

BLACKTOWN CITY COUNCIL AUDIT COMMITTEE

The Charter of the Audit Committee (the committee) states a minimum of four meetings shall be conducted during each 12 month period, to provide a forum for reviewing audit reports and a vehicle for making any changes to the audit plan as deemed necessary.

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| Date of meeting | | 3 October 2018 | Time of meeting | 2:00 – 3:30 pm | Place of meeting | Committee Room 1, Civic Centre |
| Attendees | | Members: Dr Phillip Ross (Audit Committee Chair – Independent Member), Councillor Tony Bleasdale, Councillor Kevin Gillies, Robert Lagaida (Independent Member), Stephen Horne (Independent member). | | | | |
| | | Advisors: Kerry Robinson (Chief Executive Officer - CEO), Renee Meimaroglou (Audit Office NSW). | | | | |
| | | Secretariat/advisor: Ralph Esther (Co-ordinator Audit & Risk) | | | | |
| | | Invitations: Craig Cura (Acting Chief Finance Officer), Tino Caltabiano (Acting Financial Accountant) Marc Upcroft (Price Waterhouse Coopers – teleconference), Councillor Jess Diaz | | | | |
| Apologies | | Wayne Rogers (Director Corporate Services), Maria Kenny (Manager Governance & Corporate Services) | | | | |
| Declaration of Interest | | | | | | |
| Item no. | Item title | Meeting agenda addressing item | Notes taken/ resolution | | | Subject closed/open |
| 01 | Welcome/ declaration of conflict of interests | Regarding matters to be discussed at this meeting | The Chair welcomed Councillor Diaz who was attending the meeting as an observer. No declarations of interest were received. | | | Closed |
| Items from previous meeting | | | | | | |
| 02 | Confirmation of minutes of previous meeting | | Minutes of the Audit Committee meeting of 29 August 2018 were confirmed by Councillor Tony Bleasdale and Stephen Horne | | | Closed |

| Audit reports for discussion | | | |
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| Item no. | Item title | Notes taken / resolution | Subject closed/open |
| 03 | i. Review of NSW Audit Office Management Letter for the audit year ended 30 June 2018 | <p>The report was received and noted.</p> <p>PwC reported in the Management Letter that:</p> <ul style="list-style-type: none"> Control over IT super user access needed to be improved upon, including audit logs of user IT access activities within the system. <p>The committee noted management response to improve controls over transactions logs within the TechOne environment and enquired if the 2018 October timeline to implement the audit recommendations were realistic.</p> <p>The committee was informed that the audit recommendations would be implemented within the timeline. During the implementation of TechOne, super user access had been given to a number of users and that the number of super users had since been reduced to six (6).</p> <ul style="list-style-type: none"> A number of errors in the revaluation of infrastructure, property and plant and equipment. <p>The acting CFO informed the committee that all of the errors in revaluation of assets had been identified by management and adjusted in the 30 Jun 2018 financial statements. The revaluation for each class of asset is completed every 5 years and that a review of revaluation processes was under way to ensure that recording errors were minimised.</p> <p>The CEO pointed out that the statement in the Management Letter that “one investment property totalling \$9.5M was disposed in error in the prior period” is incorrect and should read that “it was incorrectly recorded as having been disposed”.</p> <ul style="list-style-type: none"> Lack of assessment performed for the new accounting standards <p>The committee noted the finding and recommended that an “Impact Assessment” be completed in particular for other matters.</p> | Closed |

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| | <p>ii Engagement Closing Report for the year ended 30 June 2018</p> | <p>The committee expressed the view that Council should have a robust process with respect to the valuation of assets to ensure both the integrity and realistic valuation of assets. The engagement of a peer valuation reviewer could be considered for this purpose.</p> <p>The report was received and noted as follows:</p> <ul style="list-style-type: none"> • The report outlined some anomalies in connection with valuation of assets which did not have any material impact on the financial statements <p>The acting CFO informed the committee that anomalies found in connection with revaluation had been identified by management during preparation of the financial statements and that building valuation had decreased by 5% over the previous valuation. It would be appropriate to review the outcome and impact associated with revaluation of assets.</p> | Closed |
| | <p>iii General Purpose Financial Statements for the year ended 30 June 2018</p> | <p>The report was received and noted</p> <p>PwC reported that an unmodified opinion was provided for 2017/28 General purpose and Special purpose financial statements and that Council continues to be strong and stable financial position.</p> <p>The report was received and noted as follows:</p> <p>The committee noted:</p> <ul style="list-style-type: none"> • Grants and contributions were down by \$26M • Domestic Waste Charges and ordinary rate had increased • Increased workers compensation provision due to increased outstanding claims • Employer benefit had increased due to the Enterprise Agreement of 3.1%, staff numbers increase, worker's compensation insurance payments and outstanding workers compensation liability claims. <p>The acting CFO explained that the apparent decrease in grant receipt in 2017/18 was due to the payment in advance of 6 instalments 2016/17, compared to 4 instalments payment in 2017/18. Plus one off contribution for received from Urban growth – for 10 year ongoing maintenance of the Second Ponds Creek Trunk Drainage corridor of \$15.7 million received in 2016/17.</p> | Closed |

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| | <div>iv Special Purpose Financial Statements for the year ended 30 June 2018</div> <div>v Special Schedules for the year ended 30 June 2018</div> | <div>The report was received and noted as follows: PwC reported that the Special purpose financial statements for the year ended 30 June 2018:<ul style="list-style-type: none">• present fairly the operating result and financial position of each of Council's business activities for the year 2017/18• accord with Council's accounting and other records The acting CFO informed the committee that the special purpose financial statements were produced under the competitive neutrality principles for business activities, namely land development, deregulated approvals, commercial waste and property management.</div> <div>The report was received and noted as follows: The NSW Audit Office informed the committee that only schedule 2 was subject to audit and that at this point in time there was no mandate to audit schedule 7 The Committee expressed its thanks to PwC and the NSW Audit Office for their presentation and the coordinated approach in completing the audit and also congratulated the Finance section for their efforts in the preparation of the 2017/18 financial statements.</div> | <div>Closed</div> <div>Closed</div> |
| Title | Notes taken/ resolution | Subject closed/open | |
| General Business | <div>The Chair informed the committee that this was his last meeting and thanked the Chief Executive Officer, Councillors attending the meeting, Committee members, the Manager Governance & Corporate Services and the Coordinator Audit & Risk for their support and contribution in ensuring that the committee operated effectively and efficiently, in particular in serving the interest of the community of Blacktown City Council.</div> <div>The CEO thanked the Chair for the professional manner he had led the committee and for his contribution over the many years he had been a member of the committee.</div> | Closed | |
| Next meeting date: Audit Committee – 21 November 2018 | | | |