audit committee and MANEX members	At least 90% satisfaction	Not yet measured as part of current audit contract
Time taken to complete audit projects	Date from Engagement Letter to issue of Final Report	Six weeks	Significant delay experienced in waiting for management comments on waste contracts audit. Ten (10) weeks from engagement letter to final report for Recruitment and Performance Management and Development Engineering Reports
Time taken to implement audit recommendations	Progress reports submitted to ARIC meeting	Zero recommended actions greater than 3 months overdue	2 Recommendations currently > 90 days overdue
Follow Up Audits	Number of follow up audits completed	At least 2 follow up audits (of high priority recommendations) completed annually	No follow up audits completed as part of current audit contract

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Progress against each of these KPIs will be reported to each meeting of the ARIC.

The ARIC also reviewed and were kept apprised of a number of processes/activities during the last financial year. These processes/activities include:

- Activities associated with Capital Works (including application of the Special Rate Variation
- Voluntary Planning Agreements & Section 94 Development Contributions Management
- Growth Updates
- IT system issues with Accounts Payable Workflows
- Governance Health Check - Evaluation Form & Health Check Action Plan
- Business Continuity (Data Loss Prevention and Malware Protection Measures)
- Quarterly Insurance Liability Reports.

The ARIC also monitors its own performance against the following KPIs:

KPI	How will it be measured	Target Level	Progress as at 30/6/17
Attendance by members at ARIC	Monitor attendance register	Attendance at 75% of meetings or more by each member	M. Muston - 4 of 4 A. Hanigan - 4 of 4 J. Walton - 4 of 4 Cr J. Hannan - 0 of 4 Cr B. Briggs - 1 of 4
Number of ARIC Meetings held	Minutes of each meeting	At least four meetings per annum	4 held in 2016/17 financial year
Timeliness of annual report to Council	Date of submission of annual ARIC report to Council	Within 2 months of end of each financial year.	Reported to Council in December 2016
Reporting of ARIC functions/outcomes to Community	No. of Community Forums at which information provided regarding internal audit	Scheduled to occur at the end of each Calendar.	Report presented to Community Forum in December 2016.

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KPI	How will it be measured	Target Level	Progress as at 30/6/17
Currency and coverage of internal audit plan	Date of review of Internal Audit Plan	Audit Plan reviewed at each meeting of the Committee	Last reviewed in May 2017
Currency and relevance of ARIC Charter	Date of review of Charter	Within 2 months of end of every second financial year	Last updated May 2017

CONSULTATION

- Internal Auditor
- Council Executive.

FINANCIAL IMPLICATIONS

Provision has been made within the adopted budget for the Internal Audit function.

ATTACHMENTS

Nil

RECOMMENDATION

1. That Council receive the Audit, Risk, Improvement Committee Report.
2. That Council forward a letter to the external representatives thanking them for their contribution to the effectiveness of Council's Audit, Risk, Improvement Committee in the 2016/17 financial year.