



**W A V E R L E Y**  
COUNCIL

**AUDIT COMMITTEE MEETING**

**BUSINESS PAPER**

**10.00AM, FRIDAY 11 DECEMBER 2015**

Waverley Council  
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## **COMMITTEE MEMBERS**

Independent Members: Mr M Bass (Chair)  
Mr N Hall

Councillor Member: Cr B Mouroukas  
Cr T Kay (Alternate)

**ATTENDEES:** Mr A Kyron – General Manager  
Mr F Rombola – Executive Manager, Financial Waverley  
Mr S Helweh – Senior Internal Auditor

**INVITEES:** Ms Emily Scott – Acting Director, Waverley Renewal  
Ms Sharon Cassidy – Acting Executive Manager, Creating Waverley

**QUORUM:** Two Committee members.

**APOLOGIES:** By telephone or email to Al Johnston, Governance Officer  
Ph: 90838107 or email alan.johnston@waverley.nsw.gov.au

## **AGENDA**

### **A-1512.A Apologies**

### **A-1512.DI Declarations of Interest**

The Chair will call for Declarations of Interest.

### **A-1512.1 Confirmation of Minutes of Previous Meeting – 16 October 2015**

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**Recommendation:** That the Minutes of the Waverley Council Audit Committee Meeting of 16 October 2015; a copy of which was distributed to each Committee member, be received and that such Minutes be confirmed as a true record of the proceedings of that meeting.

**A-1512.2**

**Internal Audit's Progress Report (A10/0345)**

The Internal Auditor will provide a verbal report on progress to date.

**Recommendation:** That the Committee receives and notes the verbal progress report from the Internal Auditor.

**A-1512.3**

**ISSUED SEPARATELY**

**CONFIDENTIAL REPORT - Internal Audit Report - Follow Up Report of Asset Management – Kerb and Gutter (A12/0554)**

This matter was previously considered by the Committee at its meeting in October 2015.

At that meeting the Committee resolved in part to defer the matter to this meeting to allow the Director, Waverley Renewal and the Executive Manager, Creating Waverley in consultation with the General Manager to prepare an evidence based response to each section of the action plan identified as unsatisfactory and present the responses to the Committee.

This matter is classified as confidential under the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter.

Confidential Report issued September 2015 from the Internal Auditor on the Kerb and Gutter Asset Management.

**Recommendation:** That:

1. The Committee receives and notes the Confidential Internal Audit Follow-Up Report on Asset Management – Kerb and Gutter, which has been distributed separately with the agenda.
2. The Confidential Internal Audit Follow-up report on Asset Management – Kerb and Gutter be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
  - (a). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
  - (b). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
3. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.

**A-1512.4**

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**Audit Committee's Annual Report to Council (A09/1105)**

Part 5 of the Audit Committee Charter adopted by Council requires that the Committee report to Council annually on its activities.

Attached is a copy of the report prepared by the Committee's Chairs. The report will be considered by Council at its meeting on 15 December 2015.

**Recommendation:** That the Committee receives and notes the Audit Committee's Annual Report to Council.

**A-1512.5**

**GENERAL BUSINESS**

**MINUTES OF THE WAVERLEY COUNCIL AUDIT  
COMMITTEE MEETING HELD AT THE WAVERLEY  
COUNCIL CHAMBERS ON FRIDAY 16 OCTOBER 2015**

**Voting Members Present:**

Mr M Bass	Independent Member (Chair)
Mr N Hall	Independent Member
Cr T Kay	Waverley Council

**Also Present:**

Mr A Kyron	General Manager
Mr S Helweh	Internal Auditor
Mr F Rombola	Executive Manager, Financial Waverley
Ms J Worthy	Manager, Internal Ombudsman's Office
Mr A Johnston	Waverley Council, Committee Secretary

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*At the commencement of proceedings at 10.05 am, those present were as listed above.*

*At 11.30 am, at the completion of item A-1510.5, Cr T Kay left the meeting and did not return.*

**A-1510.A**

**Apologies**

Apologies were received and accepted from Cr B Mouroukas.

**A-1510.DI**

**Declarations of Interest**

The Chair called for Declarations of Interest and the following was received:

1. Mr M Bass informed the meeting that he is an employee of Elton Consulting and that he will remove himself from the deliberations on any matters before the Committee where there is or may be a conflict of interest.

**A-1510.1**

**Confirmation of Minutes of Previous Meeting – 29 May 2015**

**DECISION:** That the Minutes of the Waverley Council Audit Committee Meeting of 29 May 2015, a copy of which was distributed to each Committee member, be received and that such Minutes be confirmed as a true record of the proceedings of that meeting.

**A-1510.2**

**Internal Audit's Progress Report (A10/0345)**

The Internal Auditor will provide a verbal report on progress to date.

**DECISION:** That the Committee receives and notes the verbal progress report from the Internal Auditor.

**A-1510.3**

**CONFIDENTIAL REPORT - Internal Audit Report - Follow Up Report of Asset Management – Kerb and Gutter (A12/0554)**

*This matter is classified as confidential under the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter.*

Confidential Report issued September 2015 from the Internal Auditor on the Kerb and Gutter Asset Management.

**DECISION:** That:

1. The Confidential Internal Audit Follow-up report on Asset Management – Kerb and Gutter be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
  - (a). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
  - (b). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
2. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.
3. The matter be deferred to the next meeting of the Audit Committee in December 2015 to allow the Director, Waverley Renewal and Executive Manager, Creating Waverley in consultation with the General Manager to prepare an evidence based response to each section of the action plan identified as unsatisfactory and present this to the Committee at the December meeting.
4. The response prepared by the Director, Waverley Renewal and the Executive Manager, Creating Waverley is to be circulated to the committee members prior to the December 2015 meeting.
5. The Committee requests the Director, Waverley Renewal and the Executive Manager, Creating Waverley to attend the December 2015 meeting.

**A-1510.4****CONFIDENTIAL REPORT - Internal Audit Report – Follow Up Report of Procurement – Stores (A06/1691)**

*This matter is classified as confidential under the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter.*

Confidential Report issued July 2015 from the Internal Auditor on Procurement - Stores

**DECISION:** That:

1. The Committee receive and note the Confidential Internal Audit Follow-Up Report on Procurement – Stores, which has been distributed separately with the agenda.
2. The Confidential Internal Audit Follow-up report on Procurement – Stores be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
  - (a). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
  - (b). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
3. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.
4. Due to changes to the procurement process since this review was undertaken a further procurement audit be included in the Audit Plan for 2016/17.

**A-1510.5****CONFIDENTIAL REPORT – Internal Audit Report – Special Request – Review of Waverley Cemetery (incl. South Head Cemetery) (A15/0292)**

*This matter is classified as confidential under the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter.*

Confidential Report issued July 2015 from the Internal Auditor on a review of Waverley Cemetery, including South Head Cemetery.

**DECISION:** That:

1. The Committee receive and note the Draft Confidential Internal Audit Report on a review of Waverley Cemetery, including South Head Cemetery, which has been distributed separately with the agenda.
2. The Confidential Internal Audit report on a review of Waverley Cemetery, including South Head Cemetery be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:

- (a). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
  - (b). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
3. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.
4. The Final Report and Action Plan as well as the response by the Director, Waverley Renewal be presented to the Committee at its December 2015 meeting.

#### **A-1510.6**

##### **Schedule of Meeting Dates for 2015 (A09/1105)**

At its last meeting the Committee adopted the following schedule of meeting dates for 2015.

- 10.00am, Friday 11 December 2015

**DECISION:** That the Committee receive and note this information.

#### **A-1510.7**

##### **GENERAL BUSINESS**

##### **A-1510.7.1**

##### **Waverley Audit Committee – Report to Council on its activities (A09/1105)**

This matter was raised by the Chair as an item of general business.

**DECISION:** That:

1. The Waverley Audit Committee's report to Council on its activities be submitted to the November 2015 Council Meeting.
2. The report cover the Committee's activities since June 2013 and include the Annual Audit Plan for adoption.

**THE MEETING CLOSED AT 11.48 AM.**



**Report  
CM/7.1/15.12**

**Subject:** Waverley Audit Committee Annual Report  
**Trim File No.:** A09/1105  
**Author:** Chairs of Waverley Audit Committee



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**Recommendation:**

That Council receives and notes the activities of the Waverley Audit Committee for the 2013-14 and 2014-15 financial years.

**1. Executive Summary**

Under Part 5 of the Audit Committee Charter adopted by Council in September 2011, the Waverley Audit Committee is required to report to Council on its activities once each year. Owing to circumstances including the restructure of Council's Directorates, this progress report was not submitted for the financial year 2013-2014. Therefore this report addresses internal audit processes and activities for the 2013-14 and 2014-15 financial years.

**2. Introduction/Background**

Consistent with its commitment to open and transparent governance that meets the highest community expectations, Council resolved in February 2010 to enhance its governance framework by establishing an Internal Audit Function and an Audit Committee to provide Council with independent oversight and monitoring of Council's audit processes.

The principles adopted were based upon guidelines issued by the Department of Premier & Cabinet Division of Local Government in October 2008 and revised in 2010.

Following an advertising and assessment programme, Council appointed two suitably qualified, independent members for the Committee in May 2010 for the term of Council, after which they will be eligible for extension or re-appointment following a formal review of their performance.

In accordance with the Audit Committee Charter, the current independent members have been re-appointed following a formal review of their performance. The independent members will remain on the Audit Committee for the term of the current Council, that is, until the next NSW Local Government Elections scheduled to be held in September 2016.

**Committee Members**

The Committee is comprised of the following members:

Independent members:

- Mr. Martin Bass
- Mr. Noel Hall

These independent members have alternated on a yearly basis in the role of Chair.

**Councillors:**

- Councillor Bill Mouroukas
- Councillor Tony Kay (Alternate)

**Advisors to the Committee**

The following representatives are invited to attend all meetings of the Audit Committee to provide advice as required:

- Arthur Kyron, General Manager
- Frank Rombola, Executive Manager, Financial Waverley
- Sam Helweh, Senior Internal Auditor, SSROC
- Council's External Auditors Hill Rogers Spencer Steer, as required.

**Meetings of the Committee**

The table below sets out the meetings of the Committee held during the reporting period from May 2013 to date and members' attendance.

<b>Meeting Date</b>	<b>Martin Bass</b>	<b>Noel Hall</b>	<b>Cr Mouroukas / Kay</b>
24 May 2013	✓	✓	✓
26 July 2013	✓	✓	✓
18 October 2013	✓	✓	✓
6 December 2013	✓	✓	✓
9 May 2014	✓	✓	✓
18 July 2014	✓	✓	✓
10 October 2014	✓	✓	✓
5 December 2014	✓	✓	✓
27 February 2015	✓	✓	✓
29 May 2015	✓	✓	✓

**Background to the Internal Audit Function**

Following consideration of its requirements for suitably qualified internal resources, Council resolved to join with six other Southern Sydney Regional Organisation of Councils (SSROC) councils to develop a shared internal audit function. The Shared Internal Audit Function is an initiative shared between the following Councils:

- (i) Waverley Council
- (ii) Ashfield Council
- (iii) Marrickville Council
- (iv) Burwood Council
- (v) Botany Council
- (vi) Canterbury Council

The benefits of a shared service were that the group could acquire more resources and that learnings from the audit of one council can be used to focus areas of risk in other member councils.

The Internal Audit function is monitored by the Audit Committee, which itself is governed by a Charter that has been adopted by the Council. The Charter and the Internal Audit Function are based on best practice recommendations made by the Department of Premier & Cabinet Division of Local Government in their Guidelines.

The internal audit function is now into its fifth year at Waverley Council and from the outset, the Council and its officers have grown in their understanding of and support for the audit process and its purpose. Continuing education on the importance of the function as an additional governance

arm, along with its 'value-add' objectives, are ongoing with Council officers at all levels. The co-operation has allowed for the timely completion of annual audit plans during the current and previous reporting periods.

## 2.1 Relevant Council Resolutions

There are no previous relevant Council resolutions on this matter.

## 3. Discussion

### Achievements in this Reporting Period

Since the Committee's last report to Council in 2013, the following milestones have been achieved:

➤ The following reviews were completed during the reporting period;

#### FY 13/14

- Commercial Waste review
- Accounts Receivable review
- Outdoor Event Permits and Licensing review
- Payroll review – follow up
- Budgeting review – follow up
- Name and Address Register – special

#### FY 14/15

- Section 149 Certification review
  - Off street parking
  - General insurance – follow up
  - Asset management (Kerb & Gutter) – follow up
  - Procurement (Stores) – follow up
  - Delegation of Authority – special
- The Council has continued its support for resourcing Internal Audit. However due to audit staff changes at SSROC and the overall progress of the reviews conducted, this support has varied between one and two staff and between three and five days per week during the reporting period.
- Due to changes in internal audit priorities and the restructure of Council's Directorates during the reporting period, some internal audit reviews were rescheduled and/or delayed according to the agreed schedules developed by the Internal Auditor in liaison with Council. However all changes to the schedules were reported to the Internal Audit Committee along with an account of how rescheduled reviews would be managed. The Committee was satisfied with the rescheduling and associated reasoning on each occasion.

## 4. Financial impact statement/Timeframe/Consultation

**Financial impact statement:** Funds have been allocated in the budget for the operation and support of an internal audit function.

**Timeframe:** The next Audit Committee report to Council will be prepared by the Chairperson for Council's consideration at its November 2016 meeting in accordance with the Audit Committee Charter.

**Consultation:** The contents of this report have been reviewed by Committee members and comments have been provided to the Chairperson and the Senior Internal Auditors.

## 5. Relationship to Waverley Together 3 & Delivery Program 2013-17

The relationship to *Waverley Together 3* and *Delivery Program 2013-17* is as follows:

Direction:	G1 – Inspiring community leadership is achieved through decision making processes that are open, transparent, corruption resistant and based on sound integrated planning.
Strategy:	G1b – Promote and embed good governance and corruption prevention practices in operational activities
Deliverable:	Internal audit function supported and operating effectively and efficiently.

## 6. Conclusion

During the activity period covered within this report, Waverley Council has continued to demonstrate consistent support for the internal audit function. Internal audit staff from SSROC have been provided unfettered access to council staff and information in the conduct of their audit reviews. They have worked closely with council staff and the Executive to identify weaknesses in the council's management systems and processes and determine solutions to strengthen them.

However a continued area of discussion and concern in meetings of the Internal Audit Committee is the apparent inattention and/or resistance within some areas of council to implementing changes and improvements recommended in the audit reviews. The Committee would generally like to see matters raised in reviews given a higher priority in attention, particularly in follow up reviews where management has previously agreed to implementation of changes in the initial audit review.

This aspect of the internal audit process requires attention by Council's Executive in order to address identified weaknesses and to ensure that the Council is realising the full value of the internal audit function.

## 7. Attachments

Nil.