



The Barossa Council

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

held on Tuesday 28 February 2017 , commencing at 2.30pm in the
Council Chambers, 43-51 Tanunda Road, Nuriootpa

1. WELCOME

The Chair, Mr Peter Brass, welcomed everyone to the meeting at 2.30pm.

2. PRESENT

Mr Peter Brass, Mr James Heuzenroeder, Ms Tanya Johnston, Cr John Angas,
Cr Scotty Milne

Invited Staff Members

Mr Martin McCarthy, Chief Executive Officer
Ms Jo Thomas, Director Community Projects
Mr Mark Lague, Group Manager Corporate Services
Ms Elizabeth Waters, Acting Senior Accountant
Ms Nicole Rudd, Internal Control Compliance Officer
Mr Alan Jackson, Risk Manager
Ms Annette Randall, Executive Assistant (Minute Secretary)
Ms Steffani Promnitz, Administrative Assistant (Observer)

3. APOLOGIES

Nil

4. CONFIRMATION OF MINUTES FROM PREVIOUS MEETING

MOVED Cr Angas that the Minutes of the Ordinary Audit Committee Meeting held 19 October 2016, and the Minutes of the Confidential Audit Committee Meeting held 19 October 2016 at 11.38am, be confirmed as true and correct records of the proceedings of those meetings.

Seconded Mr Heuzenroeder

CARRIED 2016-17/19

5. BUSINESS ARISING FROM PREVIOUS MINUTES

Nil

With the leave of the meeting, Mr Brass moved Confidential Report 9.1.1- *Services Review Project – Presentation of Stage 1 Updated Draft Report* forward to accommodate a presentation of the report by consultants, LKS Quaero Pty Ltd.

9.1 CONFIDENTIAL MATTER – 2.32PM

9.1.1 SERVICES REVIEW PROJECT – PRESENTATION OF STAGE 1 UPDATED DRAFT REPORT

The matter of the agenda item being a Report on the commercial in confidence draft report for Stage 1 of the Service Review Project and pursuant to Section 90(3) (d) of the Local Government Act 1999 ("the Act") being commercial information of a confidential nature (not being a trade secret) the disclosure of which— (i) could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and (ii) would, on balance, be contrary to the public interest; and being information that must be considered in confidence in order to ensure that the Audit Committee does not disclose commercially sensitive information while the Service Review Report is still in draft format and subject to further development and consideration.

There is strong public interest in enabling members of the public to observe Council's transparent and informed decision-making. This helps to ensure accountability, maintain transparency of public expenditure, facilitate public participation, assist public awareness and allow for the scrutiny of information. Attendance at an Audit Committee meeting is one means of satisfying this interest. The public will only be excluded from a Council meeting when the need for confidentiality pursuant to Section 90(2) of the Act outweighs the public interest of open decision-making.

In this matter, the reason that receipt, consideration or discussion of the information or matter in a meeting open to the public would be contrary to the public interest is that it contains draft information in a format that relies on the commercial in confidence methodology and intellectual property of the consultant engaged to conduct the Service Review.

On balance, the above reason which supports the need for confidentiality pursuant to Section 90(2) of the Act outweighs the factors in favour of the public interest of open decision-making.

MOVED Mr Heuzenroeder that the Audit Committee:

- (1) Under the provisions of Section 90(2) of the Local Government Act 1999, make an order that the public be excluded from the meeting with the exception of the Chief Executive Officer, Community Project Director, Group Manager Corporate Services, Acting Senior Accountant, Internal Control Compliance Officer and the Minute Secretary, in order to consider in confidence a report relating to the Service Review Project, Presentation of Stage 1 Updated Draft Report and in accordance with Section 90(3) (d) of the Local Government Act 1999 ("the Act") being commercial information of a confidential nature (not being a trade secret) the disclosure of which— (i) could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and (ii) would, on balance, be contrary to the public interest;
- (2) Accordingly, on this basis, the Audit Committee is satisfied that public interest in conducting meetings in a place open to the public has been outweighed by

the need to keep the information and discussion confidential to comply with the Audit Committee's obligation not to release draft report information in a format that relies on the commercial in confidence methodology and intellectual property of the consultant (LKS Quaero Pty Ltd) engaged to conduct the Service Review.

Seconded Ms Johnston

CARRIED 2016-17/20

Ms Promnitz and Mr Jackson left the meeting at 2.32 pm.

At 2.32 pm, Ms Susan Law, Mr Sam Robinson and Mr Geoff Haberfeld of LKS Quaero joined the meeting via teleconference.

RESUMPTION OF OPEN COMMITTEE MEETING – 3.32PM

The open meeting of the Committee resumed at 3.32pm.

In the matter 9.1.1 – Service Review Project – Presentation of Stage 1 Updated Draft Report:

MOVED Mr Heuzenroeder that the Audit Committee:

- (1) Confidential Resolution
- (2) Confidential Resolution
- (3) Confidential Resolution
- (4) Confidential Resolution
- (5) Having considered this matter in confidence under Section 90(2) and 90(3)(d) of the Local Government Act 1999, makes an order pursuant to Section 91(7), that the agenda report, associated documents and minutes, other than the minutes relating to this confidentiality order of the Confidential Audit Committee Meeting held on 28 February 2017 in relation to confidential item 9.1.1 Service Review Project, Presentation of Stage 1 Updated Draft Report, be kept confidential and not available for public inspection other than information required to be released in accordance with any relevant requirements of Section 91(8) of the Local Government Act 1999; and
- (6) In accordance with (6) above and section 91(9)(c) of the Local Government Act 1999, authorises the Chief Executive Officer to review and revoke the order and present the final report to the Council out of confidence.

Seconded Ms Johnston

CARRIED 2016-17/2

Mr McCarthy provided a verbal update on the Auditor-General's Audit of Council Governance. The Auditor-General's report was tabled in Parliament today and is now publicly available. Council's Governance Advisor will provide further information to members within the next few days.

Ms Promnitz and Mr Jackson returned to the meeting at 3.34 pm.

6. CONSENSUS AGENDA

7. ADOPTION OF CONSENSUS AGENDA

7.1 ITEMS FOR EXCLUSION FROM THE CONSENSUS AGENDA

Nil

7.2 RECEIPT OF CONSENSUS AGENDA

MOVED Cr Milne that the items contained in the Consensus Agenda be received and that any recommendations contained therein be adopted.

Seconded Mr Heuzenroeder

CARRIED 2016-17/21

8. DEBATE AGENDA

8.1.1

INTERNAL FINANCIAL CONTROL REPORT

B343

Ms Rudd spoke to the Report.

MOVED Ms Johnston that the report on Internal Financial Controls be received and noted.

Seconded Cr Angas

CARRIED 2016-17/22

PURPOSE

To provide an update on internal control work performed since the last Audit Committee meeting.

REPORT

A copy of the Internal Financial Control Report for October 2016 to January 2017 was provided.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Supporting References

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

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

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. 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.

8.1.2

TREASURY MANAGEMENT REVIEW

B2237

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

MOVED Cr Angas that the report on Council's 2016 Treasury Management activities be received and noted.

Seconded Mr Heuzenroeder

CARRIED 2016-17/23

PURPOSE

Pursuant to Section 140 of the Local Government Act 1999, and in accordance with Council's Treasury Management Policy, Council must undertake an annual performance review of its Treasury Management activities.

REPORT

The key principles within Council's Treasury Management Policy are as follows:

Council will:

- Maintain target ranges for its Net Financial Liabilities ratio;
- Generally only borrow funds when it needs cash and not specifically for particular projects;
- Not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties;
- Apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

Comments regarding the 2016 performance with regard to the above principles are outlined below:

Net Financial Liabilities Ratio

Council's policy regarding its net financial liabilities is that they shall not exceed 100% of total operating revenue (adopted February 2010).

As at 30 June 2016, Council's net financial liabilities represented 29% of total operating revenue, and it is projected to increase to 41% as at 30 June 2017. Accordingly, Council is currently operating within its policy threshold.

Loan Borrowings

Council's policy relative to loan borrowings states that the use of internal reserves be considered prior to consideration of external loan borrowings. A second cash advance debenture facility with variable interest rate was set up for Nuriootpa Centennial Park Authority to a maximum value of \$260,000. The total variable borrowings are now \$1,260,000 and are fully drawn down as of May 2016. There were no new fixed borrowings in 2016.

The use of internal cash reserves has continued to be used in funding Council's capital works programs and has subsequently minimised the net interest cost to Council.

A summary of the fixed interest rate borrowings are shown below:

| Debenture Loan Summary | | | | |
|-------------------------------|--------------------|----------------------|---------------------------|---|
| No. | Loan Amount | Interest Rate | Final Payment Date | Principal Outstanding as at 31 December 2016 |
| 94 | 1,500,000 | 6.75% | 16/09/17 | 152,791 |
| 96 | 2,000,000 | 6.02% | 15/05/18 | 288,945 |
| 97 | 700,000 | 5.65% | 16/06/18 | 99,081 |
| 98 | 2,000,000 | 6.65% | 15/01/19 | 482,663 |
| 100 | 1,954,200 | 6.45% | 15/03/20 | 633,985 |
| 101 | 2,500,000 | 6.24% | 15/03/21 | 1,002,950 |
| 102 | 5,000,000 | 6.62% | 16/10/21 | 2,228,717 |
| 103 | 100,000 | 6.80% | 15/11/21 | 44,880 |
| 104 | 2,900,000 | 6.90% | 15/03/22 | 1,414,321 |
| 105 | 7,000,000 | 7.02% | 16/11/24 | 5,538,892 |
| 106 | 2,000,000 | 6.85% | 15/04/26 | 1,486,520 |
| 107 | 113,000 | 4.75% | 16/07/22 | 74,039 |
| 108 | 515,000 | 6.20% | 15/01/34 | 479,481 |
| 109 | 125,000 | 5.30% | 15/09/29 | 113,431 |
| | | | | 14,040,696 |

A summary of the variable interest rate borrowings are shown below:

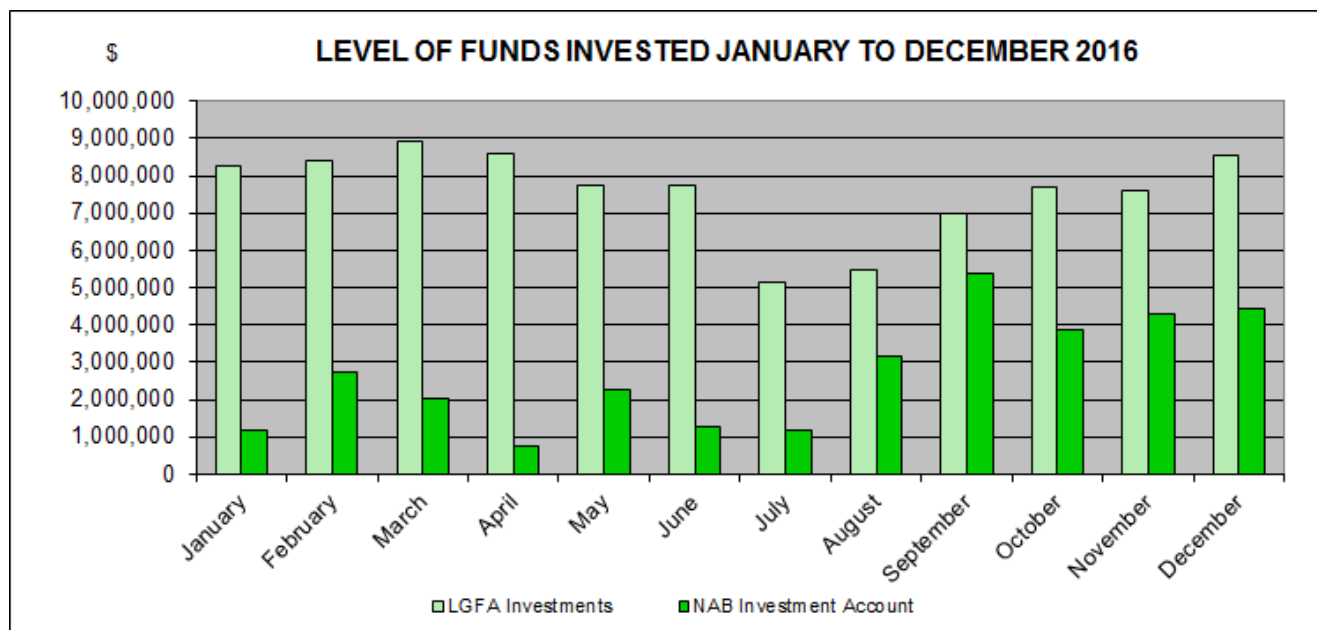
| Cash Advance Loan Summary (Nuriootpa Centennial Park Authority) | | | | |
|---|-----------------------------------|------------------------------|--------------------------|---|
| No. | Total Facility Loan Amount | Current Interest Rate | Facility End Date | Principal Outstanding as at 31 December 2016 |
| CA110 | 1,000,000 | 3.75% | 15/06/20 | 1,000,000 |
| CA111 | 260,000 | 3.75% | 15/03/21 | 260,000 |
| | | | | 1,260,000 |

Investments

Council currently holds investments with National Australia Bank (NAB) and the Local Government Finance Authority (LGFA). Council's total investments as at 31 December 2016 were:

| | Variable Interest Rate \$'000 | ≤ 1 year Fixed \$'000 | > 1 year ≤ 5 years \$'000 | > 5 years \$'000 | TOTAL \$'000 | Interest Rate Range |
|--------------------|--------------------------------------|------------------------------|-------------------------------------|----------------------------|---------------------|----------------------------|
| LGFA | 2,312 | 6,244 | 0 | 0 | 8,556 | 1.50% to 2.35% |
| NAB Investment A/c | 4,454 | 0 | 0 | 0 | 4,454 | 2.00% to 2.25% |
| TOTAL | 6,766 | 6,244 | 0 | 0 | 13,010 | |

The level of funds invested during the year is presented in the graph below. The graph excludes Council's separate operating bank account which was maintained at minimum working capital levels in accordance with the Policy.



ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Policy

Treasury Management 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.
- 6.16 Provide contemporary internal administrative and business support services in accordance with mandated legislative standards and good practice principles.

Legislative Requirements

Local Government Act 1999, Section 140

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial

A review of investments and borrowings is required as per the Treasury Management Policy and Local Government Act.

COMMUNITY CONSULTATION

No separate consultation is required under Council's Public Consultation Policy.

8.1.3

2017/18 AUDIT COMMITTEE BUDGET

B343

Mr Lague spoke to the Report.

MOVED Cr Milne that the 2017/18 Consultant budget of \$Nil and Training budget of \$1,000 be endorsed for consideration by Council.

Seconded Ms Johnston

CARRIED 2016-17/24

PURPOSE

To consider a draft 2017/18 budget for the Committee's operations.

REPORT

The budget for 2017/18 is being prepared by completing the base budget for activities that are externally and internally required by the Audit Committee.

In the Audit Committee budget, two items that require review are Consultant and Training/Seminar expenditure.

In the past, consultants have been used to undertake reviews and compliance checks for taxation and accounting, along with purchase and implementation of the internal control tracking tool. The training budget has previously been used by independent members to attend LGA programs.

A proposed 2017/18 budget to support the operations of the Audit Committee is outlined in the following table:

Audit Committee Financial Statement as at 6 January 2017:

| | January YTD Actuals | Original Budget 2016/17 + Q1 Adj | January YTD Budget % YTD | Draft 2017/18 Budget |
|--|---------------------|----------------------------------|--------------------------|----------------------|
| 496 - Audit Committee | | | | |
| Salaries (preparation of reports/agendas, attendance at meetings – CEO, Director C&CS, Manager Financial Services, Minute Secretary) | 7,387 | 14,455 | 51% | 14,816 * |
| Consultants (provision for sundry project work undertaken as part of Committee work plan or specifically requested by Council) | 0 | 0 | 0% | 0 ~ |
| Training / Seminar expenses | 0 | 1,000 | 0% | 1,000 ~ |
| Sitting Fees (Independent Members) | 2,150 | 5,550 | 39% | 5,615 # |
| Advertising | 0 | 500 | 0% | 500 ~ |
| Insurance & Other | 531 | 526 | 100% | 545 |
| Total 496 - Audit Committee | 10,068 | 22,031 | 46% | 22,476 |

* Provides for 2.5% increase for salary costs as per current Enterprise Agreement. Depending on cost centre allocations, this amount may change when the budget is finalised.

~ Training and advertising expenses are set at the same amounts as the previous budget and may change after review by Council.

Provides for Sitting Fees as follows: Chairperson \$555, Independent Members x 2 - \$355 to attend 4 meetings each and the annual report attendance at Council meeting for the Chairperson; to be adopted by Council – only provided for Audit Committee members information.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Policy

Budget & Business Plan and Review Policy

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Corporate Plan



How We Work – Good Governance

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Legislative Requirements

Local Government (Financial Management) Regulations 2011 - Reg 9(1)(b)
LGA Information paper no. 25 – Monitoring Council Budget Performance

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial

Funding to support the operations of the Audit Committee is required to ensure resources are adequate to undertake this vital role within Council and is included in the annual budget.

COMMUNITY CONSULTATION

Will be included as part of the draft 2017/18 Budget/Business Plan consultation and adoption process.

8.1.4

MID-YEAR BUDGET REVIEW 2016/17 (AS AT 31 DECEMBER 2016)

B2734

Mr Lague spoke to the Report.

MOVED Ms Johnston that the Mid-year Budget Review for 2016/17 (as at 31 December 2016) be received.

Seconded Cr Angas

CARRIED 2016-17/25

PURPOSE

The Mid-year Budget Review for 2016/17 (as at 31 December 2016) was presented to Council at its 21 February 2017 Council Meeting, and the budget variations contained therein were adopted.

REPORT

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 details of new initiatives and capital expenditure adjustments.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1: Mid-year Budget Review as at December 2016

Policy

Budget & Business Plan and Review Policy

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Corporate Plan



How We Work – Good Governance

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- 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 1999 Sect 123 (13)

Local Government (Financial Management) Regulations 2011 Regulation 9 (1)(a)

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial

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

COMMUNITY CONSULTATION

Community Consultation was part of the original budget adoption process in June 2016, as per legislation.

8.1.5

REVIEW DRAFT BUDGET 2017/18 AND ANNUAL REVIEW LONG TERM FINANCIAL PLAN INDEXATION AND ASSUMPTIONS

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

Cr Milne outlined that the following wording to the original Report should clearly articulate that the review of indexation and other factors required to build the 2017/18 budget, was presented to Council in a workshop and no decision of Council was made on these indication factors. The report therefore has been amended to reflect that:

"The review of indexing and assumptions for the Annual Budget & Business Plan 2017/18 and Long Term Financial Plan (LTFP) 2017/18 to 2026/27 was presented to Council at the information briefing Workshop on 1 February 2017."

MOVED Cr Milne that the Audit Committee notes the indexation and assumptions for the Annual Budget & Business Plan 2017/18 and Long Term Financial Plan (LTFP) 2017/18 to 2026/27.

Seconded Mr Heuzenroeder

CARRIED 2016-17/26

PURPOSE

As per the 2017/18 Annual Budget/Business Plan timetable endorsed by Council in January 2017, the Audit Committee needs to receive and can provide comment on the indexation and assumptions for the Annual Budget & Business Plan (AB&BP) 2017/18 and Long Term Financial Plan (LTFP) 2017/18 to 2026/27.

REPORT

Overview

The review of indexing and assumptions for the Annual Budget & Business Plan 2017/18 and Long Term Financial Plan (LTFP) 2017/18 to 2026/27 has been considered by Council at the information briefing Workshop on 1 February 2017. This process enables Council to take a long term view and 'set the big picture' before starting the annual budget process.

Key Assumptions & Enhancements

Each annual review process provides an opportunity to introduce new assumptions or enhance the information base as required, using the existing indexation and assumptions.

The main assumptions and indexation being considered during this early stage of budget preparation is the income and expenditure indexation. As included in the presentation paper, Council reviews the proposed rate increase and the indexation application to operational expenditure.

The LGPI (Local Government Price Index) is used as a base for the plan(s) and considering local needs and requirements to meet service levels, including external influences such as service contracts where fuel prices and employment costs may vary the service cost. The Local Government Price Index (LGPI) increase for 12 months to 30 June 2016 was 0.9%, 30 September 2016 was 1.4%; (noting the Adelaide CPI for the 31 December period was 1.3%).

As the cost indexation has been reducing from previous adopted long term financial plans, Council will reconsider the cost of delivering services and any changes to the level of service to ensure income or charges for the services are appropriate. The following indexation is sourced from the adopted LTFP.

Income

Rate increases to fund and ensure service level provision is maintained in line with revised sustainability requirements.

Both the residential and non-residential rate revenue (excluding growth) were budgeted to increase at 3.0% in 2017/18, and the years following 2.5% per annum.

The adopted Waste Service Rate Revenue indexation rate in the LTFP from last year was budgeted to increase at:

| | |
|-----------------|------|
| 2017/18 | 2.5% |
| 2018/19 | 3.5% |
| 2019/20 | 4.0% |
| 2020/21 | 4.8% |
| 2021/22 | 6.5% |
| 2022/23 | 3.3% |
| 2023/24 onwards | 2.0% |

The adopted Community Wastewater Management Systems Service Rate Revenue (excluding growth) indexation rates in the LTFP from last year was budgeted to increase at 2.5% for the life of the plan. An ongoing review of the service charge will be undertaken for requirements from ESCOSA to include cost of Capital into the annual operating cost.

Other income indexation has a base increase of 2.0%.

Expenditure

Operating expenditure indexation will be assessed individually for internal and external factors as follows:

- employee costs at the enterprise bargaining agreements at 2.5% - new AWU agreement to be negotiated from 1 July 2017;
- contractors and materials have a base increase of 1.0%, the default indexation for expenditure (the current adopted plan is at between 2.0 and 2.5%);
- selected operating costs have been isolated as increases to these are unique eg. power TBA, water 2.5%, insurance 3.0%, waste collection TBA all plus changes to service provision, ie. increased number of services provided or usage – all indexation quoted is from the adopted LTFP.

Long term plans for Capital expenditure will be reassessed; ensuring funding is allocated for renewal and replacement assets along with an allowance for new discretionary projects.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Policy

Budget & Business Plan and Review Policy

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Corporate Plan



How We Work – Good Governance

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- 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 1999 Section 123

Local Government (Financial Management) Regulations 2011

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial

Long-term financial planning is an ongoing regular process. As new information is included in the planning process, the plans are reviewed and updated.

Each annual review process provides an opportunity to introduce new assumptions or enhance the information base as required.

COMMUNITY CONSULTATION

Included as part of the draft 2017/18 Budget/Business Plan consultation and adoption process.

ACTION: Group Manager Corporate Services to provide the Workshop document to Independent Members in relation to Review of indexing and assumptions for the Annual Budget & Business Plan 2017/18 and Long Term Financial Plan (LTFP) 2017/18 to 2026/27

8.1.6

EXTERNAL AUDITOR TENDER EVALUATION PANEL

B5734

Mr Lague spoke to the Report. The meeting agreed, in relation to the tender process, that the number of short-listed tenderers invited to make a 20 minute presentation to the Audit Committee, be left to the discretion of the Evaluation Panel.

MOVED Cr Milne that the Evaluation Panel to assess tenders received for the provision of external financial audit services for The Barossa Council and its subsidiary, Nuriootpa Centennial Park Authority, for the period 2017-18 to 2021-22, consist of Mr Peter Brass (Chair of Audit Committee), Mr Mark Lague (Group Manager Corporate Services) and Ms Vicky Rohrlach (Senior Accountant).

Seconded Mr Heuzenroeder

CARRIED 2016-17/27

PURPOSE

To appoint an Evaluation Panel to assess tenders received for the provision of external financial audit services for The Barossa Council and its subsidiary, Nuriootpa Centennial Park Authority (NCPA), for the five year period being 2017-18 to 2021-22.

REPORT

Background

Council's 5 year contract with Dean Newbery and Partners for provision of external auditing services expires on 30 June 2017.

Introduction

Tender documentation for the next 5 year period is currently being finalised by Council's Procurement Officers and invitations to tender will be forwarded to selected audit firms at the end of February.

The Audit Committee Terms of Reference states:

2.4 External audit

The Committee shall:

- 2.4.1 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 2.4.2 Oversee Council's relationship with the external auditor including, but not limited to:
 - (i) Recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
 - (ii) Recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;
 - (iii) Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services;
 - (iv) Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business);
 - (v) Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - (vi) Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the Committee's own internal quality procedures).

Discussion

Council's *Procurement Planning, Sourcing and Selection Process* states selective tendering is permitted for purchases between \$100,000 and \$500,000 and must be approved by the Chief Executive Officer (unless determined by the CEO that the tender is of commercial or community sensitivity whereby approval must be via Council). It is expected that the total value of the external audit contract will be over \$100,000.

Officers suggest the following tender process:

- Officers to select a list of 4 relevant auditors for the external audit contract
- Officers send tender documents (including Specification and Assessment Criteria) to the selected list by 27 February 2017
- Submissions to be received at Council by 3pm, 17 March 2017
- A small evaluation panel be formed consisting Group Manager Corporate Services, Senior Accountant, Audit Committee Chair and any Audit Committee members who wish to be included
- The evaluation panel review the submissions using a matrix, criteria and weighting

- to a shortlist of 2-3 auditors during the period 27 March to 7 April 2017
- Audit Committee meeting in April (date to be set)
- Invite the shortlist 2 auditors to make a 20 minute presentation
- The evaluation panel to report on the selection process
- Consider the presentations and the report from the evaluation panel
- Make a recommendation to the Council on the auditor appointment
- Audit Committee recommendations presented to the 16 May 2017 Council Meeting for approval.

Summary and Conclusion

Council needs to have an external auditor appointed by 30 June 2017.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Supporting References

Procurement Policy
 Procurement Planning, Sourcing and Selection Process
 Audit Committee Terms of Reference

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Community Plan



How We Work – Good Governance

Corporate Plan

How We Work – Good Governance

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Legislative Requirements

Local Government Act 1999
 Local Government (Financial Management) Regulations 2011
 Relevant Australian Auditing Standards

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial

The 2016-17 base Budget is an amount of \$23,700 for external audit services (Inc. NCPA), the adopted Long Term Financial Plan contains an indexed amount based on this budget.

Resource

There are no resource considerations.

Risk Management

Risk Management considerations will be included in the tender evaluation process.

COMMUNITY CONSULTATION

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

10. OTHER BUSINESS

The meeting agreed to defer Agenda item 10.1 *Demonstration of On-line Induction Module* to the next meeting.

11. NEXT MEETING

To be advised.

12. CLOSURE OF MEETING

There being no further business, Mr Brass closed the meeting at 4.14pm.

Confirmed:

Chairman:

Date:



CONFIDENTIAL

**CONFIDENTIAL MINUTES
OF THE MEETING OF THE AUDIT COMMITTEE OF THE BAROSSA COUNCIL
held pursuant to the provisions of Section 90(2) of the Local Government Act
1999, on Tuesday 28 February 2017 commencing at 2.32pm**

MEMBERS PRESENT

Mr Peter Brass, Mr James Heuzenroeder, Ms Tanya Johnston, Cr John Angas,
Cr Scotty Milne

OFFICERS PRESENT

Mr Martin McCarthy, Chief Executive Officer
Ms Jo Thomas, Director Community Projects
Mr Mark Lague, Group Manager Corporate Services
Ms Elizabeth Waters, Acting Senior Accountant
Ms Nicole Rudd, Internal Control Compliance Officer
Ms Annette Randall, Executive Assistant (Minute Secretary)

APOLOGIES

Nil

9.1 CONFIDENTIAL MATTER – 2.32PM

9.1.1

SERVICE REVIEW PROJECT – PRESENTATION OF STAGE 1 UPDATED DRAFT REPORT

B5241

Author: Director Community Projects

At 2.32pm Ms Susan Law, Mr Sam Robinson and Mr Geoff Haberfeld of LKS Quaero joined the meeting and provided a verbal presentation via teleconference, on the Service Review Project Stage 1 Updated Draft Report and answered questions from the members.

MOVED Mr Heuzenroeder that the Audit Committee:

- (1) Receives and notes The Barossa Council Service Review Stage 1 Updated Draft Report (Draft Report) produced by LKS Quaero Pty Ltd dated 24 February 2017, Version: 3.
- (2) Notes the content of the Comments and Issues Log capturing Officers' initial feedback on the Draft Report Trim Ref: 16/85745.

OUT OF CONFIDENCE

- (3) Recommends the report for consideration and approval by Council.
- (4) Recommends that Council does not undertake a detailed (Stage 2) review of service levels at this stage, but that the Chief Executive Officer provide a report to the next Audit Committee meeting on the existing continuous improvement initiatives.
- (5) Having considered this matter in confidence under Section 90(2) and 90(3)(d) of the Local Government Act 1999, makes an order pursuant to Section 91(7), that the agenda report, associated documents and minutes, other than the minutes relating to this confidentiality order of the Confidential Audit Committee Meeting held on 28 February 2017 in relation to confidential item 9.1.1 Service Review Project, Presentation of Stage 1 Updated Draft Report, be kept confidential and not available for public inspection other than information required to be released in accordance with any relevant requirements of Section 91(8) of the Local Government Act 1999: and
- (6) In accordance with (6) above and section 91(9)(c) of the Local Government Act 1999, authorises the Chief Executive Officer to review and revoke the order and present the final report to the Council out of confidence.

Seconded Ms Johnston

CARRIED 2016-17/2

CLOSURE OF CONFIDENTIAL MEETING

There being no further business, the confidential meeting closed at 3.32pm.

Confirmed:

Chairman:

Date: