

His Worship the Mayor
Councillors
CITY OF MARION



**NOTICE OF
AUDIT COMMITTEE MEETING**

Notice is hereby given pursuant to the provisions under Section 83 of the Local Government Act 1999 that a General Council meeting will be held

Tuesday 18 August 2015

Commencing at 4.00 p.m.

In the Council Chamber

Council Administration Centre

245 Sturt Road, Sturt

A copy of the Agenda for this meeting is attached in accordance with Section 83 of the Act.

Meetings of the Council are open to the public and interested members of this community are welcome to attend. Access to the Council Chamber is via the main entrance to the Administration building on Sturt Road, Sturt.

A handwritten signature in dark ink, appearing to read "Geoff Whitbread", with a long horizontal stroke extending to the right.

Geoff Whitbread
ACTING CHIEF EXECUTIVE OFFICER

14 August 2015

**CITY OF MARION
AUDIT COMMITTEE AGENDA
FOR THE MEETING TO BE HELD ON
TUESDAY, 18 AUGUST 2015
COMMENCING AT 4.00 PM
CHAMBER, ADMINISTRATION CENTRE
245 STURT ROAD, STURT**



1. OPEN MEETING

2. KAURNA ACKNOWLEDGEMENT

We acknowledge the Kurna people, the traditional custodians of this land and pay our respects to their elders past and present.

3. MEMBER'S DECLARATION OF INTEREST (if any)

4. CONFIRMATION OF MINUTES

Confirmation of the Minutes for the Audit Committee meeting
held 9 June 2015.....4

5. BUSINESS ARISING

5.1 Review of the Action Statement & Improvement Plan identifying business
arising from previous meetings of the Audit Committee..... 12

6. ELECTED MEMBER REPORT

6.1 Elected Member Communication Report
AC180815R6.1 17

7. REPORTS

Matters for Discussion

Corporate & Financial Management

Nil

Risk Management

Claims and Insurance Renewal Report
AC180815R7.2.....19

8. CONFIDENTIAL ITEMS

Program Evaluation

Meeting with Program Evaluation Service Provider (BDO)
AC180815F8.124

Internal Audit & Business Reviews
AC180815F8.225

9. ANY OTHER BUSINESS

10. MEETING CLOSURE

The Audit Committee meeting shall conclude on or before 6.00 pm unless there is a specific motion adopted at the meeting to continue beyond that time.

11. NEXT MEETING

The next meeting of the Audit Committee is scheduled to be held on:

Time: 3.00pm

Date: Tuesday, 13 October 2015

Venue: Chamber, Administration Building, 245 Sturt Road, Sturt

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON MONDAY 15 JUNE 2015**



PRESENT

Mr Greg Connor (Chair), Ms Kathryn Presser, Councillor Tim Pfeiffer

In Attendance

Mr Geoff Whitbread	Acting Chief Executive Officer
Mr Vincent Mifsud	Director
Ms Kathy Jarrett	Director
Ms Kate McKenzie	Manager, Governance
Mr Ray Barnwell	Manager, Finance (item 7.1 & 7.2)
Mr John Sliverblade	Manager, Strategic Assets (item 7.3)
Ms Sherie Walczak	Unit Manager, Risk (item 7.4 & 7.5)
Mr Kyffin Thomson	BDO (item 7.7)

1. OPEN MEETING

The meeting commenced at 3.02pm. The Chair welcomed all those present to the meeting, including the new independent member, Ms Kathryn Presser.

Ms Presser introduced herself to the meeting by providing an overview of her skills and experiences and thanked the Council for inviting her to be a Member of the Committee.

2. KAURNA ACKNOWLEDGEMENT

We would like to begin by acknowledging the Kaurna people, the traditional custodians of this land and pay our respects to their elders past and present.

3. MEMBERS DECLARATION OF INTEREST

The Chair asked if any Member wished to disclose an interest in relation to any item being considered at the meeting. No interests were disclosed.

4. CONFIRMATION OF MINUTES

Moved by the Chair (Mr Connor), Seconded Councillor Pfeiffer that the minutes of the Audit Committee meeting held on 14 April 2015 be confirmed as a true and correct record of proceedings.

Carried

5. BUSINESS ARISING

The statement identifying business arising from previous meetings of the Committee was reviewed and progress achieved against identified actions was noted. The Committee noted that a number of actions had been completed and congratulated staff on this achievement.

6.1 ELECTED MEMBER REPORT

Councillor Pfeiffer welcomed Ms Presser to the Committee on behalf of the Council and reiterated that the Council was very pleased to have her on board.

Councillor Pfeiffer presented the Elected Member Report as read, noting that since the last meeting Council had made significant progress on a number of items as follows:

- Sports infrastructure being confirmed as a focus of this Council. Council agreed that it would be difficult to achieve the four Sports Masters Plans estimated at \$72m in total and hence had prioritised:
 - Options for new soccer pitches and a BMX track in the South.
 - Indoor multipurpose Stadium that meets SA regional standards (4-8 Courts).
 - Edwardstown Oval Masterplan.
 - Mitchell Park Sports and Community Club building upgrade.

More work is required regarding feasibility and detailed plans. Council will need to work with other levels of government to achieve outcomes. It was noted that these projects have not been reflected in the draft 2015-16 annual budget or the Long Term Financial Plan, as they are in the early stages of development.

- Council has adopted a draft 2015-16 Annual Business Plan and Budget (ABP&B) that progressed to public consultation. It was noted that the number of people responding to the consultation was low but consistent with previous years. The Audit Committee consideration of the draft ABP&B is the last step before Council adopts the final version at its meeting of 23 June 2015. The Council has recognised the previous comments of the Audit Committee suggesting that Council should not be relying on a 5% rate increase year on year. Council has set a rate increase of 2.9% which is still above inflation but significantly reduced from 2014/15.
- The Council's previous approach of 5% rate increase over the course of the LTFP had contributed to a large investment into the city with a number of key infrastructure projects and Council moved from recording a funding deficits to funding surpluses. It was acknowledged that additional funds from a 5% rate was spent wisely and created some great outcomes for the City of Marion.
- Council resolved that the Community Facilities Partnership Program (CFPP) will be a cash reserve separately quarantined within the Asset Sustainability Reserve. Council's intent is to use it primarily for renewal of building assets and also create opportunity to draw down on funds at short notice, particularly for grant funding opportunities. The Committee cautioned that this Reserve should not be viewed as a pot of money as it has previously been allocated for building renewal. The risk is that existing assets will fall into disrepair. Council should be aware of the impact when spending the CFPP. If possible, when presenting reports to Council, Management should look to highlight impacts for councils consideration.
- Council also resolved to cease its nursery operations as it was determined that it would be more cost effective to purchase plants commercially rather than internally.

The Committee thanked Councillor Pfeiffer for his report and noted his comments.

7. REPORTS

Corporate and Financial Management

7.2 Annual Business Plan & Budget 2015/16, and Long Term Financial Plan Report Reference: AC150615R7.2

3.21 pm – Manager Finance entered the meeting.

Mr Mifsud (Director) provided an overview of the report and highlighted that feedback was being sought from the Committee on the Annual Business Plan and Budget (ABP&B) for 2015-16 and the Long Term Financial Plan (LTFP) in regards to:

- Fairness and equity of Council's proposed rating approach for 2015/16, including in the context of Council's LTFP and on-going financial sustainability.
- Reasonableness of the key assumptions used in the development of the Draft ABP&B 2015/16 and Draft LTFP.
- Changes to the financial policies.
- Additional financial indicators as included in this report.

The Committee noted the report and that Council had endorsed the draft 2015-16 ABP&B at its meeting of 9 June 2015 for final consideration at its 23 June General Council Meeting. Discussion occurred with the Committee providing comments on the following:

- The organisation should be congratulated on the saving achieved within the ABP&B.
- Contractor Services forecasts a significant expenditure reduction which may be an ambitious target. The Committee noted the variance from the 3rd quarter budget review to the draft budget for 2015-16 equated to an approximate \$4m reduction. Management confirmed this was achievable with the reduction being due to once off budget variations on prior years (\$1,350k), projected on-going savings (\$911k) and once off carryovers from 2013/14 (\$1,814k).
- The net reduction in employee costs for 2015-16 of 1.95% is an excellent achievement. The Committee queried the likelihood of this being replicated year on year and noted it would be difficult to achieve the same results in future years without significant changes to services or service levels.
- Caution should be taken regarding the identified savings and the key assumptions within the LTFP. The assumptions may create challenges into the future and require closer review particularly the assumption of 2% employee costs. This assumption within the LTFP equates to a \$43.2m reduction in employee costs across the life of the LTFP. Council needs to consider if this is realistically achievable and can therefore be realised.
- Community Facilities Partnership Program (CFPP) funding is now quarantined as part of the Asset Sustainability Reserve (\$5.6 million for 2015/16, and a total of \$35.1 million over the term of the LTFP). These funds can only be accessed via a resolution of Council. Discipline needs to be applied to ensure it is used for building renewal, including an understanding of the risks and consequences of using this reserve for matters other than renewal. When Council does consider using this fund for matters other than building renewal, it should ensure the whole of life impact is assessed and appropriately provided for in the LTFP. Council should also consider a standard reporting line of risks and consequences to ensure the decision making process is sound.
- The Committee noted that the CFPP inclusion into the Asset Sustainability Reserve has impacted on the closing cash balance of the LTFP by including an additional \$35.1m.
- The projected closing cash balance at the end of the 10 year LTFP of \$82m should not be considered as "money in the bank" as the assumptions may not be realistic and

may be quite challenging. It is important for Council to understand the impact of the change in assumptions particular the employee cost assumption (\$43.2m) and the impact of maintaining the CFPP as a cash reserve (\$35.1m) have on the LTFP projected closing cash balance.

- The additional financial ratios were noted, particularly the working capital ratio (quick ratio) as this was considered to be high. This ratio was directly impacted by the change to the CFPP and is not necessarily a true reflection of the Council's cash position, as these funds are restricted in their use. Adjusting this ratio for the impact of the CFPP would drop it from 1.7 to 1.25.
- For future reporting, it was requested that the draft budget is presented in a manner that addressed the risks and outcomes achieved. Management responded highlighting it was comfortable with the draft budget for 2015-16 including the identified savings. The risks noted related to challenges in achieving the financial projections in the LTFP with concerns regarding the flow on effect of the change to various key assumptions including the employee costs. It was noted that the organisations monthly operational costs require working capital in the order of \$3m.
- Service reviews will be undertaken in the new financial year and Council will need to further evaluate its services and services level to make decisions about future operations.
- Due to the importance of staff wellbeing and safety, the Committee suggested Council consider setting a target for measuring lost time injury at zero. This sends an aspirational message from the leadership of the organisation that they do not want to see anyone injured whilst at work.
- It may be useful for Council to provide a more descriptive target within Section 5 'Measuring Our Success' of the ABP&B. The measure of 'high level of achievement' for the last two indicators may be too vague for Management to be properly held accountable for outcomes.
- The Asset valuation process was noted which includes an independent comprehensive valuation every 3 years and a desk top valuation in the intervening years. It was recommended that the Asset Accounting Policy be amended to reflect this.
- The financial policies and the recommend changes were noted.

Overall the Committee commented that the ABP&B was a very comprehensive document and the discussions between Council and management must have been good to achieve such a positive outcome. The Committee reiterated that Council needs to understand how the LTFP is constructed and the forecast of \$82m 'closing cash balance' is probably not the likely outcome. The Committee thanked staff for their hard work and achieving the savings challenge set by the Council.

7.1 Deloitte Audit Engagement for the Year Ending 30 June 2015 Report Reference AC150615R7.1

The Committee noted that Ms Penny Woods from Deloitte would not be present at the meeting until 5.30 pm, however given her absence and this is now the 4th year of Deloitte providing external audit services to the City of Marion, the Committee determined to proceed with the paper.

The Committee acknowledged that the interim audit commenced today and it would be useful to look at the timing of the Audit Committee Meeting schedule for 2016 to allow for more time for decision making.

Management confirmed that it was comfortable with the scope and timing of the Audit and the Finance Team is well positioned to respond.

The Audit has two scopes of work being the statutory audit and the internal controls audit. It was suggested that the fees associated with the internal control audit should be reduced from last year's fees as last year was the first audit of this nature and a full comprehensive audit was conducted. As such it is reasonable to expect that the scope of work for the current year should not be to the same extent as last year.

The Committee noted the audit scope and fees and suggested that Management continue to negotiate with Deloitte for an appropriate fee reduction for the internal control audit. Subject to further review, the Committee noted that the Acting CEO will execute the acknowledgement of the engagement letters.

ADJOURNMENT

3.57 pm The Chair adjourned the meeting for 10 minutes.

4.07 pm The Meeting resumed.

7.3 Asset Management Plans – Final Draft Report Reference: AC150615R7.3

4.10 pm – Manager Strategic Assets entered the meeting

The Manager Strategic Assets provided an overview of the Asset Management Plans highlighting that all asset plans have been consolidated into a single plan that draws data from a series of background papers and now complied with the Asset Framework previously set by Council.

The AMP states like for like replacement and does not include any new or upgrades to assets with the exception of storm water drainage and signage. The AMP creates a foundation for decision making in the future.

The Committee commended Management stating that the AMP was a shorter and more consistent document. It was noted that the current funding forecast for Council for the delivery of the AMP, excluding building renewals, equates to \$216.6m over the life of the LTFP.

Page 140 of the agenda contained a typo. The last paragraph before the table states "However, using the \$93m figure..." This should read \$49m and not \$93m.

The Committee raised the following points for Council to consider:

- The AMP only reflects like for like renewal. No new works are included, except for storm water drainage.
- The AMP reflects a projected funding shortfall of \$10.2m, which was highlighted as being a "best case" scenario. There are a number of ways for this to be addressed and one of them may be through asset disposal of underutilised assets.
- The figure of \$49m for building renewals (which is based on accumulated depreciation to 30 June 2014) is likely to be low. This means that the identified funding gap of \$10.2m may in fact be close to \$20m or \$30m over the course of the LTFP. It is important that Council regularly reviews and updates the AMP as further information, in particular in relation to building renewal, comes to hand to ensure that any further funding gaps are identified.
- The CFPP can be used for alternate purposes but Council should be aware that if funds are used for the upgrade and/or purchase of new assets, the increase in whole of life costs associated with those new assets/upgrades, including future renewal costs, will

need to be appropriately considered and provided for in the AMP and LTFP, creating a larger funding shortfall.

- Strategic Projects are not included in the AMP or LTFP and will need to be prioritized and presented as a business plan. Additionally, any project with a value over \$4m will need to comply with the requirements of section 48 of the Local Government Act 1999 with the completion of a prudential report including all financials and whole of life costs.
- Council leases require many of the small community groups to undertake maintenance work on the leased properties. From experience, Council is aware that some community groups are not maintaining the buildings to Councils required standards. The Committee noted that many of these community groups are only paying a “peppercorn” rent to Council and they have a legal responsibility to ensure the terms of the lease are fulfilled. It was also noted that often leases are only as good as they are managed. Unless monitored regularly, often parts of the lease obligations will not be fulfilled.
- It is important for the LTFP and the AMP to be considered together as they are inter-related.
- The disposal plan on page 180 of the agenda identifies assets for disposal of playgrounds that needs to be considered as part of the Playspace Strategy. These items have been identified as surplus and are planned to be disposed of in coming years in accordance with Council’s resolution. If disposed of, the costs of remediation of each site has not been included within the AMP. The disposal relates to the playground equipment only and not the sale of the land.
- Most land owned by the Council is classified as Community Land. If Council resolved to sell any land, the Community Land title must be revoked by Ministerial approval.

Moved Councillor Pfeiffer, Seconded Ms Presser, that the Audit Committee recommends to Council that the Asset Management Plan be adopted for community consultation.

Carried

Risk Management

7.4 Strategic Risk Profile

Report Reference: AC150615R7.4

4.41pm Unit Manager Risk entered the meeting

The Unit Manager Risk provided an overview of the report outlining that the Strategic Risk Profile is aligned to the six community themes contained within the Community Plan and an additional risk of ‘Optimising Organisational Excellence’.

The Committee noted the report and the risks presented. The Committee suggested that some more granular detail within the Strategic Risk Profile may be useful.

The Unit Manager Risk advised that the Strategic Risk Profile is at a higher level and the granular details are within the Operational Risk Registers. It was agreed that any operational risks that sit outside risk tolerances should be reported to the Committee.

The Committee confirmed their role as an advisory body to Council and suggested that Council also has a role regarding monitoring strategic risk.

The Committee noted the work undertaken on the Strategic Risk Profile and the next steps regarding review of the Operational Risk Registers, Risk Management Framework and Policy.

7.5 Annual Report of WHS Program

Report Reference: AC150615R7.5

The Committee noted the report and sought confirmation from Management regarding the risk to employees across the organisation. Assurance was provided that WHS systems and process are in existence and the non-conformances identified via the Local Government Association Worker Compensation Schemes (LGAWSC) Audit are based on evidencing the implementation of the systems and process. The Risk Unit is focusing on consistent documentation and implementation across the organisation. The implementation of the systems across the organisation forms a substantial part of the required work.

The Committee noted the WHS monitoring report and suggested the following:

- Benchmark data from other Councils could be beneficial
- Further details (i.e. raw data) regarding WHS incidents would be useful, particularly around the number of incidents, when and how they occurred.
- Reporting of such information (e.g. in the Annual Report) should be considered.

The Committee sought clarification from Management regarding the percentage completed status on the WHS program and assurance was provided that this was the percentage of the work completed, not the percentage of tasks completed. Management also advised that high risk actions are progressing as a priority. It is anticipated that significant progress would be achieved by the next audit to be completed by the Workers Compensation Scheme.

Program Evaluation

7.6 Review Recommendations Update (Core Assurance and Service Reviews)

Report Reference AC150615R7.6

The Committee noted the report and that the tender for core assurance and service reviews had closed. The process for evaluations and shortlisting had commenced. It was noted that presentations by shortlisted tenderers are scheduled to be held in the week commencing 29 June and that the chair of the Audit Committee would be present. It was anticipated that a further report would be presented to the Committee at the next meeting in August with a recommendation of a preferred contractor.

Councillor Pfeiffer suggested that Council would like to have more oversight of the service review program and Management confirmed that the service review program would be coming to an Elected Member Forum in July for further discussion with the Council. The services being tendered will run in parallel or compliment the service review program which is anticipated to be an internally managed program with assistance from the external provider.

7.7 Contractor Management Service Review

Report Reference: AC150615R7.7

5.04 pm Mr Kyffin Thomson from BDO entered the meeting

Mr Thomson confirmed that the review of Contractor Management was initiated to consider the processes and procedures across City of Marion regarding the aspects of the management of contracts and contractors including the procurement life cycle from tender specification through to contract review and post implementation. It was noted that the review linked to the outcomes of the LGA WSC audit outcomes as outlined within item 7.5 of the agenda.

The Committee acknowledged the decentralised approach for contract management and numerous officers are responsible for managing contracts. The review identified that different areas responsible for contractor management had different processes and recommended that a consistent management system be implemented particularly around Work Health and Safety and Environmental Management.

A contractor management checklist was being developed to ensure consistency and provide guidance regarding what is required. The Committee suggested the checklist should confirm what aspects are mandatory for every contract.

It was noted that the current system (Bluepoint Records Management System) was a barrier to effectiveness as it was not user friendly. The Committee suggested that if the matters identified related to safety, it should be mandatory for all contract managers to be using the system.

Assurance was provided that the migration to a Microsoft program in the 2015-16 financial year will address the record keeping issues but in the meantime, this will be addressed with contractor managers.

8. CONFIDENTIAL ITEMS

Nil

9. ANY OTHER BUSINESS

10. MEETING CLOSURE

The meeting was declared closed at 5.16 pm

10. NEXT MEETING

The next meeting of the Audit Committee is scheduled to be held on:

Time: 4.00 pm - 6.00 pm

(Followed by a joint session with Council and the Audit Committee from 7pm)

Date: 18 August 2015

Venue: Chamber, Administration Building, 245 Sturt Road, Sturt

.....
CHAIRPERSON

/ /

CITY OF MARION

BUSINESS ARISING FROM AUDIT COMMITTEE MEETINGS

AS AT 13 AUGUST 2015



	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	16 December 2014	BDO Project Management Report to be presented to the April Audit Committee Meeting	Manager, Strategy	April 2015	<p>The development of an integrated program/project prioritisation and management system has begun, based on the review of the project management in CoM. The system brings together key processes to support decision making on project and program priorities, prudential management, funding and resourcing options, and program/project management and review. A report will be brought to the Audit Committee in June providing further information on the implementation of this system.</p> <p>Postponed: An internal working group has been established to focus on the integration of the key elements of the Project Management System developed to date. The working group will ensure that all legislative requirements, including prudential management are covered within the system and that attributes including scalability, roles and responsibilities, decision making levels and overall coordination are well managed.</p>	October 2015
2.	14 April 2015	<p>Information be provided to the Committee regarding how postponed rates debts are reflected in the annual accounts.</p> <p>That a debtors aging report is presented to the Committee as a summary report once per year in line with the end of year accounts.</p>	Manager Finance	Oct 2015	<p>Postponed rates debts are separately identified in the Annual Financial Statements in the note on Current Assets (Note 5). The balance for postponed rates outstanding at 30 June 2014 was \$39k out of total rates outstanding at 30 June 2014 of \$1,504k.</p> <p>The debtors aging report will be presented to the Audit Committee on an annual basis as part of the report on the Annual Financial Statements. This is</p>	Oct 2015

Report Reference: AC180815R

City of Marion
Audit Committee Action Arising Statement as at 13 August 2015

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
					scheduled to be brought to the Audit Committee for the 13 October 2015 meeting. Note that the aging debtors report is also presented to Council with the monthly finance report.	
	18 August 2015	Valuations of Buildings and Assets **See Annual Work Program**	J Silverblade	18 August 2015	This report was scheduled in the Committee's work program for the August meeting. Through the valuation process, the Australian Accounting Standards Board (AASB) has issued a decision on the definition and application of residual values on infrastructure assets. This decision was issued late in the 2014/2015 financial year. The City of Marion asset valuations, which are obtained from independent qualified valuers were commenced prior to this decision. As a result we are currently seeking clarification from our external auditors on the impact of the AASB Board decision on the valuations received prior to finalising those valuations. As a result this report will be brought to the October 2015 Audit Committee Meeting	October 2015

* completed items to be removed are shaded

SCHEDULE OF MEETINGS 2015			
Day	Date	Time	Venue
Tuesday	14 April 2015	3.00 – 6.00 pm	Administration Centre
Monday	15 June 2015	3.00 – 6.00 pm	Administration Centre
Tuesday	18 August 2015	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council and the Strategic Directions Committee)	Administration Centre
Tuesday	13 October 2015	3.00 – 6.00 pm	Administration Centre
Tuesday	15 December 2015	3.00 – 6.00 pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2015

TUESDAY, 14 April 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Business Plan and Budget 2015/16	Review and Feedback
Corporate Risk Profile	Review and Feedback
Asset Management Plans & Associated Policies – Update	Review and Feedback
Community Facilitates Partnership Program	Review and Feedback
Acquisition and Disposal of Land/Assets	Review and Feedback
Program Evaluation (Internal Audit Tender)	Review and Feedback
Outstanding Debtors Report	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note

MONDAY, 15 June 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Engagement for the Year Ending 30 June 2015	Review and Recommendation to Council
Draft Annual Business Plan and Budget (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note
Annual Review of WHS Program	Review and Feedback
Asset Management Plans – Final Draft	Review and Feedback

TUESDAY, 18 August 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Claims and Insurance Renewal Report	Review and Feedback
Valuations of Buildings and Assets **see actions arising statement**	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note
Meeting with internal auditors in camera	Seeking feedback from Auditors

TUESDAY, 13 October 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Committee Annual Report to Council	Review and Refer to Council
Independence of Council's Auditor for the year end 30 June 2015	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2015	Review and Recommendation to Council
Meeting with external auditors in camera	Seeking feedback from Auditors
Program Evaluation (Scopes and Reports)	Review and Notes
LGA MLS Risk Review	Review and Feedback
Investment Performance 2014/15	Noting

Tuesday, 15 December 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Feedback
Corporate Risk Profile	Review and Feedback
Work Program and Meeting Schedule 2016	Review and Feedback
Long Term Financial Plan – Half yearly update	Review and Feedback
Ombudsman SA Annual Report 2014-15	Review and Feedback

CITY OF MARION

AUDIT COMMITTEE IMPROVEMENT PLAN AUGUST 2015



	Identified Improvement Opportunity (Audit Committee Effectiveness Survey)	Identified Improvement Activity	Responsible Officer	Original Due Date	Revised Due Date	Status	Completed

The Committee agreed at its meeting of 29 July 2014 to completed/remove the remaining item from the improvement plan. There are currently no outstanding items on the Audit Committee Improvement Plan.

**CITY OF MARION
AUDIT COMMITTEE MEETING
18 AUGUST 2015**

Originating Officer: Kate McKenzie, Manager Governance
Councillor Tim Pfeiffer

Subject: Elected Member Representative Report to Audit Committee

Report Reference: AC180815R6.1

REPORT OBJECTIVE:

Section 4.19 of the Audit Committee Policy states *“where the Council makes a decision relevant to the Audit Committees Terms of Reference, the Elected Member Representative will report the decision to the Audit Committee at the next Committee meeting and provide any relevant context”*.

EXECUTIVE SUMMARY:

Since the last Audit Committee meeting on 15 June 2015, Council has held one (1) Special Council meeting and four (4) General Council meetings being the 16 June, 23 June, 14 July, 28 July and 11 August. The Special Council meeting addressed the recruitment of the new Chief Executive Officer, Mr Adrian Skull, who will be commencing on the 31st August 2015.

The only meeting that had items relevant to the Audit Committee Terms of Reference was the 23 June 2015. This meeting was the last meeting for the financial year and hence the following matters were considered and resolved by Council:

- Council adopted its Annual Business Plan and Budget for 2015-16 with the following:
 - An average rate increase of 2.9%.
 - Achievement of forecast gross savings in operational expenditure in the order of \$3.2 (without impacting on service delivery outcomes)
 - Net reduction of employee costs for 2015-16 of 1.95%
- Council adopted its Long Term Financial Plan 2015-16 to 2024-25 with the following assumptions:
 - 2.75% average rate increase
 - CPI being 2.5%
 - Total employee costs of 2.0% for 2016/17 onwards.
- Council reviewed and adopted the following Financial Policies:
 - Rating Policy
 - Treasury Management Policy
 - Asset Management Policy (attached as Appendix 1 to the minutes)
 - Fees and Charges Policy
 - Reserve Funds Policy
 - Asset Accounting Policy
 - Budget Policy

- Council adopted the valuation which is applied to all land within the area for rating purposes for 2015/2016 Financial Year. Council noted that, at the time of adopted, the valuation totalled \$17,845,182,060 (including \$17,093,776,435 rateable and \$751,405,625 exempt).
- Council adopted its annual Rate Declaration and Rate Rebates for 2015-16.
- Council adopted a revised Disposal of Land and Assets Policy as previously discussed by the Audit Committee.
- Council adopted the Asset management plans for public consultation.

RECOMMENDATION (1)**DUE DATE****The Audit Committee note the report.****August 2015**

**CITY OF MARION
AUDIT COMMITTEE MEETING
18 AUGUST 2015**

Originating Officer: Sherie Walczak, Unit Manager Risk

Corporate Manager: Kate McKenzie, Manager Governance

Director: Kathy Jarrett

Subject: Insurance Claims Management Activity Report

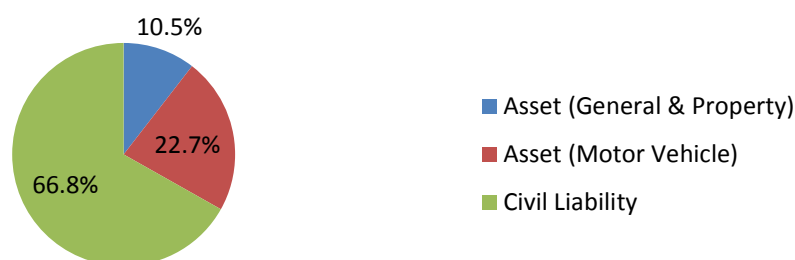
Report Reference: AC180815R7.1

REPORT OBJECTIVES:

To provide the Audit Committee with details about the incidents reported to and claimed against the City of Marion (CoM) for the reporting period 1 July 2014 to 30 June 2015.

EXECUTIVE SUMMARY:

During the reporting period there was a total of 600 incidents reported, proportioned as below:



Of the incidents reported, 63 reports related to CoM Assets (General and Property) resulting in 9 claims, 136 reports were related to CoM Assets (Motor Vehicles) resulting in 46 claims and 401 reports were related to public liability matters and resulted in 58 claims.

The proportion of claims and incidents experienced in the reporting period remains relatively consistent with previous years and the majority of claims and incidents continue to relate to public liability matters.

RECOMMENDATIONS (2)

DUE DATES

That the Audit Committee:

- | | |
|--|-----------------------|
| 1. Receives and notes this report | 18 August 2014 |
| 2. Provides comment on the adequacy of the mitigating actions in response to incident data for the period 2014/2015 | 18 August 2014 |

BACKGROUND:

Local Government Risk Services, have been specialist risk providers to Local Government in South Australia for over 40 years. Under the banner of Local Government Risk Scheme (LGRS), which encompasses Local Government Association Mutual Liability Scheme (LGA MLS) and Local Government Association Asset Mutual Fund (LGA AMF), the City of Marion is provided with a comprehensive range of insurance products including, property, asset and special risk insurance in addition to civil and professional liability insurance.

DISCUSSION:

Asset (General and Property) incidents and claims

During the reporting period there was a total of 63 incidents reported relating to City of Marion property resulting in 9 claims submitted to the LGA AMF.

The most significant claims for this period were:

- Two claims resulting from separate break-ins and thefts at the leased Boart Longyear site. This site is being leased whilst the City Services development is occurring.
- A motor vehicle collision to a bus stop.
- Theft of copper pipe at a leased sporting facility.
- Vandalism at Glandore Community Centre whilst it was being hired to a member of the public.

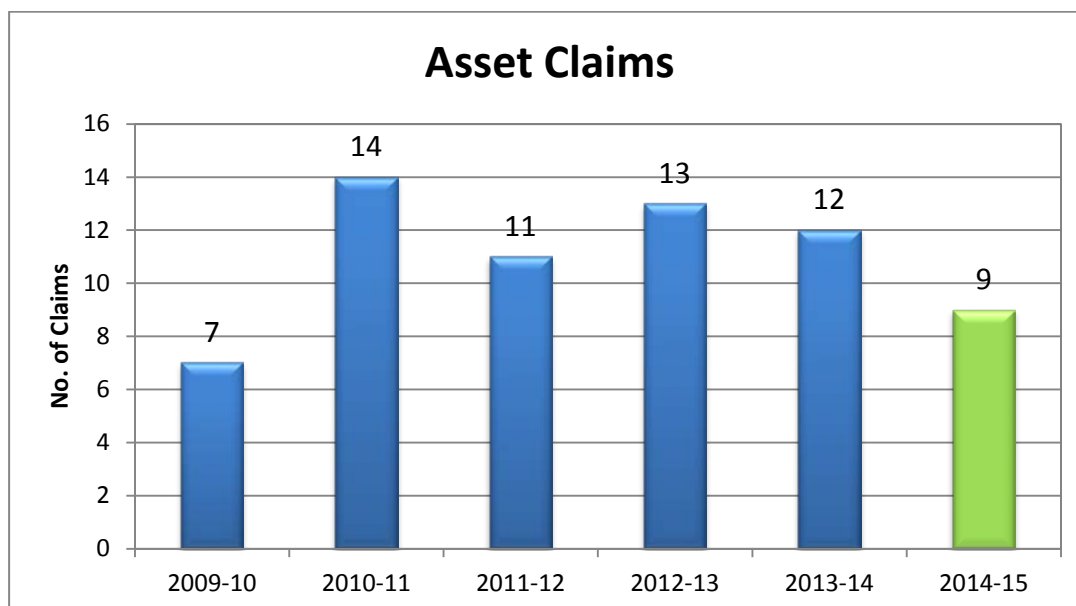
Action in response to Asset (General and Property) incidents and claims:

Risk mitigation strategies have been put in place to manage potential break-ins at the Borat Longyear site. As the City Services Redevelopment is nearing completion, the leasing arrangements will cease in due course.

Incident and claims data is regularly reviewed by the Risk Management Unit in collaboration with the LGA AMF and the relative business unit ie Land and Property, Operational Services, Civil and Open Space Operations with the view to identifying opportunities to improve asset management, maintenance and security in order to minimise potential losses.

The table and graph provide further detail relating to the incidents and claims for this reporting period compared to previous reporting periods.

Insurance Category	Insurance Category Description	Incidents 2014	Claims 2014	Incidents 2015	Claims 2015	\$ Value of Claims 2015
Accidental Damage	Incidents that are not intentional or deliberately caused	5	0	9	0	\$400
Arson	CoM asset that has been deliberately set on fire	3	0	1	1	\$1,285
Break-in	Forced entry into building with the intention of theft/damage	2	2	12	2	\$927
Environmental	An incident caused by environmental factors ie heavy rain, high winds	6	3	7	0	\$3,266
Fire	Fire not caused by deliberate activity ie faulty electrical equipment	0	0	1	0	
Machinery Break Down	Break down of electrical plant and machinery	1	1	1	0	\$4,356
Motor Vehicle Impact	An incident where a motor vehicle collides with a CoM asset	10	4	12	2	\$25,673
Theft	Theft of City of Marion asset, e.g. playground equipment from reserve.	2	0	6	1	\$47,098
Vandalism	Deliberate damage to City of Marion asset	5	2	8	1	\$10,809
Water Damage	Water damage not caused by environmental issue	1	0	6	2	\$779
TOTAL		35	12	63	9	\$94,574



Asset (Motor Vehicle) Incidents and Claims

During the reporting period there was a total of 136 incidents reported involving City of Marion Motor Vehicles resulting in 46 claims submitted to the LGA AMF.

- CoM workers were 'at fault' in 90% of incidents that occurred during the period. Most incidents were low speed impacts that occurred during parking or reversing of vehicles. Of these incidents, 34% resulted in a formal claim to the LGA AMF.
- A significant increase in the number of incidents reported has occurred compared to the previous year. This may be attributed to the new electronic incident reporting system which has been embraced by the front line workers due to its ease of reporting.
- A slight increase in the number of claims compared to the previous year with the average number of claims for the past 5 years being 41 compared to 46 for this period

The table and graph provide further detail relating to the incidents and claims for this reporting period compared to previous reporting periods.

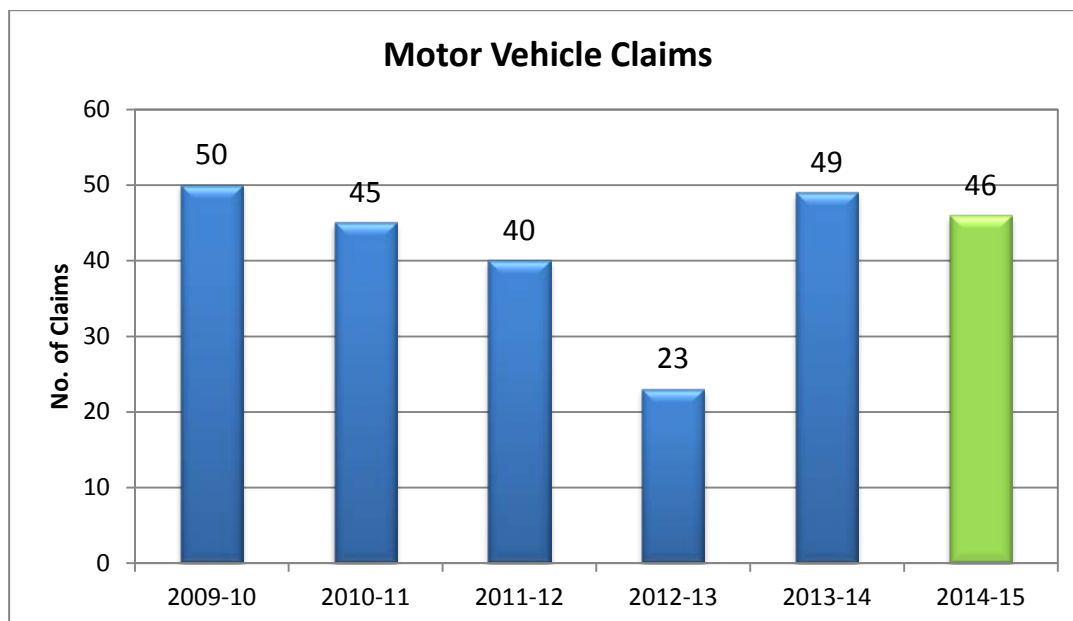
Action in response to Asset (Motor Vehicle) Incidents and Claims:

During the period various training was provided to relevant staff including; load slinging, excavator, front-end loader, backhoe, vehicle mounted loading crane, MR licence and work zone traffic management in addition to alcohol and other drug training.

The programmed renewal of fleet assets has included a review of safety considerations by undertaking pre-purchase risk assessments to enhance decision making regarding the appropriateness of the fleet relevant to the task being performed and also to provide higher level safety features such as reversing sensors and cameras across fleet vehicles.

Safe driving and early reporting practices continue to be promoted as part of the Think Safe Live Well program and updates are provided by regular communication methods including newsletters, toolbox talks and staff meetings.

Insurance Category	Incidents 2014	Claims 2014	Incidents 2015	Claims 2015	\$ Value of Claims 2015
CoM 'at fault'	64	34	123	37	\$54,719
Third Party 'at fault'	16	15	13	9	\$15,237
TOTAL	80	49	136	46	\$69,956



Civil Liability (public liability and professional indemnity) Incidents and Claims

During the reporting period there was a total of 401 incidents reported that resulted in 58 public liability claims

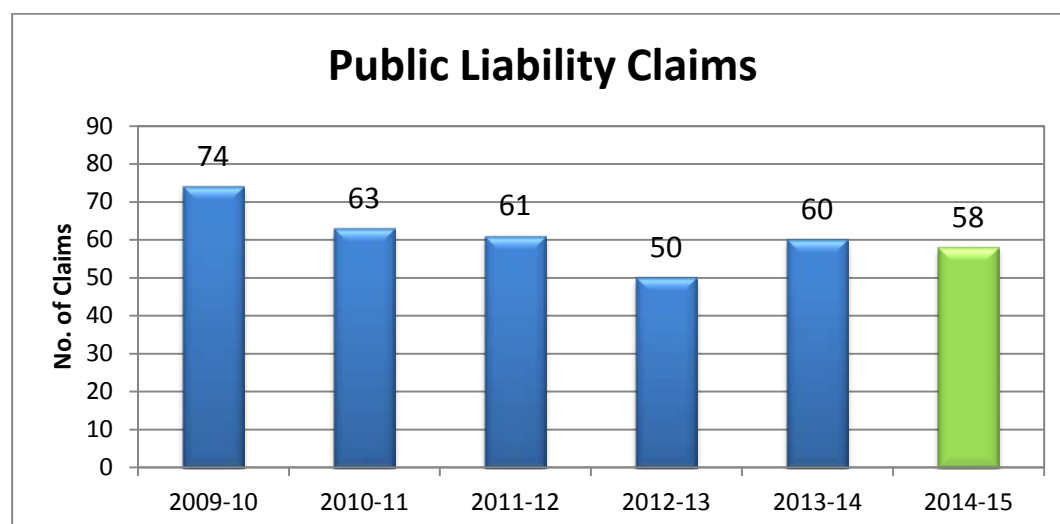
- A slight decrease in the number of incidents report compared to the previous year with 14% resulting in a claim.
- A slight decrease in the number of claims compared to the previous year with the average number of claims for the past 5 years being 62 compared to 58 for this period which is consistent with the previous period.
- Majority of the civil liability incidents and recorded in the Road Management category and relate to footpaths and roads. These incidents have generally involved injuries from trips on footpaths and/or minor motor vehicle accidents such pot holes or drivers colliding with kerb and water table.
- The number of tree related incidents has decreased from 121 to 71. These incidents are directly relative to the frequency of extreme weather events experienced during the reporting period (i.e. heat, wind, etc).

Action in response to public liability and professional indemnity Claims:

The LGAMLS undertake an Annual Risk Management Review and Civil Liability Risk Profile which undertakes an assessment of CoM's exposure to civil liability risks and evaluates our risk mitigation systems in place to minimise exposures. This was undertaken in May 2015 and a formal report will be provided to the Audit Committee October 2015.

The table and graph below provides further detail relating to the incidents and claims for this reporting period compared to previous reporting periods.

Insurance Category	Insurance Category Description	Incidents 2014	Claims 2014	Incidents 2015	Claims 2015	\$ Value of Claims 2015
Community Land	Incidents that occur on Community Land such as reserves, playgrounds, buildings, walkways, etc	94	7	112	14	5,800
Contract Management	CoM Contractor causing damage to property or personal injury.	12	1	20	0	
Road Management	Trip & fall on uneven footpath. Motor vehicle damaged on pot hole.	163	35	165	31	42,449
Non-Employment Relationships	Incident involving a CoM Volunteer or Work Experience person, and incidents caused by these parties resulting in civil liability exposure.	6		2	0	
Professional Indemnity	Incorrect information/advice provided to the public eg Development Assessment decisions	4	2	2	2	
Event RM	Personal injury to participants of CoM run community programs/events	26	1	29	0	
Tree Management	Street, reserve, & tree management eg Fallen branches, overhanging vegetation and roots causing property damage or person injury	121	14	71	11	5,254
Committee Management	Incorrect Committee Management causes financial loss.	0	0	0	0	
TOTAL		426	60	401	58	\$53,503



CONCLUSION:

A proactive response to incidents and investigation of claims is provided for each category of insurance and the City of Marion continues to focus on key risk areas including review and implementation of the Risk Management Policy and Framework, Emergency Management Procedures and Emergency Response Plans, the Business Continuity Plan in addition to the implementation of the new Assess Management Plan

The Risk Management Unit continues to record all reported incidents and/or claims received and work in collaboration with the relative business to ensure that they are investigated, corrective or preventative actions are implemented and that the issue is managed and monitored effectively to mitigate the risk to the public and/or property. Risks are reviewed and monitored regularly via project risk registers and work area risk registers which identify appropriate risk controls and treatments. These are reviewed annually and reported through to the Audit Committee as per the Risk Management Framework.

**CITY OF MARION
AUDIT COMMITTEE MEETING
18 AUGUST 2015**

Originating Officer: Kate McKenzie, Manager Governance

Director: Kathy Jarrett

Subject: Meeting with Program Evaluation Service Provider (BDO)
(in Confidence)

Ref No: AC180815F8.1

If the Audit Committee so determines, this matter may be considered in confidence under Section 90(2) and (3 (g) of the Local Government Act 1999 and orders that all persons present with the exception of Councillors XX be excluded from the meeting as the Committee meets with the Council's program evaluation service provider, on in order to ensure that the Council does not breach any law, order or direction of a court or tribunal by law, any duty of confidence or other legal obligation or duty.



Geoff Whitbread
Chief Executive Officer

REPORT OBJECTIVE AND EXECUTIVE SUMMARY:

The Audit Committee Terms of Reference recognises that the Audit Committee will meet with both the external auditor and program evaluation service provider without management at least once per year (clause 4.9). This provides the Audit Committee an opportunity to have a confidential conversation with the Auditors without management present.

The purpose of this report is to exclude the public and staff from the meeting to enable this conversation to occur.

The chair of the Audit Committee will provide a summary of the discussion to the Manager Governance to be published in the minutes.

RECOMMENDATIONS:

1. The Audit Committee include the following comments within the minutes:

**CITY OF MARION
AUDIT COMMITTEE MEETING
18 August 2015**

Originating Officer: Heather Falckh, Manager Organisational Excellence
Director: Kathy Jarrett
Subject: Internal Audit & Service Reviews – Tender Assessment
Report Reference: AC180815F8.2

If the Audit Committee so determines, this matter may be considered in confidence under Section 90 (3)(k) of the Local Government Act 1999 on the grounds that the report deals with a tender for the provision of services to the City of Marion.



Geoff Whitbread
Acting Chief Executive Officer

RECOMMENDATION:

1. That pursuant to Section 90(2) and (3)(k) of the Local Government Act 1999 the Committee orders that all persons present, with the exception of the following persons Geoff Whitbread (Acting Chief Executive Officer), Vincent Mifsud (Director), Kathy Jarrett (Director), Abby Dickson (Acting Director), Kate McKenzie (Manager Governance), Heather Falckh (Manager Organisational Excellence) and Fiona Harvey (Manager Strategy) be excluded from the meeting as the Committee receives and considers information relating to the tender for the provision of Internal Audit and Service Review Services upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to a tender for the provision of services to the City of Marion.