

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE OF
THE BAROSSA COUNCIL**
**held in the Council Chamber 43-51 Tanunda Road, Nuriootpa, on
Wednesday 24 June 2015 commencing at 10:00 am.**

1. WELCOME

Mr Peter Brass welcomed everyone to the meeting at 10.02am.

2. PRESENT

Mr Peter Brass, Ms Tanya Johnston, Cr Angas, Cr Milne, Cr Miller

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

Ms Nicole Westrich, Governance Advisor

Ms Nicole Rudd, Internal Controls Compliance Officer

3. APOLOGIES

Mr James Heuzenroeder, Mr Alan Jackson - Risk Manager

4. CONFIRMATION OF MINUTES FROM PREVIOUS MEETING

MOVED Cr Milne that the Minutes of the Audit Committee Meeting held 5 February 2015, as circulated, with the amendment to 7.1.3 Treasury Management Review on page 6, be confirmed as a true and correct record of the proceedings of the meeting.

Seconded Ms Johnston

CARRIED

5. BUSINESS ARISING FROM PREVIOUS MINUTES

Included in the agenda.

6. CONSENSUS AGENDA

6.1 REPORTS FOR INFORMATION

MOVED Ms Johnston that the report 6.1.1 and attached minutes from Council meetings held on 17 March 2015 and 21 April 2015 relating to the annual review and subsequent review of delegations be noted.

Seconded Cr Angas

CARRIED

MOVED Cr Milne that report 6.1.2 Risk Management Report be noted.

Seconded Cr Angas

CARRIED

ACTION:

A presentation on the Risk Management Appetite of Council will be presented to the next Audit Committee meeting in October 2015.

MOVED Cr Miller that report 6.1.3 Strategic Management Framework be noted.
Seconded Cr Milne **CARRIED**

MOVED Ms Johnston that report 6.1.4 Nuriootpa Centennial Park Authority Audit Committee Update be noted.
Seconded Cr Miller **CARRIED**

MOVED Cr Milne that report 6.1.5 ICT Steering Committee be noted.
Seconded Cr Angas **CARRIED**

ACTION:

1. *The draft ICT Strategic Plan will be put to the Audit Committee for comment prior to adoption.*
2. *That the acronym ICT be spelt out in full when being reported in future.*

MOVED Cr Miller that report 6.1.6 Asset Revaluation and Condition Assessment Program for 2014-15 and the next Two Years be noted.
Seconded Cr Milne **CARRIED**

Mr McCarthy left the meeting at 10.49am.

6.2 CORRESPONDENCE

The meeting discussed each item.

MOVED Cr Angas that Correspondence Items 6.2.1 to 6.2.2 be received.
Seconded Cr Milne **CARRIED**

ACTION:

1. *That feedback to be provided to Dean Newbery and Partners requesting that in future, the information contained in the Risk Matrix be captured in the body of their report for ease of understanding.*
2. *That staff include completion dates and responsible officers (where appropriate) in any future responses to items raised by the Auditors.*

Mr McCarthy returned to the meeting at 10.55am

Mr McCarthy left the meeting at 10.56am.

7.1 DEBATE AGENDA - REPORTS

7.1.1 DRAFT 2015/16 ANNUAL BUDGET AND BUSINESS PLAN INCORPORATING ANNUAL REVIEW OF LONG TERM FINANCIAL PLAN

INTRODUCTION

Council, at a Special Meeting held 3 June 2015, endorsed the draft Annual Budget & Business Plan 2015/16 incorporating the Long Term Financial Plan 2015/16 to 2024/25 has been prepared for public consultation.

A copy of the Draft 2015/16 Annual Budget and Business Plan and an excerpt from the Minutes of the Special Council Meeting was provided to the Committee.

MOVED Cr Milne that the report on the draft Annual Budget and Business Plan (AB&BP) 2015/16, incorporating the annual review of the Long Term Financial Plan (LTFP) 2015/16 to 2024/25 for consultation, be received and noted.

Seconded Cr Miller

CARRIED

COMMENT

The Annual Budget & Business Plan (AB&BP) 2015/16 incorporates the Long Term Financial Plan (LTFP) 2015/16 to 2024/25 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

A delay has been made for the purchase of selected plant and equipment expenditure in the years 2016/17, 2017/18 and 2018/19 to the year 2021/22 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 will commence from 10 June 2015 closes on 30 June 2015. Two verbal submissions were made at the Council Meeting on 16 June 2015.

The adoption of the Budget is due to be held in the first week of July (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 2015. 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.

Mr McCarthy returned to the meeting at 11.02am.

7.1.2

BUDGET UPDATE (AS AT 31 MARCH 2015)

INTRODUCTION

The Budget Update for 2014/15 (as at 31 March 2015) was presented to Council at its 19 May 2015 Council Meeting, and the budget variations contained therein were adopted. A copy of the document was provided to the Audit Committee.

MOVED Ms Johnston that the Budget Update for 2014/15 (as at 31 March 2015) be received.

Seconded Cr Milne

CARRIED

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.

There are numerous variances between the original budget and this budget update. These are listed on the operating and capital budget adjustment pages 5 to 34.

Mr McCarthy provided an update to the Audit Committee on the budget variation and the action by management to strengthen internal controls.

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 2014, as per legislation. This report is advising Council of the quarterly finance position compared to that budget

7.1.3

INTERNAL FINANCIAL CONTROL

INTRODUCTION

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

MOVED Cr Miller that the report on Internal Financial Controls be received and noted.

Seconded Cr Milne

CARRIED

COMMENT

A demonstration of ControlTrack was carried out at the meeting and a copy of the Internal Financial Control Report for February to June 2015 provided. The self-assessment process will be rolled out across Council to include other control owners and their supervisors.

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

4.1 Responsibility
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.

7.1.4

AUDIT COMMITTEE AMENDED TERMS OF REFERENCE

INTRODUCTION

Further discussion on the amended Audit Committee Terms of Reference presented at the meeting held on 5 February 2015 has been requested by Committee Members.

An amended Audit Committee Terms of Reference including the changes proposed that the Audit Committee meeting was provided.

MOVED Cr Angas that the Audit Committee Terms of Reference are reviewed by the Audit Committee and any proposed changes recommended to Council.

Seconded Cr Miller

CARRIED

COMMENT

At its meeting on 5 February 2015, the Audit Committee discussed the content of the Audit Committee Terms of Reference (the Terms of Reference).

Further input was sought in relation to the following clauses:

- 2.1.2 (iv) The clarity of disclosures in the Council’s financial reports and the context in which statements are made; and
- 2.1.2 (v) All material information presented with the financial statements

It was proposed that the word “*audited*” be inserted before the word “financial” in each clause.

Despite discussion and email exchange further to the February meeting, a consensus on the wording has not been achieved and it was requested that the matter be tabled for further consideration at the next Audit Committee Meeting.

LEGISLATIVE / POLICY / COUNCIL STRATEGIC PLAN

Legislation

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

Model Financial Statements 2014

Council Strategic Plan

4.1 Responsibility

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS:

Financial

No identified financial considerations.

Resource

No identified resource considerations.

Risk

In the opinion of Officers, the current wording in clauses 2.1.2 does not present any undue risk to Council.

An objective of the Audit Committee is to review financial reports and statements that are not audited as well as those that are. By restricting this clause it is the opinion of Officers that this limits the scope of the Audit Committee’s oversight unless it is amended to read audited and unaudited financial reports and statements.

The wording of the Terms of Reference is largely taken from the standard Local Government Association template document. The LGA, Financial Managers Group and other relevant parties provide the Model Financial Statements (MFS) for Local Government use in South Australia and these are in line with legislation and best practice. The following is an extract from the 2014 version of the MFS which may assist Audit Committee Members considerations and refers to financial statements rather than *audited* financial statements throughout:

“• The officer responsible for preparing the financial statements, who may or may not be the chief executive officer, will prepare draft statements for submission to the Audit Committee, and for external audit.

• The Audit Committee will review the draft statements to ensure that they present fairly the affairs of the Council. This review will be conducted independently of the external audit. However, it is anticipated that the Audit Committee will have the benefit of any information available (informal or otherwise) on particular matters raised by the auditor up until the time of the review.

• The certifying officers will review the proposed amendments to the draft statements

and will either refer them to the Audit Committee for further consideration or may, if satisfied that the proposed amendments are appropriate, complete and date the certificate.”

The Audit Committee discussed Section 2.4 Good Public Administration and it was agreed that it should be retained.

COMMUNITY CONSULTATION

Not required under legislation of Council’s Public Consultation Policy

ACTIONS:

- *That once adopted by Council, and approved copy be sent to Audit Committee Members for their reference.*

7.2 POLICIES FOR REVIEW

7.2.1

ASSET ACCOUNTING POLICY

INTRODUCTION

The Asset Accounting Policy was previously adopted by Council on 26 June 2014. Following a review, the updated Policy was adopted by Council on 16 June 2015. A copy of the document was provided to the Audit Committee.

MOVED Cr Miller that the Asset Accounting Policy as revised and adopted by Council be noted.

Seconded Cr Milne

CARRIED

COMMENT

Following a review, the updated Policy was adopted by Council on 16 June 2015. Major changes include, but are not limited to, the inclusion of a paragraph relating to Materiality and Revaluation Thresholds together with a table showing Asset Classification, Residual Values and Revaluation Cycle and Methodology.

The amended Policy reflects the review carried with regard to Useful Lives, Long Life Components and Residual Values.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Legislation

Local Government Act 1999

Australian Accounting Standards

Council Strategic Plan

4.1 – Responsibility

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial

To ensure Council oversees its assets appropriately, policy is required to provide a framework for management to work with.

Resource

To ensure that Council resources of Infrastructure, Property, Plant and Equipment are suitable to meet its obligations to the Community.

Risk

To ensure that the Infrastructure, Property, Plant and Equipment held by Council is appropriate and safe for its purpose.

COMMUNITY CONSULTATION

Council Policy for asset accounting is undertaken in compliance with legislation and Council requirements for asset management. Once the Policy is adopted by Council, it will be updated and available for the Community to access on Council's website.

7.2.2

FUNDING POLICY

INTRODUCTION

The Funding Policy was previously adopted by Council on 22 June 2009. The Policy to be emailed to Members of the Audit Committee on Monday 22 June 2015 as the Policy is undergoing its final internal consultation. Following the review process, the updated Policy will be presented to the Council for consideration and adoption.

MOVED Ms Johnston that the Funding Policy as revised be recommended to Council for adoption.

Seconded Cr Milne

CARRIED

COMMENT

The Policy focusses on these key areas: Long Term Financial Plan, Annual Budget and Business Plan, Grants, General and Other Rates, User Charges, Borrowings and Private Sector Contributions and Partnerships.

The policy has been redrafted with wording simplified and supporting documentation.

Content including definitions relevant to the Barossa Council has been taken from the LGA information papers 1, 9 and 20. The amended Policy includes the supporting document the Grant Funding Register and links to the processes Budget & Business Plan and Review and Due Diligence Report along with the Sundry Debtor guidelines.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Legislation

Local Government Act 1999

Australian Accounting Standards

Council Strategic Plan

4.1 – Responsibility

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial

This Policy sets out Council's approach to the funding of services

Resource

It provides the framework within which Council will raise the revenue necessary to fund expenses of programs and provide the necessary resources, set out in its Long Term Financial Plan and the Annual Budget and Business Plan.

Risk

The Policy is based on an assessment of the beneficiaries of all of Council's services and how these should be funded.

COMMUNITY CONSULTATION

Council Policy for funding is undertaken in compliance with legislation and Council requirements for funding. Once the Policy is adopted by Council, it will be updated and available for the Community to access on Council's website.

7.2.3

TREASURY MANAGEMENT POLICY

INTRODUCTION

The Treasury Management Policy was previously adopted by Council on 15 June 2010. The Policy to be emailed to Members of the Audit Committee on Monday 22 June 2015 as the Policy is undergoing its final internal consultation. Following the review process, the updated Policy will be presented to the Council for consideration and adoption.

MOVED Ms Johnston that the Treasury Management Policy as revised be recommended to Council for adoption.

Seconded Cr Angas

CARRIED

COMMENT

The policy has been redrafted with wording simplified and supporting documentation.

The Policy focusses on 4 key areas: Treasury Management Strategy, Borrowings, Investments and Reporting.

Content including definitions relevant to the Barossa Council has been taken from the LGA information papers 1, 9, and 15. The amended Policy includes the correlation to the processes in the Annual Budget & Business Plan and Review, the annual review of the Long Term Financial Plan and the requirements of the Prudential Management Policy along with inclusion of conditions for Loans to and/or as Guarantor for Community Groups.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Legislation

Local Government Act 1999

Australian Accounting Standards

Council Strategic Plan

4.1 – Responsibility

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial

This Policy underpins Council's decision-making regarding the financing of its operations as documented in its Annual Budget and Business Plan (AB&BP) and Long Term Financial Plan (LTFP) together with associated projected/actual cash flow of receipts and payments.

Resource

This Policy is designed to provide clear direction to Council and its Officers and to adequately resource the Treasury Management function.

Risk

The Policy establishes a decision framework to ensure that:

- Funds are available as required to support approved payments.
- Interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed.
- The net interest costs associated with borrowing and investing are reasonably likely to be minimised (on average) over the longer term.

COMMUNITY CONSULTATION

Council Policy for treasury is undertaken in compliance with legislation and Council requirements for treasury management. Once the Policy is adopted by Council, it will be updated and available for the Community to access on Council's website.

7.2.4

RATING POLICY

INTRODUCTION

The Rating Policy was previously adopted by Council on 17 February 2009. The Policy to be emailed to Members of the Audit Committee on Monday 22 June 2015 as the Policy is undergoing its final internal consultation. Following the review process, the updated Policy will be presented to the Council for consideration and adoption.

MOVED Cr Angas that the Rating Policy as revised (with further minor formatting changes) be recommended to Council for adoption.

Seconded Cr Miller

CARRIED

COMMENT

The policy has been redrafted with wording simplified and supporting documentation.

The Policy focusses on these key areas: Principles of Taxation, Valuation of land for rating purposes, Components of Rates, Late Payment, Sale of Land for Non-Payment of Rates, Adoption of Rates and Rate Payment Methods.

Content including definitions relevant to the Barossa Council has been taken from the LG Act 1999. The amended Policy includes the correlation to the policy statements in the Annual Budget & Business Plan, the Separate rate has now been removed as no longer applied, other links have now been included for supporting documentation: Rating and Sale of Land, Debt Recovery, Property, Journal and Rebate Processes.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Legislation

Local Government Act 1999

Australian Accounting Standards

Council Strategic Plan

4.1 – Responsibility

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial

This Policy represents the Council's commitment to balancing the rate revenue to be raised to provide for the resources consumed.

Resource

The Council's raises the finances needed through rating to fund the resources consumed by the customers.

Risk

Council must ensure that all Rating decisions are made in accordance with its powers to raise rates are found in Chapter 10 of the Local Government Act 1999 ("the Act") as the Act provides the framework within which the Council must operate, but also leaves room for the Council to make a range of policy choices.

COMMUNITY CONSULTATION

Council Policy for rating is undertaken in compliance with legislation and Council requirements for rates management. Once the Policy is adopted by Council, it will be updated and available for the Community to access on Council's website.

7.2.5

DEBT RECOVERY POLICY

INTRODUCTION

The Debt Recovery Policy is a new document. The Policy to be emailed to Members of the Audit Committee on Monday 22 June 2015 as the Policy is undergoing its final internal consultation. Following the review process, the updated Policy will be presented to the Council for consideration and adoption.

MOVED Cr Miller that the Debt Recovery Policy be recommended to Council for adoption.

Seconded Cr Milne

CARRIED

COMMENT

The Debt Recovery Policy is a new Policy.

The Policy focusses on Debt recovery for both Rates Debtors and Sundry Debtors

The Purpose of the Policy is:

- To provide a clear and concise policy framework in which to pursue all outstanding debts (Rates and sundry debtors) owed to the Council
- To ensure consistency, fairness, integrity and confidentiality of all legal proceedings for both the Council and the debtor;
- Assist in the efficient management of Council assets through the timely collection of outstanding monies

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Legislation

Local Government Act 1999

Australian Accounting Standards

Council Strategic Plan

4.1 – Responsibility

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial

This Policy to provide the framework for the efficient management of Council assets through the timely collection of outstanding monies.

Resource

Council's raises the finances needed fund the resources consumed by the customers.

Risk

Without appropriate Policy and Process debts will possibly not be recovered reducing Councils ability to fund services.

COMMUNITY CONSULTATION

Council Policy for debt recovery is undertaken in compliance with legislation and Council requirements for debt management. Once the Policy is adopted by Council, it will be updated and available for the Community to access on Council's website.

8. OTHER

8.1 AUDIT COMMITTEE ACTION TRACKING

MOVED Cr Miller that the progress of the Audit Committee Tracking report received.
Seconded Cr Angas **CARRIED**

9. ANY OTHER BUSINESS

Nil.

10. NEXT MEETING

27 October 2015 at 10am (with the first item on the agenda to be the 'in camera' meeting with Internal and External Auditors).

11. CLOSURE

There being no further business, Mr Brass closed the meeting at 12.20 pm.

Confirmed:

Chairman:

Date: