

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE OF
THE BAROSSA COUNCIL**
**held in the Committee Room, 43-51 Tanunda Road, Nuriootpa, on
Tuesday 10 December 2013 commencing at 10.55am.**

1. WELCOME

Mr Peter Brass welcomed everyone to the meeting.

2. PRESENT

Mr Peter Brass, Mr James Heuzenroeder, Mayor Brian Hurn, Cr John Angas, Cr Richard Miller

Invited Staff Members

Mr Martin McCarthy, Chief Executive Officer
Ms Jo Thomas, Director Corporate & Community Services
Mr Mark Lague, Manager Financial Services
Ms Nicole Rudd, Internal Controls Compliance Officer
Ms Annette Randall, Executive Assistant
Ms Sofie Kraft, School Based Trainee

3. APOLOGIES

Nil

4. CONFIRMATION OF MINUTES FROM PREVIOUS MEETING

MOVED Cr Angas that the Minutes of the Audit Committee Meeting held 14 October 2013, as circulated, be confirmed as a true and correct record of the proceedings of the meeting.

Seconded Mr Heuzenroeder

CARRIED

5. BUSINESS ARISING FROM PREVIOUS MINUTES

Included within the Agenda.

6. CONSENSUS AGENDA

The meeting discussed each item.

- Regarding Item 6.1.1 – *Annual Committee Self Assessment* – Committee members met prior to the meeting to discuss the questions posed in the Self Assessment. Mr Brass recorded the consensus responses and comments on the Assessment form and provided a verbal summary to the full meeting.
- Regarding Item 6.1.4 – *Risk Management and Work Health & Safety* – Mr McCarthy spoke to the report and answered questions from the meeting. Noted that a full report on the Business Continuing Plan and recent “Health Check” will be provided to the next Committee meeting.
- Regarding Item 6.1.5 – *Progress Report – Strategic Projects* – Noted the following:
 - Volunteer Management Project: Volunteer Management Framework Policy and Process will be presented to the December Council Meeting
 - Nuriootpa Centennial Park Authority (NCPA) Future Investment:
 - New Charter will be presented to the January Council Meeting
 - Audit Committee to be re-established following adoption of Charter
 - Asset Management Plan has been completed and a full business case and modelling re future investment is nearing completion.

- Competitive Neutrality process will be conducted in the new year
- Regarding Item 6.1.6 - *Information and Communication Technology Steering Committee (ICTSC)* – Mr Brass suggested that the Terms of Reference include statements re:
 - requirement for Proxies
 - ICT strategies also be aligned to Risk Management Framework

MOVED Cr Miller that Reports 6.1.1 to 6.1.6 be received.
Seconded Mr Heuzenroeder

CARRIED

- Regarding Item 6.2.1 – *Dean Newbery & Partners Completion of External Audit* – Mr Lague advised that the Auditor’s Management letter had not yet been received. Also, that the LGA has commissioned a consultant to provide a ruling on the interpretation of selected aspects of a new Standard AASB13 (and others); all SA councils require this advice.

MOVED Cr Miller that Correspondence Item 6.2.1 be received.
Seconded Mr Heuzenroeder

CARRIED

ACTIONS:

- *Risk Manager to provide a full report on the Business Continuity Plan and recent “Health Check” to the next Committee meeting.*
- *Director Corporate & Community Services to note suggested additions to ICT Terms of Reference.*
- *Outcomes of Audit Committee Self Assessment to be advised to January Council Meeting by DCCS*
- *Future Departmental presentations to meeting on their particular risk profiles and how managed.*

7. DEBATE AGENDA

7.1 REPORTS

7.1.1

REPORT ON FINANCIAL RESULTS 2012/2013 (AS AT 30 JUNE 2013)

B345

Mr Lague spoke to the report and answered questions from the meeting.

MOVED Mr Heuzenroeder that the Report on Financial Results for 2012/2013 (as at 30 June 2013) and the carried forward adjustments to 2013/14 as listed on pages 11 to 13, be noted.

Seconded Mayor Hurn

CARRIED

INTRODUCTION

The Report on Financial Results for 2012/2013 (as at 30 June 2013) was presented to Council at its 19 November 2013 Council Meeting.

COMMENT

The Report on Financial Results was prepared following the completion of the Financial Statements. This report provides Council with a final variance report for the actual results as compared to the adopted budget, along with carried forward adjustments to the 2013/2014 financial year.

The report provides information as to the financial position of Council, containing: Executive Summary, Uniform Presentation of Finances, Key Performance Indicators, Financial Statements with Variance Reporting as compared to the original budget and compared to last year actual results.

The report also provides a list of proposed Operating and Capital Budget carried forward adjustments. Many of these adjustments are for projects not completed by 30 June 2013 for various reasons and/or are attached to grant funding for programs in 2013/2014. For further analysis, reference should be made to the Annual Financial Statements 2012/2013 (Agenda item 6.1.3).

The report also includes a quarterly review of the business units showing a high level financial report, new initiatives and capital expenditure review.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

- Local Government Act 1999
- Local Government (Financial Management) Regulations 2011
- Annual Budget/Business Plan Policy

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

To enable Council to make effective and strategic financial decisions, a regular up to date high level financial report is provided. This report contains budget adjustments for decisions Council has made since the last review and other adjustments to meet financial changes in capital and/or operational areas. The document contains comments and implications for the Long Term Financial Plan as a result of this review.

COMMUNITY CONSULTATION

Community Consultation was part of the original budget adoption process in June 2012, as per legislation.

7.1.2

BUDGET UPDATE (AS AT 30 SEPTEMBER 2013) (B345)

Mr Lague spoke to the report and answered questions from the meeting.

MOVED Cr Angas that the Budget Update for 2013/14 (as at 30 September 2013) and budget variations contained therein be noted.

Seconded Mayor Hurn

CARRIED

INTRODUCTION

The Budget Update for 2013/2014 (as at 30 September 2013) was presented to Council at its 19 November 2013 Council Meeting.

COMMENT

The report provides information as to the financial position of Council, containing budget update reports which include Executive Summary, Uniform Presentation of Finances, Key Performance Indicators, Summary of Operating Budget Variance Adjustments and Summary of Capital Budget Variance Adjustments.

The proposed variances between the original budget and this budget update are listed on the operating and capital budget adjustment pages. Please note for reconciliation purposes, from the Original Budget to the first Budget Update, the variances also include a summary of the carried forwards as approved by Council in the 2012/13 Report on Financial results in this agenda.

The report also includes a quarterly review of the business units showing a high level financial report, new initiatives and capital expenditure.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

LEGISLATION:

- Local Government Act 1999 Sect 123 (13)
- Local Government (Financial Management) Regulations 2011 Regulation 9 (1)(a)

COUNCIL STRATEGIC PLAN:

- 4.1 – Responsibility
- 4.3 – Systems

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

There are no financial, resource or risk management considerations.

COMMUNITY CONSULTATION

Community Consultation was part of the original budget adoption process in June 2013, as per legislation.

7.1.3

BANK FACILITY (B2314)

Ms Rudd spoke to the report and answered questions from the meeting.

MOVED Mayor Hurn that the Audit Committee note the financial arrangements with the National Australia Bank:

1. Corporate Credit Card facility limit to a total of \$40,000;
2. Overdraft Facility limit of \$250,000;
3. Temporary facility limit of \$1,500,000; and
4. Bank Guarantee limit of \$50,000

Seconded Cr Miller

CARRIED

INTRODUCTION

The recent review of Council's transactional banking services has resulted in the change from BankSA to National Australia Bank (NAB).

Council approved the financial arrangements on the limits for the Corporate Credit Card, Overdraft and Bank Guarantee facilities at its 19 November 2013 Council Meeting.

COMMENT

Over the past 12 months, staff have reviewed Council's transactional banking service fees and charges provided by BankSA.

Comprehensive benchmarking exercises were undertaken with the result highlighting the opportunity for significant savings across the fees and charges being applied to Council for these services.

To this end, Officers have now signed an 'Agreement for the Supply of Transactional Banking' incorporating a Service Level Agreement with the National Australia Bank and will be transitioning from Bank SA to the National Australia Bank on the 2nd December 2013. The services have been procured under contractual arrangements agreed through Local Government Council Solutions (formerly G6) who conducted an open tender and all due diligence requirements. Council has entered into a 3 year arrangement with option to extend for 2 further terms of 2 years.

Council had an existing \$25,000 limit for the purchasing card facility with BankSA but Officers sought approval for this limit to be increased to \$40,000 to provide for immediate to mid-term needs. A review will shortly take place to facilitate the possible expansion of the use of Corporate Credit Cards in line with Council's Purchasing and Procurement Policy. The Policy covers the process for the issue of the cards (as well as setting the individual card limits) to Council Officers.

Regardless of the purchasing method used for procurement (eg via Purchase Order or by using a Credit Card etc), the Procurement Principles detailed in the Procurement Policy govern how purchases are made and the sub-delegations to Officers set the amounts from the budgets that each Officer is authorised to approve. The Overdraft Facility limit has not changed from the \$250,000 held with BankSA.

Under Council's Treasury Management Policy, Council staff ensure adequate funds are available in the bank account for payments. In rare instances where funds have been transferred overnight from the Local Government Finance Authority but are not yet in the bank account, NAB will temporarily approve payments from the bank account above the base overdraft limit.

Officers also have approval for a \$50,000 Bank Guarantee facility to allow Council to access Guarantee amounts up to the \$50,000 limit as and when required for infrastructure projects.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Local Government Act 1999 Sect 134 (1) and (2) Sect 135 (1)

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

There are Policies and Sub-Delegations in place to control all Council purchasing and the management of Council funds.

COMMUNITY CONSULTATION

Not required under legislation or Council Public Consultation Policy.

7.1.4

INTERNAL FINANCIAL CONTROLS (B343)

Ms Rudd spoke to the report and answered questions from the meeting. Ms Rudd advised that she communicates regularly with Council's external Auditor regarding processes and progress with the self assessment tool.

MOVED Cr Miller that the report on Internal Financial Controls be received and noted.
Seconded Mr Heuzenroeder **CARRIED**

INTRODUCTION

Update on internal control work performed since last Audit Committee meeting.

COMMENT

As reported at previous meetings, by the 2015-16 financial year, both Council and its auditor are required to meet the new requirements of the Local Government Act 1999 (Section 125 and 126) and the Local Government (Financial Management) Regulations 2011, 14(e) in respect to internal financial controls.

To facilitate this requirement, Council is utilising the Deloitte Control Self Assessment Tool (an interactive software package) – ControlTrack - to monitor the effectiveness of the controls over identified financial risks. This tool, together with the Better Practice Model which details the risks and records inherent and residual risk ratings of those risks over the different financial functions of Council, will provide information on the position of Council's internal financial control environment.

Step 1 for assessing officers is to review and rate the current management of the core financial risks established in the Control Track system on a 1 to 5 score metric (refer table below). They describe the current control process and make recommendations for action to enhance control compliance.

Step 2 provides for a review of the Step 1 assessment by escalation to the reviewing officer. The rating level is verified or adjusted and an action plan recorded with timelines for controls receiving a 1, 2 or 3 rating.

The initial assessment phase in ControlTrack has now been completed with the review phase in progress. The review period will conclude on the 20th December 2013.

A brief summary of the results of the initial assessments by the officers carrying out the Stage 1 process shows the following:

Summary of Assessments			
Rating		Occurrences	%
0 = Unrated		2	1%
1 = Ineffective		0	0%
2 = Requires Significant Improvement		20	10%
3 = Partially Effective		66	34%
4 = Majority Effective		69	36%
5 = Effective		35	18%
N/A		1	1%
	TOTAL	193	100%

The current data is therefore only reflecting the preliminary assessment. Until the review process is completed, the information provided is purely indicative.

Information from the assessment/review process, together with the action plans developed from this process, will be populated into the Better Practice Model and the final residual risk assessment will be completed. The controls will then be subject to 6 monthly review to track and report progress against agreed action plans and timelines.

Further reporting will be presented to future Audit Committee meetings.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Local Government Act 1999 – Section 125, 126
Local Government (Financial Management) Regulations 2011, 14 (e)
The Barossa Council Strategic Plan

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

The regular monitoring and review of Council's financial internal controls and risk assessments will significantly facilitate the on-going safeguarding of Council assets.

The control and review of risks is a core officer function and responsibility, the introduction of the new system supports officers by providing a consistent framework and process.

COMMUNITY CONSULTATION

Not required under legislation or Council's Public Consultation Policy.

8. OTHER

8.1 AUDIT COMMITTEE ACTION TRACKING

The meeting noted the Action Tracking document.

9. OTHER BUSINESS

Nil.

10. NEXT MEETING

Tuesday 4 March 2014 commencing at 10.00am.

11. CLOSURE

There being no further business, Mr Brass thanked everyone for their contribution over the last 12 months and closed the meeting at 12.20pm.

Confirmed:

Chairman:

Date: