

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 23 August 2017 at 6:30pm.

PRESENT

Members

Presiding Member – Councillor J Smedley
Mr J Wood
Mr S Spadavecchia
Mr S Tu

Staff

General Manager Business Services – Mr R Bria
Manager Finance – Mr J Newton
Manager Finance & Administration Alwyndor Aged Care – Ms P Warburton
Asset Accountant – Mr C Blunt
Manager Assets & Facilities – Mr R Mouveri

1. OPENING

The Chairman declared the meeting open at 6 29 pm.

2. APOLOGIES

- 2.1 Apologies Received - Councillor S Charlick
- 2.2 Absent - Nil

3. DECLARATION OF INTEREST

Members were reminded to declare their interest before each item.

4. CONFIRMATION OF MINUTES

Motion

That the minutes of the Audit Committee held on 3 May 2017 be taken as read and confirmed.

Moved by Mr Wood, Seconded by Mr Spadavecchia

Carried

5. PRESENTATION

David Papa and Dongju Han from Bentleys made a presentation on Procure to Pay (P2P), Risk Management Workshop and Draft Audit Plan, Internal Audit – Annual Report and 2016-17 Controltrack Assessment Summary Report.

6. QUESTIONS BY MEMBERS - Nil**7. MOTIONS ON NOTICE - Nil****8. ADJOURNED ITEMS - Nil****9. REPORTS BY OFFICERS****9.1 Standing Items – August 2017 (Report No: 291/17)**

The Audit Committee is provided with a report on standing items at each ordinary 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 Audit Committee Terms of Reference Review (Report No: 295/17)

At its meeting on 3 May 2017 the Audit Committee received a report on its annual 2016 performance and recommended to Council that its terms of reference be reviewed having regard to its annual report. Council subsequently adopted this recommendation on 11 April 2017 (Minute C110417/726). This report recommends that the Audit Committee undertake a review of its terms of reference and to make recommendations to Council.

Motion

That the Audit Committee advises Council it has undertaken a review of its Terms of Reference and recommends amendments as contained in Attachment 1 to this report.

Moved Mr Wood, Seconded Mr Spadavecchia

Carried

9.3 **Risk Management Workshop and Draft Audit Plan** (Report No: 297/17)

Council's internal auditor, Bentleys, facilitated a risk workshop on 11 April with the Senior Leadership Team, key managers, the Mayor, presiding member of the Alwyndor Management Committee, presiding member of the Audit Committee and an independent member of the Audit Committee.

The participants collectively assessed the inherent risk (before controls) and residual risk (after controls) for the majority of the top 17 risks identified. Risk ratings were derived for each of the risks.

Bentleys have attached a draft three internal audit plan that addresses some of the identified risks. It is recommended that the projects in the first year of the plan be undertaken with the audit plan to be reviewed annually.

Motion

That the Audit Committee:

- **notes the outcomes of the Risk Management Workshop**
- **notes the draft 3 year Audit Plan included in Attachment 1 and endorses the projects in the first year subject to the scopes being circulated to Audit Committee members prior to being finalised.**

Moved Mr Wood, Seconded Mr Spadavecchia

Carried

9.4 **Internal Audit – Procure to Pay Implementation** (Report No: 298/17)

Bentleys have provided their Internal Audit Report on Procure to Pay Implementation and is presented for discussion and noting.

Motion

That the Audit Committee notes the Internal Audit regarding Procure to Pay Implementation.

Moved Mr Tu, Seconded Mr Wood

Carried

9.5 **Internal Audit – Annual Report** (Report No: 298/17)

Bentleys have provided their Internal Audit Recommendations Implementation Annual Report and is presented for discussion and noting.

Motion

That the Audit Committee notes the Internal Audit Annual Report.

Moved Mr Spadavecchia, Seconded Mr Tu

Carried

9.6 **Asset Accounting Items for 2016/17** (Report No: 293/17)

Among other obligations Council's asset related accounting policies require that monetary thresholds, which define whether an asset is capitalised or not, be reviewed annually and secondly that all asset classes be revalued on a regular basis.

A review of capitalisation thresholds has determined that for the majority of asset types these limits are sufficient, however, the current threshold of \$500 for the purchase of furniture and equipment is too low. In order to minimise the expense and effort associated with maintaining accounting records it is recommended that this be raised to \$1,500 for Plant, Equipment, Furniture and Fittings.

For the financial year ending 30 June 2017 a full valuation has been carried out of Council's land and buildings. From the audited 2015/16 statements, land has increased in value from \$294 million to \$353 million and the net carrying value of buildings has increased from \$54 million to \$62 million.

A desktop valuation of Council's stormwater related assets is currently being undertaken with a report expected shortly.

Motion

That the Audit Committee advises Council that:

- 1. it has considered a review of the asset capitalisation thresholds and recommends that the classes of assets Plant and Equipment, and Office Furniture and Fittings both be increased to \$2,000;**
- 2. it recommends that the current accounting policies be updated to reflect these changes;**
- 3. it has noted the report from Maloney Field Services for the revaluation of land and buildings assets held on the asset register.**

Moved Mr Tu, Seconded Mr Spadavecchia

Carried

9.7 **Asset Management Update** (Report No: 299/17)

This report provides an update on the following in regard to Asset Management:

- Progress of an Exception Report for the Work Orders;
- The implementation of a structured inspection regime;
- Asset Management Framework; and
- A post implementation review of Stage 1 of the Asset Management System.

Motion

That the Audit Committee notes the report.

Moved Mr Tu, Seconded Mr Spadavecchia

Carried

10. REPORT BY MEMBERS - Nil**11. ACTION ITEMS**

The Action Items were tabled and discussed.

12. VERBAL REPORTS BY OFFICERS**13. URGENT BUSINESS – SUBJECT TO THE LEAVE OF THE MEETING - Nil****14. CONFIDENTIAL****14.1 Loans Receivable (Report No: 290/17)****Recommendation – Exclusion of the Public – Section 90(3)(d) Order**

- 1 That pursuant to Section 90(2) of the *Local Government Act 1999* Audit Committee hereby orders that the public be excluded from attendance at this meeting with the exception of the Staff in attendance at the meeting in order to consider Report No: 290/17 Loan Receivables in confidence.**
- 2. That in accordance with Section 90(3) of the *Local Government Act 1999* Audit Committee is satisfied that it is necessary that the public be excluded to consider the information contained in Report No: 290/17 Loan Receivables on the following grounds:**
 - d. pursuant to section 90(3)(d) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, as this would prejudice the commercial position who supplied the information.**

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.

- 3. The Audit Committee is satisfied, the principle that the meeting be conducted in a place open to the public, has been outweighed by the need to keep the information or discussion confidential.**

Moved M Spadavecchia, Seconded Mr Wood

Carried

RETAIN IN CONFIDENCE - Section 91(7) Order

That having considered Agenda Item 14.1 Loan Receivables (Report No: 290/17) in confidence under section 90(2) and (3)(d) of the *Local Government Act 1999*, the Audit Committee, pursuant to section 91(7) of that Act orders that the report, attachments and minutes be retained in confidence for a period of six months and the Chief Executive Officer is authorised to release the documents when the Audited Financial Statements are presented to Council.

Moved Mr Spadavecchia, Seconded Mr Wood

Carried

15. DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee will be held on Wednesday 25 October 2017 in the Mawson Room, Civic Centre, 24 Jetty Road, Brighton.

16. CLOSURE

The Meeting closed at 8 31 pm.

CONFIRMED Wednesday 25 October 2017

CHAIRMAN