



## *The Barossa Council*

### MINUTES OF THE MEETING OF THE AUDIT COMMITTEE OF THE BAROSSA COUNCIL

held on Tuesday 22 May 2018, commencing at 9.32am in the  
Committee Room, 43-51 Tanunda Road, Nuriootpa

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1. **WELCOME**

The Chair, Mr Peter Brass, declared the meeting open at 9.32am.

2. **MEMBERS PRESENT**

Mr Peter Brass, Ms Tanya Johnston, Mr Ian Swan, Cr John Angas

**Invited Staff Members**

Mr Martin McCarthy, Chief Executive Officer

Ms Rebecca Tappert, Acting Director Corporate and Community Services

Mr Mark Lague, Manager Financial Services

Ms Nicole Rudd, Internal Control Compliance Officer

Mr Derek Jones, Risk Advisor

Ms Annette Randall, Executive Assistant (Minute Secretary)

Ms Callie Cockshell (Administrative Assistant)

**In Attendance**

Mr David Papa and Mr Matthew Brunato from Bentleys SA Pty Ltd  
(External Auditor)

3. **APOLOGIES**

Cr Scotty Milne

4. **CONFLICT OF INTEREST DECLARATIONS**

Nil

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

**MOVED** Mr Swan that the Minutes of the Audit Committee Meeting held 28 February 2018 be confirmed as a true and correct record of the proceedings of that meeting.

**Seconded** Cr Angas

**CARRIED 2017-18/33**

6. **BUSINESS ARISING FROM PREVIOUS MINUTES**

Nil

7. **CONSENSUS AGENDA**

7.1 **ITEMS FOR EXCLUSION FROM THE CONSENSUS AGENDA**

7.2.2 Bentleys – External Audit Plan 2017/18

7.3.1 Bentleys – Draft External Interim Audit Management Report – April 2018 – and Council's Response

## 8. ADOPTION OF CONSENSUS AGENDA

### 8.1 RECEIPT OF CONSENSUS AGENDA

**MOVED** Cr Angas that the Consensus Agenda reports, with the exception of 7.2.2 and 7.3.1, be received and any recommendations contained therein be adopted.

**Seconded** Ms Johnston

**CARRIED 2017-18/34**

### 8.2 DEBATE OF ITEMS EXCLUDED FROM THE CONSENSUS AGENDA

#### 7.2.2 BENTLEYS EXTERNAL AUDIT PLAN 2017/18

Mr Papa discussed each item of Bentleys Annual Audit Plan.

**MOVED** Ms Johnston that report 7.2.2 Bentleys External Audit Plan 2017/18, be received and noted.

**Seconded** Mr Swan

**CARRIED 2017-18/35**

At the 28 February 2018 Audit Committee meeting, Mr Brass requested that officers source an external audit plan from Bentleys. A copy was provided with the Agenda.

#### 7.3.1 DRAFT REPORT ON AUDIT FINDINGS

Mr Papa discussed each item of Bentleys' draft report and answered questions from the Members. There were 4 "Not Material" matters identified; however, no foreseeable concerns. Mr McCarthy and Mr Lague provided additional comments in relation to Council's processes. Mr Brass requested that an action document be created to record each matter, the responsible person and date for completion and that the actions be reported to Council and the Audit Committee.

**MOVED** Cr Angas that report 7.3.1 Bentleys – Draft External Interim Audit Management Report – April 2018 – and Council's Response, be received and noted.

**Seconded** Ms Johnston

**CARRIED 2017-18/36**

From Bentleys, a Draft Report on Audit Findings, following their interim testing in April. A copy was attached together with Council's response.

*ACTION: Manager Financial Services to prepare an action plan to record each matter identified in Bentleys' draft report on Audit Findings, including the responsible person and date for completion, and that actions taken be reported to Council and the Audit Committee.*

Mr Papa and Mr Brunato left the meeting at 10.12am.

## 9.1 DEBATE AGENDA

### 9.1.1

#### INTERNAL FINANCIAL CONTROL REPORT

**B7455**

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

**MOVED** Cr Angas that the report from the Coordinator Internal Control on the status of Internal Financial Control work, be received and noted.

**Seconded** Mr Swan

**CARRIED 2017-18/37**

#### PURPOSE

To provide an update on the status of Internal Financial Control work.

## REPORT

Attached is a copy of the Internal Financial Control Report for January to March 2018.

## ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Nil

## COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

### Community Plan



How We Work – Good Governance

### Corporate Plan

How We Work – Good Governance

- 6.2 Ensure that Council's policies and process frameworks are based on principles of sound governance and meet legislative requirements.
- 6.4 Ensure that decisions regarding expenditure of Council's budget are based on an assessment of whole of life costs, risks associated with the activity and advice contained within supporting plans.

### Legislative Requirements

Local Government Act 1999 – Section 125, 126, 129 (1) (b)

Local Government (Financial Management) Regulations 2011, 14(e)

## 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.

## COMMUNITY CONSULTATION

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

### 9.1.2

### **DRAFT ANNUAL BUDGET AND BUSINESS PLAN 2018/19 INCORPORATING THE LONG TERM FINANCIAL PLAN 2018/19 – 2027/28 – FOR CONSULTATION**

#### **B7455**

Mr Lague spoke to the report and the draft Annual Budget and Business Plan 2018/19 incorporating the Long Term Financial Plan 2018/19 to 2027/28.

**MOVED** Mr Swan that the report on the draft Annual Budget and Business Plan 2018/19, incorporating the annual review of the Long Term Financial Plan 2018/19 to 2027/28 for consultation, be received and noted.

**Seconded** Ms Johnston

**CARRIED 2017-18/38**

## PURPOSE

Council, at a Special Meeting held 15 May 2018, endorsed the draft Annual Budget and Business Plan 2018/19 incorporating the Long Term Financial Plan 2018/19 to 2027/28 for public consultation.

A copy of the document is provided in Attachment 1; also a copy of the Minutes of the Special Council Meeting in Attachment 2.

## REPORT

### Discussion

The Annual Budget and Business Plan (AB&BP) 2018/19 incorporates the Long Term Financial Plan (LTFP) 2018/19 to 2027/28 in the one document but is divided under separate sections.

The financial information contained in this document has been prepared in accordance with Council’s Budget and Business Plan and Review Policy and associated processes.

The formulation of the draft budget incorporates the work of numerous Council officers and teams (following an adopted timeline) which includes:

- budget preparation and input by budget managers
- checking and refining of data input, preparation of general budgets including utilities, depreciation, employee costs etc by the Finance officers
- review and approval by the Corporate Management Team

This work results in the Finance staff collating, checking, reconciling, and finally preparing a draft budget and long term plan for Council consideration.

The input from Council is gained by holding workshops where discussions (not decisions) are held on various parts of the budget preparation and process which provides a direction for officers in the preparations of the draft budget.

The Big Project (TBP) has been included in these processes to check and ensure Council was considering its financial sustainability for this significant program of work. The capital expenditure, income and financing relating to TBP allocated over the years 2018/19 to 2021/22 (not including relevant operating costs which have been estimated and inserted in the appropriate years in the LTFP) is as follows:

	<b>\$M</b>
Capital Expenditure	33.9
Capital Income - Grants & Other Contributions	(19.1)
Loan Financing	(13.0)
Balance from cash reserves*	1.8

\*Meeting the requirements of the Treasury Policy, loan financing is obtained to provide necessary funds to ensure Council’s financial position is maintained. At the Council meeting 15 May 2018, Council approved a Debenture Loan for additional construction costs for the completion of the State Local Government Infrastructure Partnership 2017 (SLGIP) projects for \$1.75m.

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

**ATTACHMENTS OR OTHER SUPPORTING REFERENCES**


- Attachment 1: Draft Annual Budget and Business Plan 2018/19 and annual review of the Long Term Financial Plan 2018/19 and 2027/28
- Attachment 2: Minutes of Special Council Meeting held 15 May 2018

**Policy**

Budget & Business Plan and Review Policy

**COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS**

**Corporate Plan**

 How We Work – Good Governance

- 6.2 Ensure that Council’s policy and process frameworks are based on principles of sound governance and meet legislative requirements.
- 6.3 Align operational strategy to strategic objectives and measure organisational performance to demonstrate progress towards achieving our goals.
- 6.4 Ensure that decisions regarding expenditure of Council’s budget are based on an assessment of whole of life costs, risks associated with the activity and advice contained within supporting plans.
- 6.9 Provide access to Council’s plans, policies and processes and communicate with the community in plain English.
- 6.16 Provide contemporary internal administrative and business support services in accordance with mandated legislative standards and good practice principles.

## Legislative Requirements

Local Government Act

Local Government (Financial Management) Regulations 2011 - Reg 9(1)(b)

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

#### **Financial**

The adoption of the Budget is required between 1 June and 31 August. To meet this timeline, the adoption of the draft public consultation document preferably should start in May.

Any potential effect to rate revenue for the proposed State Government "Rate Capping" has not been included in the forward years of this LTFP. It is unknown as to the requirements or changes to rating legislation and what, if any, indexation ceiling will apply.

The indexation applied to General rates in this LTFP has been held at previous year LTFP increments at 2.5% pa plus growth of 1%. The SA Local Government Price Index is 2.9% as at December 2017 and the general consumer price index is 2.3% as at March 2018.

Financial performance is managed using suitable financial indicators and targets. Council's adopted Targets are:

- KPI - No. 1 Achieve an operating breakeven position, or better, over any five year period
- KPI - No. 2 Achieve an operating surplus ratio of between (2%) to 10% over a rolling three year period
- KPI - No. 4 Net financial liabilities (NFL) ratio is greater than zero but less than 100% of total operating revenue
- KPI - No. 6 Capital outlays on renewing/ replacing assets net of proceeds from sale of replaced assets is greater than 80% but less than 110% of Infrastructure Asset Management Plans over a rolling three year period.

Financial Indicators report for the draft LTFP expected results are:

- KPI No. 1 – The cumulative years 2018/19 to 2022/23 is a surplus position at year five of \$1,621k.
- KPI No. 2 - Operating surplus ratios. Council's expected forecast results are well within the target range, and vary from a deficit (0.2%) to 2.9%
- KPI No. 4 – Councils NFL is within the target ranges starting at 38% in 2017/18 peaking at 49.8% in 2021/22 and at 27% by 2027/28
- KPI No. 6 - the KPI target is being met over the ten year period the average being 82%.

KPI No. 6 – Analysis:

In three individual years in this review, this ratio is below the minimum rate at 68% to 74%. A selection of TBP builds will upgrade and replace a considerable amount of existing assets. These works will need to be identified and then re-assigned as appropriate, to renewal works which will improve this ratio's outcome. Currently they are all listed as upgrade/new assets.

Planned expenditure from the Infrastructure and Asset Management Plan(s) for the major asset classes has been used, along with updated data for remaining life on selected asset(s) replacements. This has resulted in a more accurate measure for Council's KPI on asset sustainability. This KPI is assessed to ensure Council provides for replacement/renewal of existing assets as they wear out or are consumed.

### **COMMUNITY CONSULTATION**

The public consultation period will commence from 23 May 2018 and closes on 13 June 2018 at 5pm. Verbal submissions will be considered at a Special Council meeting on 6 June 2018, held at 5.00pm, providing one hour for members of the public to ask questions and make submissions in relation to the AB&BP and annual review of the LTFP. Public submissions will be considered by Council after the consultation period has ended, at the June Council meeting.

The LTFP is incorporated with the AB&BP to ensure the two Plans align. This enables the community to be involved in the short and long term planning of Council's Budget.

### 9.1.3

## QUARTER 3 – 2017/18 PERFORMANCE AND ACTIVITY REPORT

B7455

Mr McCarthy spoke to the report.

**MOVED** Mr Swan that the Quarter 3 – 2017/18 Performance and Activity Report be received and noted.

**Seconded** Cr Angas

**CARRIED 2017-18/39**

### **PURPOSE**

To table with the Audit Committee, Council's Quarter 3 – 2017/18 Performance and Activity Report on measures adopted within The Barossa Council Corporate Plan 2016/17 to 2019/20.

### **REPORT**

#### Background

Since November 2016, Council and the Audit Committee have been presented with Quarterly Performance Reports on measures adopted within the Corporate Plan.

#### Introduction

The Barossa Council Quarter 3 – 2017/18 Performance and Activity Report (*attached*) provides performance results against Corporate Plan measures as at 31 March 2018. The report also includes a suite of activity measures, providing a snapshot of activity undertaken over the quarter in the delivery of key internal and external Council services under each Community Plan Theme.

#### Discussion

During the third quarter, operational use of Council's holistic enterprise level strategic planning and reporting software (Magiq) has continued. The solution has allowed better access to a broader range of data and improved the efficiency and effectiveness of data analysis in preparing reports during 2017/18.

With the ongoing implementation of Magiq Software, officers are continuing to refine counting rules and formulas for the extraction and analysis of data, which may result in the revision of previously reported results where the data has been refined or cleansed. Where this is the case, the report will include a disclaimer regarding the nature of any changes implemented and its impact on the data.

Additionally, where justification exists, performance targets may be amended to reflect a more realistic figure. As above, where this is the case, the report will include an explanation of the nature of and justification for any changes implemented and its impact on the data.

Overall, it is anticipated that comparison data reported will become more longitudinal as the reporting system grows and allow the representation of trends over time. It is anticipated that this will facilitate an increase in evidence based strategic policy decision making by Council and the executive team.

### **ATTACHMENTS OR OTHER SUPPORTING REFERENCES**

The Barossa Council Quarter 3 – 2017/18 Performance & Activity Report.

### **COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS**

#### Community Plan



How We Work – Good Governance

#### Corporate Plan

A6.3 Align operational strategy to strategic objectives and measure organisational performance to demonstrate progress towards achieving our goals.

## Legislative Requirements

Nil

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

Current resources are sufficient to provide ongoing quarterly reporting.

### **COMMUNITY CONSULTATION**

Community consultation is not required under the Act or Council's Public Consultation Policy.

#### **9.1.4**

#### **UPDATE – RISK MANAGEMENT PROGRAMS AND PROJECTS**

##### **B7531**

Mr McCarthy spoke briefly to the report and introduced Council's newly appointed Risk Advisor, Mr Derek Jones. Mr Jones, who commenced in April, advised he has been reviewing the current status of Council's Risk Management function and will provide a report to the next Audit Committee meeting.

**MOVED** Cr Angas that the report on the progress of Risk Management Programs and Projects be received and noted.

**Seconded** Mr Swan

**CARRIED 2017-18/40**

### **PURPOSE**

To present a quarterly report on the progress of Risk Management programs and projects.

### **REPORT**

#### **Risk Management**

Risk Services has been reviewing multiple action plans and schedules with view to aligning into a single spreadsheet planner. Risk Services' intent is to relate this document to the 4 year Risk Plan, once finalised.

#### **Risk Management Action Plan for 2018**

The 2018 Risk Management Action Plan has been developed and approved by Council's Corporate Management Team. This 2018 Risk Management Plan has been developed based on the LGA Mutual Liability Scheme Risk Evaluation criteria in preparation for Council's risk evaluation later this year. It comprises 17 actions with the focus areas being:

- Risk Management
- Roads and Footpaths
- Planning and Development Administration

#### **Strategic Risk Register**

The Corporate Management Team (CMT) have participated in a guided session facilitated by Craig Johnson (Risk Consultant), and two further unguided sessions to develop the organisation's Strategic Risk Register. 80% of the register is now complete, with a third session scheduled for 15 June 2018, where the Register should be finalised.

#### **KPI Action Plan for 2018**

The 2018 Key Performance Indicator Action Plan (KPI Action Plan) has been developed and approved by Council's Corporate Management Team. This 2018 KPI Action Plan comprises 33 actions with the focus areas being:

- Risk Plan - Finalising the overarching 4 year Risk Plan
- Document Review – Structure a review, rationalisation and simplification of Council's Risk/WHS Management System
- Mining – Completing required work for Springton Quarry as a result of SafeWork SA's two improvement notices issued in December 2017
- Chemical Management – The only incomplete item from the 2017 KPI Action Plan
- Emergency Management – Further work required to improve this area
- Volunteer Management – Further work required to improve this area

Derek Jones has been appointed as Risk Advisor at Council. Derek comes to Council from a high risk industry with a successful history of systems management that drives safety management through a smarter not harder holistic approach.

### **Risk Management Quarterly Report**

See Council's Risk Management Quarterly Report for quarter 1/1/2018 to 31/03/2018 (*Attachment 1*) that provides details on Risk Management, Work Health Safety and Insurance.

### **Emergency Management**

Emergency Evacuation Diagrams are being developed for Curdnatta Park and Lyndoch Hall, with a view to expanding to other Council Halls/ Recreation Parks.

Emergency Evacuation Drills are scheduled to occur for the following Council locations in the forthcoming quarter:

- Angaston Library
- Mount Pleasant Library
- Lyndoch Library
- Barossa Regional Gallery

Emergency Warden refresher training was held in May 2018.

### **Business Continuity Plan**

Council managers will be meeting with a LGRS representative to complete the draft Services Level/Business Continuity Plan analysis spreadsheet. Once complete, it will be presented to Council's Corporate Management Team to determine Council's critical functions.

### **Insurance Claims - 1/1/2018 to 31/03/2018**

There are currently 34 active/open/potential claims. This comprises:

- 26 Mutual Liability Scheme Claims (including 11 potential claims)
- 4 Asset Claims
- 3 Motor Vehicle Claims
- 1 Windscreen Claim

#### Finalised Claims:

6 Mutual Liability Scheme claims were finalised during the quarter, with 4 claims being successful against Council, namely:

- Effluent Management Issue - \$24,579.00
- Compensation of internet/phone services - \$1,610.00
- Injury at Nuriootpa War Memorial Swimming Pool - \$94.60
- Loss of wages – Vehicle incident - \$75.00

## **ATTACHMENTS OR OTHER SUPPORTING REFERENCES**

Attachment 1: Risk Management Quarterly Report - 18/21758\*

## **COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS**

### **Corporate Plan**



How We Work – Good Governance

- 6.2 Ensure that Council's policy and process frameworks are based on principles of sound governance and meet legislative requirements.
- 6.3 Align operational strategy to strategic objectives and measure organisational performance to demonstrate progress towards achieving our goals.

### Legislative Requirements

Local Government Act 1999



## FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Addressed within the Report.

## COMMUNITY CONSULTATION

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

### 9.1.5

#### **CHANGE PROGRAM**

#### **B7455**

Mr McCarthy spoke to the report.

**MOVED** Ms Johnston that the Change / Improvement Program be received and noted.  
**Seconded** Mr Swan **CARRIED 2017-18/41**

## PURPOSE

To table the Change Program with the Audit Committee.

## REPORT

### Background

Council and its executive team, over the past 18 or so months, has undertaken a Service Review and from that, various sub-level reviews of the organisation.

### Introduction

As a result of the service and sub-level review work undertaken, a change program has been established to deliver process, people and technology change.

### Discussion

The Attachments provide four high level documents that are the basis for the change program:

1. Change Management Program – explanation document
2. Driving Change through People and Technology flyer
3. Change Management Program – Framework
4. Service Review – Sub Level Review – Change Program Summary

The above documents outline the framework and detailed work which is focussed on people and technology and transforming the way we do work to achieve efficiencies, engaged employees, and improved customer services.

A Steering Committee has been established to oversee the work and set the priorities and includes staff and management representation. It has met once and aims to set the program as part of its first four meetings.

Components of the Change Program continue in any case. These components are those that are already underway and approved, such as implementing the Workforce Plan actions, establishing changes to Depot operations, re-designing the web site and directorate structural and associated industrial relations changes.

## ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1: Change Management Program – explanation document  
Attachment 2: Driving change through People and Technology flyer  
Attachment 3: Change Management Program – Framework  
Attachment 4: Service Review – Sub Level Review – Change Program Summary

## COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Community Plan



Corporate Plan

- 6.5 Implement compliant and contemporary risk management initiatives.
- 6.6 Define and deliver on agreed Customer Service Standards for Council service delivery.
- 6.10 Embed a culture of continuous improvement across Council, with tools, processes and systems being used to achieve business efficiencies and customer service improvements.
- 6.11 Maximise the use and integration of Information and Communications Technology systems to enhance external and internal customer service outcomes.
- 6.12 Ensure that our people (workers including employees, volunteers and contractors) have the skills, resources and understanding of organisational processes to do their job.
- 6.14 Pursue organisational excellence including shared services or other collaboration initiatives to reduce operating costs.

Legislative Requirements

Nil

**FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS**

Resources have been applied in the current and 2018/19 draft budget to support the high priority work.

**COMMUNITY CONSULTATION**

Community consultation is not required under the Act or Council’s Public Consultation Policy.

**9.2 POLICIES FOR REVIEW**

Mr Brass commented that the updated Budget and Business Plan and Review Policy and Prudential Management Policy were presented in the Consensus Agenda. The Policies were approved by Council on 15 May 2018.

**10. OTHER BUSINESS**

SA Local Government Financial Management Group (SALGFMG) “Bulletproof Conference 2018”

The Independent Members of the Audit Committee thanked Council for funding their attendance at the SALGFMG “Bulletproof Conference 2018” held in March, which was most beneficial to their role.

**11. NEXT MEETING**

October 2018 - Date to be advised.

**12. CLOSURE OF MEETING**

There being no further business, Mr Brass closed the meeting at 11.20am.

Confirmed:

Chairman: .....

Date: .....