

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE OF  
THE BAROSSA COUNCIL**  
held in the Committee Room, 43-51 Tanunda Road, Nuriootpa, on  
Tuesday 3 June 2014 commencing at 10.05am.

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**1. WELCOME**

Mr Peter Brass welcomed everyone to the meeting.

**2. PRESENT**

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

**Invited Staff Members**

Mr Martin McCarthy, Chief Executive Officer  
Ms Jo Thomas, Director Corporate & Community Services  
Mr Mark Lague, Manager Financial Services  
Ms Vicky Rohrlach, Senior Accountant  
Mr Louis Monteduro, Senior Manager Planning Services  
Ms Nicole Rudd, Internal Controls Compliance Officer  
Ms Natalie Mudge, Acting Executive Assistant

**3. APOLOGIES**

Cr Richard Miller  
Mr Alan Jackson, Risk Manager

**4. CONFIRMATION OF MINUTES FROM PREVIOUS MEETING**

**MOVED** Mayor Hurn that the Minutes of the Audit Committee Meeting held 11 March 2014, as circulated, be confirmed as a true and correct record of the proceedings of the meeting.

**Seconded** Cr Angas

**CARRIED**

**5. BUSINESS ARISING FROM PREVIOUS MINUTES**

Included within the Agenda.

**6. CONSENSUS AGENDA**

The meeting discussed each item.

Regarding Item 6.1.1 – *Review of Delegations* – Ms Thomas advised the Delegation Module of the Advent software, was improving administrative and compliance systems for the production of delegations and subdelegations.

Mr Monteduro clarified the comparative legal advice obtained regarding the Development Act subdelegations: South Australian legislation allows Council to create limitations on officer's delegated powers in contrast to the New South Wales legislation that does not allow such limitations.

Mr Brass suggested that Ms Rudd add an internal review of this area of risk to next year's action plan.

**MOVED** Mr Heuzenroeder that Report 6.1.1 be received.

**Seconded** Mayor Hurn

**CARRIED**

Regarding Item 6.1.2 – *Ombudsmans' Confidentiality Provisions Audit* – Mr McCarthy spoke to the report regarding possible future consideration of reporting of informal gatherings/workshops via the Council Agenda. Legislative requirements are being met through the Code of Practice for Access to Council and Committee Meetings and Associated Documents Policy. Confidential items were tracking at 1.4%, lower than the threshold of 3% recommended by the Ombudsman, and consisted mostly of tender-related items protecting commercial in confidence information as permitted under the Local Government Act.

**MOVED** Cr Angas that Report 6.1.2 be received.

**Seconded** Mayor Hurn

**CARRIED**

Regarding 6.1.3 – *Nuriootpa Centennial Park Authority (NCPA) Charter* – Ms Thomas answered Mr Brass' question that with the Charter being Gazetted on 29 May 2014, a draft Implementation Plan has been developed and includes actions regarding the revised arrangements for the NCPA Audit Committee.

**MOVED** Cr Angas that Report 6.1.3 be received.

**Seconded** Mr Heuzenroeder

**CARRIED**

Regarding 6.1.4 – *Risk Management and Work Health and Safety* – Mr McCarthy spoke to the report and highlighted the fantastic result of being the first council to go through a WorkCover audit without non-compliances. He highlighted that some additional work was required in relation to training needs analysis, supervisory matters and the compliance calendar. Work will now focus on Standards for Self Insurers 4-5. Mr Brass suggested that Council should promote this level of achievement in the local media. Mr Brass also raised the growing risk of cyber security and queried how this was being managed. Ms Thomas responded that this is partly addressed in the new ICT Acceptable Usage Policy which is in its final draft and will be reviewed at CMT. It will also be managed under the ICT Strategic Plan and its knowledge management; however there will need to be consideration of the level of resources available to monitor policies. Mr Brass requested that ICT Steering Committee include cyber security as an ongoing agenda item. Mr McCarthy responded to Mayor Hurn's query that the actions resulting from the Audit will mainly be dealt with by targeted training and additional policy monitoring and review. Mr Brass commended Mr Jackson and his team on their achievement.

**MOVED** Mr Heuzenroeder that Report 6.1.4 be received.

**Seconded** Cr Angas

**CARRIED**

Regarding 6.1.5 – *Financial Policies* – Mr Lague reported that in reviewing the status of Council's financial policies, he noted that 9 of 13 were past their review date and while ongoing compliance checks were being done against the existing policies, it is an ongoing task to review them. Some policies are included in the Procurement Review being undertaken by the Strategic Projects Manager, which has been identified as the highest level of risk at an organisational level. He has set a review of the policies to be undertaken by the end of July. Mr Brass suggested liaising with Dean Newberry & Partners regarding which policies they will be prioritising in the forthcoming external audit.

**MOVED** Mr Heuzenroeder that Report 6.1.5 be received.  
**Seconded** Cr Angas

**CARRIED**

Regarding 6.1.6 – *ICT Steering Committee*

**MOVED** Cr Angas that Report 6.1.6 be received.  
**Seconded** Mr Heuzenroeder

**CARRIED**

Regarding Item 6.2.1 – *Dean Newberry & Partners: Interim Audit* – Mr Lague reported working with TechOne on the investigation of available reports in the newer release of TechOne to assist in addressing some recommended actions. Mr McCarthy advised that the Procurement Review was scheduled to be completed by end of September 2014 with an expanded regional procurement system being established by the end of financial year. Mr Brass suggested advising Dean Newberry & Partners to use Council's terminology of Purchasing Cards in future reports rather than Credit Cards and Mr Lague agreed to action. Mayor Hurn commented regarding leave balances and that the RDO arrangements were a good provision for work and life balance. Mr Brass commented that it is good to provide staff flexibility during busy times however risk management should ensure that RDOs are taken immediately after these periods to manage health and wellbeing. Mr Lague advised that some staff with balances in excess of Policy thresholds and supervisors have been advised to manage to achieve reductions taking into account work requirements Action for items from the Audit to be included in the Audit Tracking – Outstanding Actions worksheet

**MOVED** Mayor Hurn that Correspondence Item 6.2.1 be received.  
**Seconded** Mr Heuzenroeder

**CARRIED**

Regarding Item 6.2.2 – *Dean Newberry & Partners: Fair Value Measurement* – Mr Lague spoke to the report that Council is working to meet the revised Standard requirements and in the process of receiving and reviewing valuation data at the current time based on valuations as at 1 July 2013.

**MOVED** Cr Angas that Correspondence Item 6.2.2 be received.  
**Seconded** Mr Heuzenroeder

**CARRIED**

Regarding Item 6.2.3 – *Gawler Region Reuse of Water Project* – Mr McCarthy spoke to the report and updated that the project continues to progress with final confirmation regarding finance pending.

Mayor Hurn asked whether the Trust will be charging for the use of water. Mr McCarthy confirmed that the charging mechanism will be via the private partner with Council's receiving returns based on their share of the water licence arrangements.

**MOVED** Mr Heuzenroeder that Correspondence Item 6.2.3 be received.  
**Seconded** Mayor Hurn

**CARRIED**

**ACTIONS:**

- *Internal Controls Compliance Officer to add a review of Development delegations to the next year's action plan.*
- *CEO to promote in the media the Council's excellent WHS/Risk audit results.*

- Financial Services Manager to request a list of priorities in the review of financial policies from the external Auditors.
- Director CCS to include ongoing agenda item of cyber security at ICT Steering Committee.
- Financial Services Manager to advise Dean Newberry & Partners of terminology regarding Purchasing Cards.
- Carried over – Risk Manager to respond to LGRS re “Non-Compliances” reported in BCP Health Check and draw up Action Plan addressing such.

## 7. DEBATE AGENDA

### 7.1 REPORTS

#### 7.1.1

#### 2014/15 – 2023/24 LONG TERM FINANCIAL PLAN AND 2014/15 ANNUAL BUDGET & BUSINESS PLAN

#### B345

Mr Lague spoke to the report advising that the draft budget is in the community consultation phase. He provided an overview of the Executive Summary, key assumptions and projected performance against Key Performance Indicators. He clarified some of the concerns that some elected members had raised about the Council’s future cash situation and that further information to support awareness and understanding may be of assistance. Mr Lague noted that whilst cash reduces in the medium term, Council is in a strong position to service and reduce debt and consider additional prudent borrowing if required particularly in light of low finance costs. Mayor Hurn suggested to Mr Brass that a briefing on the budget and cash situation be made available to prospective nominees for the forthcoming Council Elections during the nomination period to provide awareness of the projected financial position and approach when making election promises. Mr McCarthy commented that the draft plan is based on a conservative case.

Mr Heuzenroeder queried the calculations behind the increase in staff salaries. Mr Lague advised it comprised of new initiatives in the Visitor Information Centre and the Barossa Bushgardens, an EB increase of 3.5%, a gradual increase in the superannuation guarantee and the casual loading to 25% plus transfers from the Contractor budget to salaries. Compensating revenue offsets some of the increases and Mr McCarthy noted there are Natural Resource Management officers on contract wholly funded via grant income. Mayor Hurn commended the Financial Services team on an excellent job in preparing the budget and asked for a formal record to be made to thank them for their efforts.

**MOVED** Mayor Hurn that the report on the draft Annual Budget and Business Plan (AB&BP) 2014/15, incorporating the annual review of the Long Term Financial Plan (LTFP) 2014/15 to 2023/24 for consultation, be received and noted.

**Seconded** Cr Angas

**CARRIED**

#### INTRODUCTION

Council, at a Special Meeting held 21 May 2014, endorsed the draft Annual Budget & Business Plan 2014/15 incorporating the Long Term Financial Plan 2014/15 to 2023/24, for public consultation from 28 May to 18 June 2014.

A copy of the document is provided on Council’s website <https://www.barossa.sa.gov.au/page.aspx?u=359&c=25374> and an excerpt from the Minutes of the Special Council Meeting was provided with the Agenda.

#### COMMENT

The Annual Budget & Business Plan (AB&BP) 2014/15 incorporates the Long Term Financial Plan (LTFP) 2014/15 to 2023/24 in the one document but under separate sections. The financial information has been prepared in accordance with the Council Budget and Rating workshops held in the last few months. All strategic parameters and indexation as discussed have been used in the calculation of the financial reports and statements

Discretionary Capital expenditure has been removed for years 2015/16 to 2018/19 and restored at \$350k per year from 2019/20 for the remaining years in the LTFP and a delay has been included for purchase of selected asset expenditure in the years 2016/17, 2017/18 and 2018/19 to the year 2020/21 to remain in a net positive cash position.

The LTFP is incorporated with the AB&BP process to ensure the two Plans align, as the AB&BP represents the first year in the LTFP. Preparing the two Plans concurrently enables the community to be involved in the short and long term planning of Council's Budget.

The public consultation period closes on 18 June 2014. Both written and verbal submissions will then be considered at the Council Meeting on 24 June 2014.

The adoption of the Budget is due to be held in the last week of June (date to be confirmed).

#### **LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN**

- Local Government Act
- Annual Budget/Business Plan Policy

#### **FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS**

The adoption of the Budget is required between 1 June and 31 August 2014. In order to meet this time line, the Budget process, including the adoption of the draft document for public consultation purposes, is required to be underway in May.

#### **COMMUNITY CONSULTATION**

Detailed in the body of the Report.

#### **7.1.2**

#### **BUDGET UPDATE (AS AT 31 MARCH 2014)**

#### **B345**

Mr Lague spoke to the report. Mr McCarthy answered Members' questions regarding the Bike Path funding arrangements, confirming that the acquittal was in the process of being submitted and advising of the project overrun and there was no indication at this stage that the grant funding will be impacted. Mayor Hurn advised that electricity costs of BlazeAid would be charged to the Angaston Football Club and asked about available funds from the Bushfire Recovery project. Mr McCarthy advised that \$6K was still available with further recovery of monies from the Mid-Murray Council and the Murray Bridge Council. Mr McCarthy will follow up the electricity charges.

**MOVED** Cr Angas that the Budget Update for 2013/14 (as at 31 March 2014) be received.

**Seconded** Mr Heuzenroeder

**CARRIED**

#### **INTRODUCTION**

The Budget Update for 2013/14 (as at 31 March 2014) was presented to Council at its 21 May 2014 Special Meeting, and the budget variations contained therein were adopted. A copy of the document was provided with the Agenda.

#### **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.

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

Local Government (Financial Management) Regulations 2011

##### **COUNCIL STRATEGIC PLAN:**

4.1 – Responsibility

4.3 – Systems

#### **FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS**

Council to consider approving budget variations as included with the financial report.

#### **COMMUNITY CONSULTATION**

Community Consultation was part of the original budget adoption process in June 2013, as per legislation. This report is advising Council of the quarterly finance position compared to that budget.

##### **ACTIONS:**

- *CEO to follow up electricity charges re BlazeAid.*

### **7.1.3**

#### **AUSTRALIAN ACCOUNTING STANDARD AASB13 – FAIR VALUE MEASUREMENT – LGA PAPER B1182**

Nil discussion.

**MOVED** Mr Heuzenroeder that Report 7.1.3 regarding the Application of Fair Value Measurement to Council Assets, be received.

**Seconded** Cr Angas

**CARRIED**

#### **INTRODUCTION**

To advise the progress on application of a new accounting standard AASB13 Fair Value Measurement to Council assets.

#### **COMMENT**

A new accounting standard AASB13 Fair Value Measurement applies to Accounting periods commencing on and after 1 January 2013. AASB13 provides a new definition of 'Fair Value' for the valuation of Council assets.

To provide Councils in SA with application for AASB13, the LGA engaged a qualified expert to prepare a position paper to determine fair value of non-financial assets controlled by LGAs. This opinion paper was completed in February 2014 to provide guidance to auditors. The paper considered the application from varying views including, but not limited to, accounting and auditing aspects. Subsequently, in April 2014, a technical paper was prepared for the LGA by John Comrie, for Local Government. This paper has been reviewed by the auditors group (SALGAG) and the Financial Managers Group (FMG), with a final version to be released by the LGA in the next week.

#### **LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN**

##### **LEGISLATION:**

Australian Accounting Standards, including but not limited to: AASB13 AASB116

##### **COUNCIL STRATEGIC PLAN:**

- 4.1 – Responsibility
- 4.3 – Systems

#### **FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS**

Council considers new and/or revised legislation for application in Council financial statements and what effect this has in the forward plans. The outcome from the application of this new standard is as yet unknown but will be reviewed on an ongoing basis and reflected in Council's related policies or processes when practicable.

#### **COMMUNITY CONSULTATION**

Not required for this report

#### **7.1.4**

#### **INTERNAL FINANCIAL CONTROL** **B1321**

Ms Rudd spoke to the report and answered members' questions. Mr Brass commented that it will be an important document for the external auditors.

**MOVED** Mayor Hurn that the report on Internal Financial Controls be received and noted.

**Seconded** Mr Heuzenroeder

**CARRIED**

#### **INTRODUCTION**

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

#### **COMMENT**

##### ControlTrack

Action plans are now being looked at with the target date for completion being extended to 31 July 2014. This will allow officers dealing with the budget additional time to put into place actions from the assessment and review periods.

A complete list of the action plans for all controls which have been given a score of 3 or below was attached to the Agenda.

It is noted that with this initial round of testing – there has been a total of 121 action plans developed for the 193 controls we are assessing. Of the 121 action plans – there are action plans which are duplicated for numerous controls.

For example, the Grants function has 4 controls (see 'Grant' extract below). Of those 4 controls, there are 3 which are rated 3 or less which require action plans to improve the effectiveness of the control over that function. The action plans for each of these controls revolve around the development of a central register, the documenting of a process and policy review. Once the Policy has been reviewed, a process put in place and a register developed and implemented, it would be anticipated that the rating of the effectiveness of these controls will increase to eliminate the need for further action plans.

<b>Organisation</b>		The Barossa Council			
<b>Assessment</b>		2013 - Internal Controls First Assessment			
<b>Assessment period</b>		14/07/2013 - 31/07/2014			
<b>Revenue</b>					
<b>Grants</b>	<b>Rating</b>	<b>Status</b>	<b>Roles</b>	<b>Action plan</b>	<b>Assessment comments</b>
Council has a clear policy on Grant funding detailing assessment process, recognition, treatment, claim collection, community expectations and funding period and, disclosure of any conflicts of interest. BPM Control Type: Core <b>Control code:</b> REV-GRA-0001	2	Not started <b>Due date:</b> 31/03/2014 <b>Priority:</b> High	<b>Assessor:</b> Vicky Rohrlach <b>Reviewer:</b> Mark Lague	Create a central register for the control of grant funding. Investigate the need for a Council Policy on grant funding	<b>Vicky Rohrlach:</b> Each department looks after own funding  Not all areas check with finance as to \$ reported  Schedule of requirements/timing of reporting/reponsible officer etc required <b>Mark Lague:</b> A register was created during the 2012-13 year end period to ensure grant funding was checked at that time.  Grant funding is mentioned in the funding policy but does not provide information as to when or why Council should apply for funding
Management and/or Council to approve all grants (prior to funds being received by Council) to ensure that Council will be able to meet the terms and obligations of the grant, and that the grant is in line with the Council's Strategic Objectives. BPM Control Type: Core <b>Control code:</b> REV-GRA-0003	4	Not started <b>Due date:</b> Not set <b>Priority:</b> Not set	<b>Assessor:</b> Mark Lague <b>Reviewer:</b> Joanne Thomas		<b>Mark Lague:</b> All new initiatives including those that attract grant funding and all non-budgeted Grant funding requires a whole of life assessment to be undertaken to ensure the cost versus benefit is checked. Approval by the Director, CMT and if material funding then Council is required before the grant is accepted. In draft (used during the Budget 13-14 process) is a due diligence report and bid analysis tool as part of the prudential requirements. <b>Joanne Thomas:</b>
Management performs regular review of all grant income and to monitor compliance with both the terms of grants and Council's Grant policy (including claiming and collecting funds on a timely basis). BPM Control Type: Core <b>Control code:</b> REV-GRA-0004	2	Not started <b>Due date:</b> 31/03/2014 <b>Priority:</b> Low	<b>Assessor:</b> Vicky Rohrlach <b>Reviewer:</b> Mark Lague	Create a central register for the control of grant funding.	<b>Vicky Rohrlach:</b> Each department looks after own funding  Not all areas check with finance as to \$ reported  Schedule of requirements/timing of reporting/reponsible officer etc required <b>Mark Lague:</b>
Authorised officers and/or Council to approve all grants (prior to funds being received by Council) to ensure that Council will be able to meet the terms and obligations of the grant, and that the grant is in line with the Council's Strategic Objectives. BPM Control Type: Core <b>Control code:</b> REV-GRA-0007	3	Not started <b>Due date:</b> 31/03/2014 <b>Priority:</b> Medium	<b>Assessor:</b> Joanne Thomas <b>Reviewer:</b> Martin McCarthy	Establish process and register.	<b>Joanne Thomas:</b> inconsistent approach to management of grants between departments and responsible officers no centralised register of grants - risk of non compliance with terms and conditions approval processes to be documented meeting organised to establish process and register November 2013 <b>Martin McCarthy:</b>

Therefore, it is expected that following this initial review, the number of action plans (assuming the bulk of them are addressed within the time-frame allocated and then in subsequent reviews, the controls are rated more effective) will reduce considerably.

More work is being done to get the Finance policies (and subsequent processes/documents) up to date. These will be put to the Audit Committee for endorsement as the reviews are completed.

Further consultation with the Corporate Management Team, the Local Government Financial Management Group – Internal Controls Working Party, as well as the External Auditors, will continue to develop ControlTrack and subsequently our Financial Internal Control environment.

Further progress will be documented at the next meeting of the Audit Committee.

#### LEGISLATIVE / POLICY / COUNCIL STRATEGIC PLAN

##### LEGISLATION:

Local Government Act 1999 – Section 125, 126, 129 (1) (b)  
Local Government (Financial Management) Regulations 2011, 14(e)

##### COUNCIL POLICY:

Various

##### COUNCIL STRATEGIC PLAN:

Governance and Organisation - Strategy 4.1: Responsibility  
Governance and Organisation – Strategy 4.3: Systems



**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.

**MOVED** Mr Heuzenroeder that the Audit Committee Action Tracking Documents be received and noted.  
**Seconded** Cr Angas **CARRIED**

**9. NEXT MEETING**

An October date to be advised to align with external audit.

**10. CLOSURE**

There being no further business, Mr Brass closed the meeting at 11.23am

Confirmed:

**Chairman:** .....

**Date:** .....