

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE OF
THE BAROSSA COUNCIL**
**held in the Committee Room, 43-51 Tanunda Road, Nuriootpa, on
Wednesday 29 October 2014 commencing at 10.15am.**

An in camera meeting with the external Auditor was held between 10:10 – 10:30am

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 Alan Jackson, Risk Manager

Mr Brendan Lyons, Manager, Assets and Infrastructure

Ms Nicole Rudd, Internal Controls Compliance Officer

Ms Sharee Arnold, Finance Officer

Ms Susie Roehr, Executive Assistant

Ms Samantha Allard, Partner, Dean Newbery & Partners

3. APOLOGIES

Cr Richard Miller

4. CONFIRMATION OF MINUTES FROM PREVIOUS MEETING

MOVED Mayor Hurn that the Minutes of the Audit Committee Meeting held 3 June 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 in the agenda.

6. CONSENSUS AGENDA

6.2 CORRESPONDENCE

The meeting discussed each item.

MOVED Mr Heuzenroeder that Correspondence Items 6.2.1 to 6.2.3 be received.

Seconded Mayor Hurn

CARRIED

With the leave of the meeting it was agreed to move items 7.1.1 and 7.1.2 forward for discussion while external Auditors were in attendance.

7. DEBATE AGENDA

7.1 REPORTS

7.1.1 NURIOOTPA CENTENNIAL PARK AUTHORITY – 2013/14 ANNUAL FINANCIAL STATEMENTS

Financial statements were explained and clarified. Some minor amendments were found in the statements distributed and replacement pages were provided.

MOVED Mayor Hurn that the 2013/14 Draft Annual Financial Statements for the Nuriootpa Centennial Park Authority be endorsed and presented to Council for adoption.

Seconded Cr Angas

CARRIED

INTRODUCTION

A copy of the Nuriootpa Centennial Park Authority Annual Financial Statements for the year ended 30 June 2014 were provided in the Agenda.

COMMENT

In accordance with Section 126(4) of the Local Government Act 1999, the Committee must review the Annual Financial Statements to ensure that they present fairly the state of affairs of the Council.

The Council Auditors commenced their Balance Date Audit on 12 September 2014.

Council officers have provided information to the auditors to ensure they were able to conduct their audit and have made necessary adjustments to the report as required.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Local Government Act 1999 – Section 126(4)

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

The financial statements have been incorporated into Council's consolidated Financial Statements.

COMMUNITY CONSULTATION

No separate consultation is required under Council's Public Consultation Policy. The Statements are public documents, accessible to the community via Council's website.

7.1.2 2013/14 ANNUAL FINANCIAL STATEMENTS

One change to the financial statements occurred since the agenda was distributed and an updated page was provided.

MOVED Mr Heuzenroeder that subject to final confirmation with Council auditors, the preliminary 2013/14 Annual Financial Statements be endorsed and presented to Council for adoption.

Seconded Mayor Hurn

CARRIED

INTRODUCTION

To provide a copy of the Interim Annual Financial Statements for the year ended 30 June 2014 for review.

COMMENT

In accordance with the Local Government Act 1999, Section 126(4) the Committee must *“review the adequacy of the financial management systems and practices of the Council...”*. This is to ensure that they present fairly the state of affairs of the Council.

As required in the Terms of Reference *“the committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements they contain”*.

The Council Auditors conducted their Balance Day Audit on 13-14 October 2014. Council Officers have provided information to the Auditors to ensure they were able to conduct their audit and have made necessary adjustments to the report as required.

A final review is being made by the Auditors and it is expected that a final copy of the financial statements should be available in the week beginning 3 November 2014. A final copy will be presented to Council at the November 2014 Council meeting.

A preliminary Comprehensive Income Statement variance report from the Original Budget compared to Actual results for the 2013/14 year will be forwarded to members by separate cover.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Section 126(4) of the 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

All known financial and resourcing requirements as at 30 June 2014 have been included in the financials.

Risk management issues are considered by Management throughout the financial year and communicated to Council as required.

There are no resource management considerations.

COMMUNITY CONSULTATION

No separate consultation is required under Council’s Public Consultation Policy. The Statements are public documents, accessible to the community via Council’s website.

MOVED Mayor Hurn that the meeting be adjourned at 11:05 am.
Seconded Cr Angas **CARRIED**

External Auditor, Samantha Allard left the meeting at 11:05 am.

The meeting was reopened by the Chair at 11:27am and resumed with agenda item 6.1

6. **CONSENSUS AGENDA**

6.1 **REPORTS FOR INFORMATION**

The meeting discussed each item.

MOVED Cr Angas that Reports 6.1.1 to 6.1.5 be received.
Seconded Mayor Hurn **CARRIED**

7.1 **REPORTS**

7.1.3 **DRAFT ANNUAL REPORT OF AUDIT COMMITTEE'S ACTIVITIES**

MOVED Cr Angas that the Audit committee draft Annual Report be approved for inclusion in The Barossa Council 2013-14 draft Annual Report Submission to Council
Seconded Mayor Hurn **CARRIED**

INTRODUCTION

A draft Annual Report of the Committee's activities was provided with the agenda.

COMMENT

One of the activities of an Audit Committee identified in the LGA Information Paper 14 '*Model Work Program for Council Audit Committees*' is its annual reporting to Council. Subsequent Information Paper 19 '*Audit Committee Reporting*' presents a 'best practice' approach for Council's to adopt.

The Chairman's draft report follows the model template set out in the Information Paper.

The Chairman will present his report to the 18 November 2014 Council meeting and a copy will be included in council's 2013-14 Annual Report.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Legislation:

Local Government Act – Section 126

LGA Information Paper 19 '*Audit Committee Reporting*'

Council Strategic Plan

4.1 Responsibility

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Council's Audit Committee has a key role in its good governance framework. Good communication between the Committee and the Council will ensure that financial and risk management issues raised receive appropriate consideration and attention.

COMMUNITY CONSULTATION

Council's Audit Committee Annual Report on activities for 2013-14 will be available to the public via The Barossa Council Annual Report for 2014.

7.1.4 INTERNAL FINANCIAL CONTROLS COMPLIANCE REPORT

MOVED Cr Angas That the report on Internal Financial Controls Compliance be received.

Seconded Mayor Hurn

CARRIED

INTRODUCTION

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

COMMENT

In working towards our first audit and auditor opinion on our internal financial controls in the 2015/2016 year we are continuing on focusing on documenting our financial processes and ensuring there are the appropriate controls in place to mitigate any risk around those financial processes.

Policies

Our continual focus is on having all Financial Policies reviewed and supporting documentation up to date.

While a number of reviewed policies are contained within this agenda for information, there are still a number which require review and adoption by Council (namely: Funding Policy, Investment Policy, Rates Hardship Policy, Strategic Rating Policy, Treasury Management Policy). These will be provided for information when available.

ControlTrack

As reported previously, we have had one self-assessment cycle of the 'core' controls which are contained in the 'Better Practice Model'. We have tested 193 core controls in our first assessment cycle in which 121 action plans were developed to enhance those controls.

The next self-assessment cycle will commence shortly, and the results from that cycle will be compared to the initial one with the results again being reported back to the Audit Committee.

We have now opted to have our own 'individual control library' within ControlTrack instead of staying with the standard 'shared library'. This will give us the flexibility to tailor the risks and controls to suit our own operations. We are also looking to extend the use of ControlTrack to the broader Council risk management.

Risk Assessments

The residual risk assessments for risks contained within the Better Practice Model are still being worked through.

Once this data is available it will be presented to both the Corporate Management Team (CMT) and the Audit Committee.

Compliance testing

A monthly list of identified incidents around control failures or policy non-compliances will now be presented to the Corporate Management Team for discussion. Outcomes from those discussions may include policy/process reviews or may identify training needs for staff etc.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

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

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

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.

ACTIONS:

- Regular reports about Internal Controls Compliance requested for the Audit Committee

7.2 POLICIES FOR REVIEW

7.2.1 ASSET ACCOUNTING POLICY

MOVED Mr Heuzenroeder that report 7.2.1 Asset Accounting Policy be received.
Seconded Mayor Hurn **CARRIED**

INTRODUCTION

Council's Asset Accounting Policy has been reviewed and updated and a copy provided with the agenda.

COMMENT

The Asset Accounting Policy has been reviewed by staff to reflect changes for legislative and Council asset accounting practices and application.

This policy was endorsed by Council's Asset Management Team and the Organisational Management Team with comments and amendments being made to the Policy prior to it being considered by Council.

Council at its meeting on 26 June 2014 adopted the draft Asset Accounting Policy.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Section 126(4) of the Local Government Act 1999
Local Government (Financial Management) Regulations 2011
Accounting Standard AASB13, AASB116, AASB136

Council Strategic Plan: 4.1 – Responsibility 4.3 – Systems

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

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

COMMUNITY CONSULTATION

Council Policy for asset accounting is undertaken in compliance with legislation and Council requirements asset management. The Policy has been adopted by Council, and is available for the Community to access on Council's website.

7.2.2 DISPOSAL OF LAND OR OTHER ASSETS POLICY

MOVED Cr Angas that report 7.2.2 Disposal of Land or Other Assets Policy be received.

Seconded Mr Heuzenroeder

CARRIED

INTRODUCTION

Council's Disposal of Land or Other Assets Policy was provided with the agenda.

COMMENT

Section 49 of the Local Government Act 1999, states that Council must prepare and adopt a policy on the sale or disposal of land or other assets.

The Disposal of Land or Other Assets Policy has been developed by Council Officers and was adopted by Council at its meeting held on 10 September 2014.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Local Government Act 1999 – Section 49
Australian Accounting Standards

Council Strategic Plan: 4.1 Responsibility

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

To ensure Council oversees the disposal of land or other assets appropriately, policy is required to provide a framework for management to work with.

COMMUNITY CONSULTATION

Council Policy for the disposal of land or other assets is undertaken in compliance with legislation and Council requirements asset management. The Policy has been adopted by Council, and is available for the Community to access on Council's website.

7.2.3 BUDGET & BUSINESS PLAN AND REVIEW POLICY

MOVED Mr Heuzenroeder that report 7.2.3 Budget & Business Plan and Review Policy be received.
Seconded Cr Angas **CARRIED**

INTRODUCTION

Council's Budget & Business Plan and Review Policy has been reviewed and updated and a copy provided with the agenda.

COMMENT

Part 2 of the Local Government Act 1999 and the relevant regulations and accounting standards state the requirements, methodology and other guidance that Council must abide by when preparing, consulting and adopting a budget and regular review process.

The Budget & Business Plan and Review Policy has been reviewed by Council Officers and has been adopted by Council at its meeting held on 10 September 2014.

The Budget & Business Plan and Review Policy is supported by the Budget and Business Plan Process. A draft version of the process documentation has been prepared but not yet approved by the Chief Executive Officer. The process document can be provided to the Audit Committee if required.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Local Government Act 1999 Part 2
Australian Accounting Standards
Council Strategic Plan: 4.1 Responsibility

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

To ensure Council oversees and manages the governance of Council annual budget and business plan within contemporary legislative, transparent and accountable frameworks.

COMMUNITY CONSULTATION

Council Policy for the Budget & Business Plan and Review Policy is undertaken in compliance with legislation and Council requirements for annual and long term budgeting and the review process. Once the Policy is adopted by Council, it will be available for the Community to access on Council's website.

7.2.4 PROCUREMENT POLICY AND SUPPORTING PROCESSES

MOVED Mayor Hurn that report 7.2.4 Procurement Policy be received.
Seconded Mr Heuzenroeder **CARRIED**

INTRODUCTION

Council's Procurement Policy has been reviewed and updated and a copy provided with the agenda.

Council adopted the revised policy at its meeting held on 24 June 2014.

COMMENT

The Procurement Policy provides overarching strategic, principle based guidance on Council's procurement activity in accordance with Section 49 of the *Local Government Act 1999* (the Act) and best practice principles in procurement. The policy defines the methods by which Council can acquire goods and services and sets out principles aimed at ensuring probity, accountability, responsibility, fairness, equity, consistency of approach and effective outcomes for Council.

In amending the existing procurement policy, best practice elements have been retained where appropriate, whilst drawing upon guidance from the LGA Procurement Handbook and best practice policy template to increase compliance with requirements under the Act and other relevant legislation.

Within the broader Strategic Contracting/Procurement Project, the draft policy provides a foundation for the introduction of significant procurement reform to achieve process improvements, administrative efficiencies, improved supplier relationships and expenditure savings. As well as a focus on internal improvements, the project is currently exploring opportunities to facilitate further access to state contracts and developing regional initiatives to generate savings.

Supporting processes, providing operational guidance for the practical implementation of the Procurement Policy, have been prepared and are in draft form ready to be adopted by the Chief Executive Officer under delegation due to the administrative nature of those documents. Copies are *attached*. Until the adoption of the new processes has occurred, the policy will be supported by Council's existing Purchasing and Procurement Administrative Policy.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Independent Commissioner Against Corruption Act 2012
Local Government Act 1999 – Sections 7, 8, 48 and 49
South Australian Work Health and Safety Act 2012
South Australian Work Health and Safety Regulations 2012

Council Strategic Plan: 4. Governance and Organisation – 4.1 Responsibility, 4.2 Service and 4.3 Systems. 2. Economic Wellbeing – 2.2 Business and Industry

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial:

The policy provides guidance for the acquisition of goods, works, services and contractors across all aspects of the procurement lifecycle to ensure that Council funds are expended in accordance with approved budgets and procurement activity demonstrates value for money. It is anticipated that expenditure savings will be achieved as a result of the implementation of procurement lifecycle management reform.

Resource:

The policy and its suite of supporting processes are critical in supporting the sustainability of Council's decentralised procurement model.

The review and amendment of Council's current procurement policy has been undertaken as part of the Strategic Contracting/Procurement Project under the Strategic Projects Framework and is the first of a range of documents being drafted under a new Procurement Framework. As such, its implementation will be phased within the broader project deliverables of the overarching project.

Risk:

The policy introduces a new focus on risk management with the inclusion of *Principle 5 – Identification and Management of Risk*. Principle 5 sets out guidance for the management of risks associated with activities conducted by Council within the procurement lifecycle itself and WHS risks associated with elected members, staff, volunteers, customers, contractors and our community as a result of the acquisition of goods, works, services or contractors.

COMMUNITY CONSULTATION

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

Further, the Procurement Policy is based on the Local Government Association's Best Practice Model, which in turn is based on legal advice as to legislative compliance and best practice.

7.2.5 PRUDENTIAL MANAGEMENT POLICY

MOVED Cr Angas that report 7.2.5 Prudential Management Policy be received.
Seconded Mr Heuzenroeder **CARRIED**

INTRODUCTION

Council's Prudential Management Policy has been reviewed and updated and a copy provided with the agenda. Council adopted the policy at its meeting held on 15 July 2014.

COMMENT

The Prudential Management Policy (Policy) has been under development for some time and is now mature and ready for Council consideration. The Policy is *attached*.

The Policy forms part of a greater piece of work which members of the Organisational Managers Group, led by the Manager Administrative Services, have been developing a contemporary project management framework for Council. The Policy also compliments the extensive work being undertaken at present to rewrite the entire procurement system. Coupled together the project management, procurement and prudential management work aims to achieve various strategic goals and support Council's strategic plan and legislative compliance. The primary goals of the suite of work are to achieve efficient and effective project and procurement systems, achieve savings, address financial and operational risk, achieve best practice in general and project governance and legislative compliance.

The Policy is designed to bring together various practices around project assessment and management. In relation to prudential management the Policy

addresses new initiatives and puts in place a process to undertake various levels of project assessment based on risk factors.

There are four levels of assessment which Council currently undertake through its new initiatives processes which address prudential management principles, and have thus be structured into the Policy, they are:

1. Level 1 assessment – termed under this Policy as Basic DDR (Due Diligence Report) which is known to members as the current BAT (Bid Assessment Tool) / DDR process.
2. Level 2 assessment – termed under this Policy as Project Feasibility Study which is known to members as the Whole-of-Life – Business Case process.
3. Level 3 assessment – termed under this Policy as a Business Case which is consistent with the current process.
4. Level 4 assessment – termed under this Policy as a Prudential Management Report and is the highest level of assessment and must be undertaken independently and in instances prescribed by section 48(1) of the Act. Council will recall that this level of assessment is for large and complex projects. The Policy, which reflect the legislation, stipulates the following:

2.3 *This Policy supports section 48(1) of the Act, stipulating that Council must obtain and consider a report (a Prudential Management Report) on a Project (either commercial or otherwise and including through any subsidiary, joint venture, trust, partnership or other similar body) where:*

(a) the expected expenditure of the Council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years;

or

(b) the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000; or

(c) the council considers that it is necessary or appropriate.

It should be noted that the scope of section 48(1) of the Act is limited to Projects that are not in relation to:

- (a) road construction or maintenance; or*
- (b) drainage works.*

For illustration purposes recent examples of these assessment levels are:

1. New initiatives assessment undertaken during the 2014/15 budget development which were presented to Council had a level 1 assessment undertaken.
2. The recent Tanunda tennis and netball court initiative had a level 2 assessment undertaken.
3. The investment decision for the Nuriootpa Centennial Park Caravan Park had a detailed level 3 assessment undertaken.
4. The Rex investment had a level 4 assessment undertaken.

The implementation of the Policy will require some minor updates to the templates that support level 1 and 2 assessments. Level 3 Business Case assessments will be formulated on a case by case basis as the analysis will differ somewhat in each case, however, a template document and supporting

financial model will be developed to ensure a minimum level of analysis and assessment is undertaken. Level 4 assessments will not require a template, and in any case the financial modelling utilised for level 3 assessments can support a Prudential Management Report. Level 4 assessment are highly specific, are undertaken independently and when one is required it would be tendered in the market and a specification developed as part of the market approach.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Local Government Act 1999, section 48

Council Strategic Plan: 4.1 – Governance and Organisation - Responsibility

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

There are no specific considerations for additional resource issues; the work for implementation is supported by existing resources.

The policy itself addresses risk management considerations of projects.

COMMUNITY CONSULTATION

No community consultation is required by legislation or under the principals of the Public Consultation Policy.

8. OTHER

8.1 AUDIT COMMITTEE ACTION TRACKING

The meeting noted the Action Tracking document.

9. ANY OTHER BUSINESS

Mr Brass extended his thanks to Mayor Hurn and Cr Angas for their service on the Audit Committee.

9. NEXT MEETING

To be advised.

10. CLOSURE

There being no further business, Mr Brass closed the meeting at 11:10

Confirmed:

Chairman:

Date: