

**Minutes of the meeting of the Audit Committee of the City of Holdfast Bay held in the Mawson Room, Civic Centre, 24 Jetty Road, Brighton on Wednesday 20 May 2015 at 6:30pm.**

**PRESENT**

**Members**

Chairman – Councillor J Smedley  
Councillor R Snewin  
Ms V Brown  
Mr J Wood  
Mr S Spadavecchia

**Staff**

General Manager Corporate Services – Mr IS Walker  
Manager Finance – Mr J Newton  
Manager Organisational Sustainability – Ms P Aukett  
Internal Auditor – Ms L Mirovitskaya  
Manager Finance & Administration Alwyndor Aged Care – Ms P Warburton

**1. OPENING**

The Chairman declared the meeting open at 6.30 pm.

**2. APOLOGIES**

- 2.1 Apologies Received - Nil
- 2.2 Absent -- Nil

**3. DECLARATION OF INTEREST**

Members were reminded to declare their interest before each item.

**4. PRESENTATIONS**

- 4.1 Mr Sam Hilbink and Mr Geoff Edwards from BDO presented the Audit Plan for the year ending 30 June 2015.
- 4.2 Council's Manager Finance, John Newton made a short presentation on alternate financial reporting formats.

**5. CONFIRMATION OF MINUTES****Motion**

1. That the minutes of the Audit Committee held on 18 February 2015 be taken as read and confirmed.
2. That the minutes of the Special Meeting of the Audit Committee held on 1 April 2015 be taken as read and confirmed.

Moved by Mr Wood, Seconded by Ms Brown

**Carried**

**6. QUESTIONS BY MEMBERS****6.1 QUESTIONS WITHOUT NOTICE**

- 6.1.1 Mr Spadavecchia asked a question in relation to a letter from Civil Contractors Federation to elected members.

The General Manager Corporate Services provided a response and confirmed that it had been provided to Administration.

- 6.1.2 Mr Spadavecchia asked a question in relation to Council's cyber security.

The General Manager Corporate Services advised that Council had engaged a consultant to review its IT framework and, amongst other things, implement appropriate security. A more comprehensive report will be provided to the Audit Committee at its next meeting.

**6.2 QUESTIONS WITH NOTICE – Nil****7. MOTIONS ON NOTICE - Nil****8. ADJOURNED ITEMS - Nil****9. REPORTS BY OFFICERS****9.1 Standing Items (Report No: 154/15)**

The Audit Committee is provided with a report on standing items at each scheduled meeting.

**Motion**

**That the Audit Committee advises Council it has received and considered a Standing Items Report addressing:**

- **Monthly financial statements**

- **Internal control**
- **Risk management**
- **Whistleblowing**
- **Internal audit**
- **Economy and efficiency audits**

Moved Mr Wood, Seconded Mr Spadavecchia

**Carried**

9.2 **Budget Review – as at 31 March 2015** (Report No: 153/15)

The third budget review of the 2014/15 budget was performed as at 31 March 2015. It was prepared in accordance with the requirements under the Local Government (Financial Management) Regulations 2011. It was considered and adopted by Council at its meeting on 28 April 2015 and is presented for the Audit Committee to review and consider.

**Motion**

**That the Audit Committee advises Council that it has considered the third budget review of the 2014/15 budget as at 31 March 2015.**

Moved Mr Wood, Seconded Mr Spadavecchia

**Carried**

9.3 **Draft 2015-16 Annual Business Plan** (Report No: 155/15)

At its meeting on 28 April 2015, Council considered the draft 2015-16 Annual Business Plan and Budget and approved its release for community consultation. Pursuant to its term of reference, the Audit Committee has an opportunity and responsibility to review and provide further advice to Council in relation to its Annual Business Plan.

**Motion**

**That the Audit Committee advise Council that it has reviewed the Draft 2015-16 Annual Business Plan and Budget and makes the following comments:**

1. **That the reference to the Audit Committee and risk management framework on page 26 be modified to reflect the position that the Committee is supporting and guiding the development of a contemporary risk management framework.**
2. **That the charts on pages 33 to 35 inclusive, showing operating result, net financial liabilities and interest cover ratio be removed as these may be misinterpreted by readers as projections instead of indicating financial capacity.**

3. **On page 9 use consistent measures (instead of mixing \$000 and \$m) and rank the figures and the wheel in order of magnitude.**
4. **Highlight that Alwyndor is self-funding and self-sustaining, and that it does not rely on rate revenue nor are its financial surpluses returned to ratepayers.**
5. **Change the statements about concessions for seniors on page 31 following the State Government's recent announcement about payments to pensioners and self-funded retirees.**

Moved Mr Spadavecchia, Seconded Mr Wood

**Carried**

9.4 **Review of Road and Kerb Useful Lives, Residual Value and Depreciation** (Report No: 156/15)

The Australian Accounting Standards require the useful life and residual value of assets to be reviewed and, if appropriate, adjusted annually based on the best available information.

A condition survey of the Council's roads and kerbs indicates that the surfaces of the roads are being depreciated at a faster rate than the consumption of the assets. This has led to the recommendation by an independent valuer, in consultation with experienced members of staff, to extend the remaining useful life of these assets.

In addition the same valuation process has highlighted that the current accounting treatment of the roads sub-base does not reflect current replacement practice and recommended the introduction of a residual value element.

**Motion**

**That the Audit Committee advises Council that:**

1. **It has considered a review of the useful life of road surfaces and recommends where applicable the extension of their standard useful lives as contained in this report.**
2. **It has considered a review of the accounting treatment of the sub-base of roads and recommends the introduction of a residual value to reflect current replacement practice.**
3. **It recommends that the current accounting policies be updated to reflect these changes.**

Moved Ms Brown, Seconded Mr Spadavecchia

**Carried**

9.5 **Three Year Internal Audit Plan Update** (Report No: 158/15)

This report provides an update on the progress of recent internal audit recommendations.

**Motion**

**That the Audit Committee advises Council that it has received and considered the Internal Audit Update Report of May 2015 and that Mr Spadavecchia provided a template for consideration of future reporting of internal audit action items and treatment plans for strategic risks.**

Moved Mr Spadavecchia, Seconded Ms Brown

**Carried**

9.6 **Draft Risk Management Policy and Risk Framework** (Report No: 159/15)

Over the last 12 months the Manager Organisational Sustainability and the Internal Auditor have been working with the Manager Risk, Mutual Liability Scheme to develop a new Risk Management Policy and accompanying Risk Framework. The resulting draft policy and framework is attached to this report and presented to the Audit Committee for comment and feedback.

**Motion**

1. **That the Audit Committee notes the draft Risk Management Policy and Risk Framework as attached to this report; and**
2. **That the Audit Committee recommends the policy and framework to Council with minor amendments to Roles and Responsibilities and the Consequence Scale and Descriptions.**
3. **That the Audit Committee notes that Mr Spadavecchia provided risk management templates for consideration.**

Moved Mr Spadavecchia, Seconded Ms Brown

**Carried**

9.7 **Treasury Management Policy** (Report No: 160/15)

Council's current Treasury Management Policy was adopted in March 2011. The policy supported the financial principle of managing debt and cash in a holistic manner which minimised financial risk.

Given the current economic and budgetary conditions it is prudent and timely to review this policy.

**Motion**

**That the Audit Committee advises Council that it has considered a draft Treasury Management Policy and advises Council as follows :**

- 1. That, subject to minor amendments, it recommends the policy to Council.**
- 2. That the Committee notes that Council is currently in breach of its self-imposed net financial liabilities ceiling and recommends that Council review the ceiling and/or take action to bring it down under the ceiling.**

Moved Ms Brown, Seconded Mr Spadavecchia

**Carried**

**10. REPORTS BY MEMBERS - Nil**

**11. ACTION ITEMS**

The Action Items were tabled and discussed.

**12. VERBAL REPORTS BY OFFICERS - Nil**

**13. URGENT BUSINESS – SUBJECT TO THE LEAVE OF THE MEETING - Nil**

**14. DATE AND TIME OF NEXT MEETING**

The next meeting of the Audit Committee will be held on Wednesday 19 August 2015 in the Mawson Room, Civic Centre, 24 Jetty Road, Brighton.

**15. CLOSURE**

The Meeting closed at 9.06 pm.

**CONFIRMED      Wednesday 19 August 2015**