The Barossa Council

MINUTES OF THE MEETING OF AN AUDIT COMMITTEE

held on Wednesday 16 February 2022 commencing at 9.00am
in the Council Chambers, 43-51 Tanunda Road, Nuriootpa.

1. AUDIT COMMITTEE

1.1 WELCOME

Mr Peter Brass declared the meeting open at 9.08am

1.2 MEMBERS PRESENT

Mr Peter Brass (via Teams), Mrs Ellen Ewing, Mr Ian Swan, Cr Russell Johnstone.

1.3 LEAVE OF ABSENCE

Nil

1.4 APOLOGIES FOR ABSENCE

Cr John Angas

1.5 MINUTES OF PREVIOUS MEETINGS – FOR CONFIRMATION:

MOVED Mr Swan

That the Minutes of the Audit Committee held on Wednesday 15 December 2021 at 9.00am, as circulated, be confirmed as true and correct records of the proceedings of those meetings.

SECONDED Cr Johnstone **CARRIED AC 2018-22/10**

1.6 NOTICE OF MOTION

Nil

1.7 QUESTIONS WITH OR WITHOUT NOTICE

Nil

1.8 DECLARATION OF INTEREST

Members are required to declare and manage conflicts of interest in accordance with the *Local Government Act 1999*.

Nil

2. CONSENSUS AGENDA ADOPTION

2.1 ITEMS FOR EXCLUSION FROM CONSENSUS AGENDA

Nil

2.2 RECEIPT OF CONSENSUS AGENDA

Mr Brass requested that the External Audit plan be circulated once received.

A verbal presentation by the Manager Enterprise Technology and Innovation on current and future organisational security outcomes and action plans was given to the Committee.

MOVED Cr Johnstone

That the information items contained in the Consensus Agenda be received and that any recommendations contained therein be adopted.

SECONDED Mr Swan **CARRIED AC 2018-22/11**

2.3 DEBATE OF ITEMS EXCLUDED FROM CONSENSUS AGENDA

Nil

3. DEBATE AGENDA

4.1
THE BAROSSA COUNCIL 2021 RISK EVALUATION REPORT
22/10424

MOVED Ms Ewing

That Audit Committee receives and notes The Barossa Council 2021 Risk Evaluation Report noting the improvement plan is underdevelopment and will be tabled at the next meeting of the committee.

SECONDED Mr Swan **CARRIED AC 2018-22/12**

PURPOSE

To provide The Barossa Council 2021 Risk Evaluation Report detailing the results of the Local Government Mutual Liability and Workers Compensation Schemes recent evaluation of Council's Risk Management, Work Health and Safety and Injury Management Systems.

REPORT

Background
Every two years, the Local Government Mutual Liability and Workers Compensation Schemes conduct an evaluation of each Member's Risk Management, Work Health and Safety and Injury Management systems.

The purpose of each evaluation is to test, (within the scope of the evaluation):

a) How well Council's risk management systems meet local government sector established baselines and
b) Council's level of conformance with ReturnToWork SA's Performance Standards for Self-Insurers for Work Health and Safety and Injury Management systems.

Introduction
The objective of the risk evaluation process is to provide a mechanism to test each Scheme Member's risk management processes (including WHS management) objectively, to identify both examples of good practice and opportunities for improvement that can be addressed.

There are two components of the Evaluation:

1. Work Health Safety & Injury Management component:
   Tests conformance with the sub elements of the Performance Standards for Self-Insurers (PSSI) and relates specifically to the Work Health Safety and Injury Management Systems.

2. Risk Management component:
   The following focus areas are being evaluated:

   - Risk Management System (mandatory)
   - Roads and Footpaths (mandatory)
   - Procurement and Contract (mandatory)
   - Volunteers (elective)
   - Event Management (elective)

The Barossa Council participated in and onsite evaluation from 13 to 15 October 2021 following an extensive process to collate evidence and prepare a preliminary response to the Schemes.

Discussion
Following completion of the evaluation in October 2021, the Local Government Mutual Liability and Workers Compensation Schemes provided a final Risk Evaluation Report on 14 December 2021 summarising their findings.

The report prefaces that whilst non-conformances and opportunities for improvement have been identified, Council are to be commended on the progress towards development and implementation of systems that will support a proactive approach to identifying and managing risk throughout the organisation.

The evaluation determined that 17 of 28 overarching sector baselines were met within the broader Risk Evaluation. To put this context at a granular level, 89 of 111 individual criteria were met across the risk management topics.

The Work Health and Safety Evaluation assessed conformance across 10 sub-elements and identified one sub-element where full conformance was demonstrated, one sub-element where an observation was noted, and 8 elements that did not meet the requirements for full conformance with the Performance Standards for Self-Insurers.

Pleasingly, all Injury Management sub-elements evaluated conformed to the Performance Standards for Self-Insurers.

In response to Evaluation findings, Council Officers are currently preparing a two-year improvement plan which will set annual actions and key deliverables to address identified opportunities for improvement. Many of the actions and initiatives identified in the draft improvement plan build upon the foundations of good practice already in place, but seek to elevate the maturity of Council's overall system to meet those sector baselines identified as requiring further evidence to demonstrate conformance with the Performance Standards for Self-Insurers.

To drive accountability and capacity to deliver on these commitments, strategic actions will be embedded in Council's Corporate Plan and progress will be reported to the Scheme on a monthly basis and to Council's WHS Committee and Executive Leadership Team on a quarterly basis.

In addition to our ongoing focus on implementing administrative systems and controls associated with the Scheme's benchmarks, the organisation will continue to monitor outcome-based safety performance data, which provides a valuable ongoing insight into the effectiveness of Council's Work Health and Safety system.

Summary and Conclusion
The Barossa Council 2021 Risk Evaluation Report is presented for Audit Committee consideration. Officers will finalise the development of a two year improvement plan and present it for Audit Committee consideration at its next meeting.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1 2021 Risk Evaluation Report - Final - issued 14 December 2021

Supporting references
Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Community Plan

How We Work - Good Governance

Corporate Plan
6.2. Ensure that Council's policy and process frameworks are based on principles of sound governance and meet legislative requirements.
6.5. Implement compliant and contemporary risk management initiatives.

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

Advocacy Plan
Nil

Legislative Requirements
Nil

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Continuous improvement opportunities identified to address areas of no-conformance will be implemented in accordance with approved operating budgets.

COMMUNITY ENGAGEMENT

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

4.2
TREASURY MANAGEMENT REVIEW
22/10670

MOVED Cr Johnstone

That Audit Committee receive and note Council's 2021 Treasury Management activities.

SECONDED Ms Ewing **CARRIED AC 2018-22/13**

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

Discussion
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 2021 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 2021, Council's net financial liabilities represented 13% of total operating revenue, and it is projected to increase to 50.1% as at 30 June 2021 (as per September 2020 Budget Review). 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. The total variable borrowings for Nuriootpa Centennial Park Authority and Council that are currently available is $5.0m - currently no funds have been drawn down on these facilities. There have been no new fixed debenture loans in the calendar year ended 31 December 2021.

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 provided though the Local Government Finance Authority are shown below:

Debenture Loan Summary

No.	***Loan Amount***	***Interest Rate***	***Final Payment Date***	***Principal Outstanding as at 31 December 2021***
104	2,900,000	6.90%	15/03/22	151,465
105	7,000,000	7.02%	16/11/24	3,967,514
106	2,000,000	6.85%	15/04/26	822,365
107*	113,000	4.75%	16/07/22	13,832
108*	515,000	6.20%	15/01/34	389,906
109*	125,000	5.30%	15/09/29	78,614
112*	180,000	4.25%	15/12/27	116,925
113*	80,000	4.50%	15/02/28	55,945
114	1,750,000	3.60%	15/08/28	1,288,862
116**	1,000,000	2.05%	15/06/30	862,687
				7,748,116

* Loans approved by Council, provided for the Community to Clubs, Societies or Groups. The repayments to Council are on schedule for the community loans outstanding - a total principal balance at 31 December 2021 of $655,222.

** NCPA debenture loan

Variable interest rate borrowings (Cash Advance Debentures)

A new loan CA118 was taken out in 2021 for a community loan to Nuri Futures Association. A summary of the variable interest rate borrowings is shown below:

Cash Advance Debentures Summary						
No.	***Council/ NCPA***	***Total Facility Loan Amount***	***Total amount borrowed***	***Current Interest Rate***	***Facility End Date***	***Principal Outstanding as at 31 December 2021***
CA70	Council	1,000,000	0	**	15/04/23	0
CA115	Council	3,000,000	0	* 1.45%	15/05/30	0
CA117	Council	900,000	0	* 1.45%	15/10/23	0
CA118	Council	100,000	0	**	16/08/31	0

* COVID special rate for 3 years only

** Interest rates vary depending on loan term and will apply upon drawdown of loans

<u>Council Funded Loans</u>

Council has previously approved external loans not included in the Debenture Loan Summary table that have been paid from Council funds:

1) Barossa Valley Machinery Preservation Society Inc
2) Nuriootpa Centennial Park Authority (NCPA). The current adopted long-term financial plan (LTFP) includes a $130k repayment in 2021/22 and the loan is to be fully repaid during 2023/24. The NCPA loan repayment schedule is subject to an annual review of their LTFP, checking the operational and capital expenditure, cash flow requirements and the financial sustainability of the business. The NCPA loan is charged at the current cash advance loan interest rate. The Council Funded loan summary is shown in the following table:

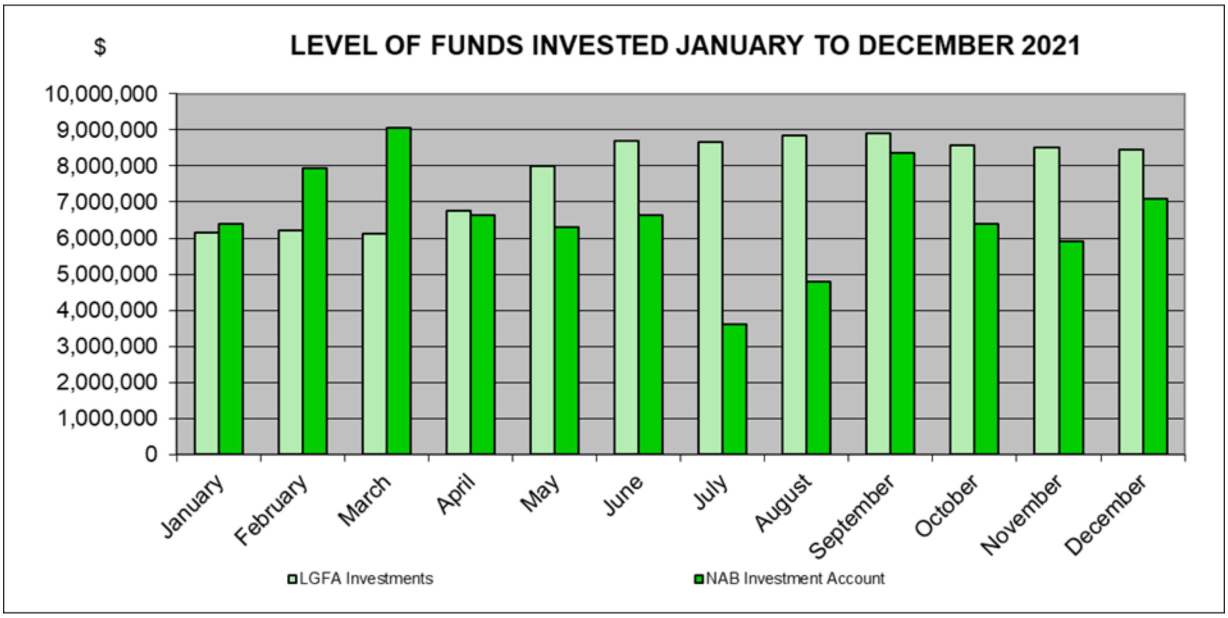
Council Funded Loan Summary				
Name.	***Total Facility Loan Amount***	***Current Interest Rate***	***Facility End Date***	***Principal Outstanding as at 31 December 2021***
Barossa Valley Machinery Preservation Society Inc	25,000	4.30%	8/11/28	18,582
Nuriootpa Centennial Park Authority	650,000	2.05%	2023/24	390,000
				408,582

<u>Investments</u>

Council currently holds investments with National Australia Bank (NAB) and the Local Government Finance Authority (LGFA). Council's total investments as at 31 December 2021 were:

	Variable Interest Rate $'000	*≤ 1 year Fixed $'000*	*> 1 year ≤ 5 years $'000*	*> 5 years $'000*	*TOTAL $'000*	*Interest Rate Range 2021*
LGFA	4,756	1,686	0	0	**8,442**	0.30% to 0.41%
NAB Investment A/c	7,105	0	0	0	**7,105**	
TOTAL	**11,861**	**1,686**	**0**	**0**	**15,547**	

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. Due to the uncertainty of COVID19, investments were not fixed with the LGFA during this time, but Council utilised the NAB investment account. Fixed investments with the LGFA are likely to be built up over the coming months, depending on cash flow requirements and any changing situations with COVID19.



ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Nil

<u>*Supporting references*</u>
Treasury Management Policy

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

<u>Community Plan</u>

How We Work - Good Governance

Corporate Plan

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.

Advocacy Plan

Nil

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 ENGAGEMENT

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

4.3
RISK MANAGEMENT PROGRAMS AND PROJECTS - UPDATE
22/10723

MOVED Ms Ewing

That Audit Committee receives and notes this Risk Management Programs and Projects – update report.

SECONDED Cr Johnstone **CARRIED AC 2018-22/14**

PURPOSE

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

REPORT

Introduction

These reports provide an update on the activities and actions that have been the focus of the Risk Team since the last quarterly report provided to the Audit Committee.

Discussion

This report contains updates on the following:

- Enterprise risk management and risk registers
- Insurance claims
- WHS Committee
- Workplace and Community Emergency Management
- Business continuity
- Incident reporting
- Workplace safety inspections

- Internal financial control (ControlTrack)

Summary and Conclusion
The attached report is provided for information, however further detail can be provided at the meeting if it is required.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1 Quarter 2 - 2021-22 - Risk Management Quarterly Report

Supporting references
Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Community Plan

How We Work - Good Governance

Corporate Plan
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.
6.5. Implement compliant and contemporary risk management initiatives.

Advocacy Plan
Nil

Legislative Requirements
Local Government Act, 1999
Work Health Safety Act, 2012

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Addressed within this report

COMMUNITY ENGAGEMENT

No required under legislation or Council's Public Consultation Policy.

4.4
2022/23 AUDIT COMMITTEE BUDGET
22/10737

MOVED Cr Johnstone

That Audit Committee:

(1) Include an amount for Consultants of $0 and Training of $1000,

(2) Consider and approves the other budgets listed in this report during the budget processes.

SECONDED Ms Ewing **CARRIED AC 2018-22/15**

PURPOSE

To consider a draft 2022/23 budget for the Audit Committee's operations.

REPORT

Background
The budget for 2022/23 is being prepared by completing the base budget for activities that are externally and internally required by the Audit Committee.

Discussion
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 2022/23 budget to support the operations of the Audit Committee is outlined in the following table, Financial Statement as at 9 February 2022:

	February 2022 YTD Actuals	Budget Review 2021/22 Q2	Budget % YTD	Draft 2022/23 Budget	
496 - Audit Committee					
Salaries & related costs (preparation of reports/agendas, attendance at meetings – CEO, Director C&CS, Manager Financial Services, Minute Secretary)	13,988	18,170	**77%**	**18,510**	*
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)	2,730	6,055	**45%**	**6,120**	#
Advertising	0	700	**0%**	**700**	~
Total 496 - Audit Committee	**16,717**	**25,925**	**64%**	**26,330**	

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

~ Training and advertising expenses provide for one independent member appointment if required.

\# Provides for Sitting Fees as follows: Chairperson $595 and Independent Members x 2 - $385 to attend 4 meetings each and annual report attendance at Council meeting for the Chairperson; to be considered and approved by Council – only provided for Audit Committee members' information.

Summary and Conclusion
The draft budget is provided for information however, further detail can be provided at the meeting if it is required.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Nil
Supporting references

Budget & Business Plan and Review Policy

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Community Plan

How We Work - Good Governance

Corporate Plan

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.

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

Advocacy Plan
Nil

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.

The Independent Members' Sitting Fee is not subject to agreement or contract but should ensure Council can attract and retain qualified and experienced people and receive value for service provision. It is recommended that Council increase the fee each year and for 22/23 by $5 per meeting. The proposed amount for 2022/23 financial year is $600 and $390 respectively. The Sitting Fee will be included in the draft 2022/23 budget to be considered and approved by Council.

COMMUNITY ENGAGEMENT

Public Consultation will be included as part of the draft Budget/Business Plan consultation and adoption process.

4. CONFIDENTIAL AGENDA

Nil

5. URGENT OTHER BUSINESS

Nil

6. NEXT MEETING

Wednesday 11 May 2022 at 9.00am

7. CLOSURE

Mr Brass declared the meeting closed at 10.03am

Confirmed at Audit Committee Meeting on 11 May 2022

Date:…………………………… Presiding Member:………………………………