TheBarossaCouncil

MINUTES OF THE MEETING OF AN AUDIT AND RISK COMMITTEE

held on Monday 27 November 2023 commencing at 4:pm
in the Peramangk Room (Committee Room), 43-51 Tanunda Road, Nuriootpa.

MINUTES

Welcome by Mr Peter Brass declared the meeting open at 4:01pm.

1. ATTENDANCE RECORD

1.1 Members Present

Mr Peter Brass (via Teams), Ellen Ewing (via Teams), Ian Swan (via Teams) and Cr Heidi Thompson (via Teams)

Mr Martin McCarthy verbally informed the committee that Cr Bruce Preece has resigned and a formal report will be put to Council and the Audit and Risk committee at the next .

Apologies
Nil

Not Present
Nil

Leave of Absence
Nil

2. CONFIRMATION OF PREVIOUS MINUTES

2.1 Minutes of previous meetings – for confirmation:

MOVED Mr Swan
That the Minutes of the Audit and Risk Committee held on Wednesday 27 September 2023 at 3.30pm, as circulated, be confirmed as true and correct records of the proceedings of those meetings.

SECONDED Ms Ewing **CARRIED AC 2022-26/12**

2.2 Matters arising from previous minutes

Nil

3. MATTERS FOR INFORMATION

Nil

4. DEBATE REPORT

4.1 ANNUAL FINANCIAL STATEMENTS 2022/23 - THE BAROSSA COUNCIL 23/112268

Cr Heidi Thompson joined the meeting at 4:16pm

MOVED Mr Swan

That Audit and Risk Committee:

(1) Receives and notes the Draft Audit Report for the The Barossa Council from Council's external auditor Mr Tim Muhlhausler of Galpins Accountants, Auditors and Business Consultants for the year ended 30 June 2023.

(2) Accepts the Audit Certificate of Audit Independence provided by Mr Tim Muhlhausler of Galpins Accountants, Auditors and Business Consultants.

(3) Having reviewed The Barossa Council 2022/23 Annual Financial Statements for the year ended 30 June 2023 consider the statements present fairly the state of affairs of Council.

(4) Notes the analysis contained within this report comparing the audited 2022/23 Financial Statements with the 2022/23 original adopted budget.

(5) Receives and, including as necessary any further minor and non-material adjustments, adopts The Barossa Council 2022/23 Annual Financial Statements for the year ended 30 June

(6) Authorises the Audit and Risk Committee Chairperson to sign the 'Certification of Auditor Independence'.

SECONDED Ms Ewing **CARRIED AC 2022-26/13**

PURPOSE

The purpose of the report is to present the Annual Financial Statements for the 2022/23 financial year for The Barossa Council for approval.

REPORT

Background
The 2022/23 Annual Financial Statements and accompanying notes have been prepared in accordance with Section 127 of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011.

Regulation 13 of the Local Government (Financial Management) Regulations 2011 requires that the Financial Statements of a Council be prepared in accordance with the requirements set out in the Model Financial Statements.

Section 126(4)(a) of the Local Government Act 1999 requires that the functions of an Audit and Risk Committee include "reviewing annual financial statements to ensure that they present fairly the state of affairs of the council."

Regulation 10 of the Local Government (Financial Management) Regulations 2011 requires a report showing the audited financial results of each item shown in the statement of comprehensive income and balance sheet of the budgeted financial statement compared with the estimated financial results set out in the budget.

Introduction
The independent audit of the Annual Financial Statements was undertaken by Galpins Accountants, Auditors and Business Consultants who have provided clearance on the financial statements and provided their report.

Key results of The Barossa Council 2022/23 Annual Financial Statements include:

- 2022/23 Operating Surplus of $0.949m compared to $2.749m surplus for 2021/22.
- 2022/23 Net Surplus after capital adjustments is $8.403m (2021/22 $8.230m surplus).
- 2022/23 Total Comprehensive Income after Changes in Revaluation Surplus is $3.685m (2021/22 $17.834m surplus).
- Net Assets increased to $403.5m as at 30 June 2023 from $399.8m as at 30 June 2022.
- Cash and Cash Equivalents at 30 June 2023 were $4.618m (2022 $13.264m).
- Total borrowings have increased from $7.768m to $8.958m at 30 June 2023.
- Asset revaluations undertaken in 2022/23 resulted in a net decrement of $4.714m.
- Future commitments for capital expenditure are recorded at Note 14 of the GPFS.
- Approximately 95% of the allocated 2023/24 Federal Budget grants were paid in June 2023. The effect of this for 2022/23 was an increase in actual income and improved operating surplus and cash at bank position.

Discussion
The tables below compare the 2022/23 audited financial result to both the 2022/23 adopted original budget and the 2021/22 audited financial result.

- Table 1 – Statement of Comprehensive Income
- Table 2 – Statement of Financial Position
- Table 3 – Financial Indicators

2023/34

Table 1: Statement of Comprehensive Income	2022/23 Actual $'000	2022/23 Budget $'000	Variance to budget $'000	Variance to budget %	Notes	2021/22 Actual $'000	Variance to actual $'000	Variance to actual %	Notes
Income									
Rates	35,800	35,759	41	0.1%		33,700	2,100	6%	A1
Statutory Charges	803	797	6	1%		833	(30)	(4%)	
User Charges	3,601	3,200	401	13%	B1	3,140	461	15%	A2
Grants, Subsidies and Contributions	4,311	1,857	2,454	132%	B2	4,227	84	2%	
Investment Income	415	88	327	372%	B3	146	269	184%	A3
Reimbursements	9	61	(52)	(85%)		8	1	13%	
Other Income	806	722	84	12%		658	148	22%	A4
Total Income	**45,745**	**42,484**	**3,261**	**8%**		**42,712**	**3,033**	**7%**	
Expenses									
Employee Costs	15,897	16,493	596	4%		14,118	(1,779)	(13%)	A5
Materials, Contracts and Other Expenses	17,887	17,878	(9)	(0.1%)		15,951	(1,936)	(12%)	A6
Depreciation, Amortisation and Impairment	10,553	9,159	(1,394)	(15%)	B4	9,425	(1,128)	(12%)	A7
Finance Costs	441	419	(22)	(5%)		464	23	5%	
Net Loss - Equity Accounted Council Businesses	18	0	(18)	-%		5	(13)	(260%)	
Total Expenses	**44,796**	**43,949**	**(847)**	**(2%)**		**39,963**	**(4,833)**	**(12%)**	
Operating Surplus / (Deficit)	**949**	**(1,465)**	**2,414**	**(165%)**		**2,749**	**(1,800)**	**(65%)**	
Physical Resources Received Free of Charge	3,131	0	3,131	-%		2,009	1,122	56%	A8
Asset Disposal & Fair Value Adjustments	(1,097)	(821)	(276)	34%	B5	(874)	(223)	26%	A9
Amounts Received Specifically for New or Upgraded Assets	5,420	7,251	(1,831)	(25%)	B6	4,346	1,074	25%	A10
Net Surplus / (Deficit)	**8,403**	**4,965**	**3,438**	**69%**		**8,230**	**173**	**2%**	
Other Comprehensive Income									
Increase/(decrease) in asset revaluation surplus	(4,714)	0	(4,714)	-%		9,604	(14,318)	(149%)	A11
Impairment Expense	(4)	0	(4)	-%		0	0	-%	
Total Other Comprehensive Income	**(4,718)**	**0**	**(4,718)**	**-%**		**9,604**	**(14,322)**	**(149%)**	
Total Comprehensive Income	**3,685**	**4,965**	**(1,280)**	**(26%)**		**17,834**	**(14,149)**	**(79%)**	

Furthermore, Table 4 – Asset Revaluation, has been included to briefly explain the asset revaluation movements.

Whereby the variation is greater than both 5% and $100,000, a comment is provided below.

Notes	Explanation
B1	Nuriootpa Centennial Park site activity exceeded budgeted expectations resulting in additional income for cabins and site fees.
B2	95% of the Financial Assistance Grant for 2023/24 was received in June 2023.
B3	The increase is due to: • Increase in interest rates on investments during the year resulting in more income • Community Loans budget classified against Reimbursements.
B4	The increase is attributable to revaluation of assets and increases in the unit rates for CWMS, Bridges, footpaths, kerb and gutter and Transport asset classes.
B5	No budget provision for building disposals as part of the upgrade works for the Council and Library Main Office.
B6	The variance is attributable to: • less grant funding carried forward than what was budgeted for The Big Project • some grants classified as a liability as at balance date due to the grants being obtained on the condition that they be expended for specified purposes and not yet full expended.
A1	The increase is represented by: • A general rate increase of 3.75% • A budgeted growth in rateable properties of 0.84% • Waste, Recycling and Green Organics Collection service charge increase of 8.8% • CWMS service charge increase of 3.4%.
A2	Nuriootpa Centennial Park site activity exceeded budgeted expectations resulting in additional income for cabins and site fees.
A3	Increase in interest rates on investments resulting in more income.
A4	Increased income associated with The Rex Barossa Aquatic Fitness Centre.
A5	The increase is predominately represented by: • The increase is due in part to FTE growth and significant vacancies held as 30 June 2021(as at 30 June comparison) impacting the comparison • 3.5% increase for ASU workforce • 2.3% increase for AWU workforce • Increase in compulsory superannuation payments • Increase in workers compensation insurance costs.
A6	The increase is predominately reflective of annual local government price index increase of 6.5% and in line with 2022/23 budgeted expenditure for: • energy and fuel costs

- maintenance and parts, accessories and consumables costs
- waste collection services
- contractors and professional services.

A7 The increase is attributable to revaluation of assets and increases in the unit rates for CWMS, Bridges, footpaths, kerb and gutter and Transport asset classes. In addition, new/upgraded assets of $13.6m completed in 2022/23 incurred $250k depreciation expense.

A8 The increase is predominately attributable to the transport assets received from the Krieg Park development.

A9 The decrease is predominantly attributable to less proceeds received on disposed assets in 2022/23.

A10 The increase is predominantly attributable to funding received from the Local Roads and Community Infrastructure Program in 2022/23.

A11 The difference is predominately related to the Transport asset class revaluation. In 2022/23, an assessment of both the unit rates and condition was undertaken with the condition assessment outcome unfavourable resulting in a write down of the overall value of the Transport asset class. This is compared to 2021/22 whereby only an assessment of the unit rates was undertaken which increased the overall value of the asset class.

Table 2: Statement of Financial Position	2022/23 Actual $'000	2022/23 Budget $'000	Variance to budget $'000	Variance to budget %	Notes	2021/22 Actual $'000	Variance to actual $'000	Variance to actual %	Notes
Current Assets									
Cash & Cash Equivalents	4,618	88	4,530	5,148%	B1	13,264	(8,646)	(65%)	A1
Trade & Other Receivables	2,946	2,463	483	20%	B2	2,671	275	10%	A2
Inventories	245	218	27	12%		391	(146)	(37%)	A3
Total Current Assets	**7,809**	**2,769**	**5,040**	**182%**		**16,326**	**(8,517)**	**(52%)**	
Non-current Assets									
Trade & Other Receivables	1,312	1,358	(46)	(3%)		1,162	150	13%	A4
Equity Accounted Investments in Council Businesses	2,263	2,286	(23)	(1%)		2,281	(18)	(1%)	
Other	15,893	0	15,893	-%	B3	6,103	9,790	160%	A5
Infrastructure, property, plant and equipment	394,340	438,860	(44,520)	(10%)	B4	392,816	1,524	0.4%	
Total Non-current Assets	**413,808**	**442,504**	**(28,696)**	**(6%)**		**402,362**	**11,446**	**3%**	
Total Assets	**421,617**	**445,273**	**(23,656)**	**(5%)**		**418,688**	**2,929**	**1%**	
Current Liabilities									
Trade & Other Payables	5,116	4,589	527	11%	B5	7,118	(2,002)	(28%)	A6
Borrowings	1,945	8,356	(6,411)	(77%)	B6	1,080	865	80%	A7
Provisions	3,622	2,521	1,101	44%	B7	2,911	711	24%	A8
Total Current Liabilities	**10,683**	**15,466**	**(4,783)**	**(31%)**		**11,109**	**(426)**	**(4%)**	
Non-current Liabilities									
Borrowings	7,013	15,701	(8,688)	(55%)	B8	6,688	325	5%	A9
Provisions	418	1,330	(912)	(69%)	B9	1,073	(655)	(61%)	A10
Total Non-current Liabilities	**7,431**	**17,031**	**(9,600)**	**(56%)**		**7,761**	**(330)**	**(4%)**	
Total Liabilities	**18,114**	**32,497**	**(14,383)**	**(44%)**		**18,870**	**(756)**	**(4%)**	
Net Assets	**403,503**	**412,776**	**(9,273)**	**(2%)**		**399,818**	**3,685**	**1%**	
Equity									
Accumulated Surplus	105,026	104,602	424	0.4%		98,215	6,811	7%	
Asset Revaluation Reserve	282,905	297,205	(14,300)	(5%)		287,623	(4,718)	(2%)	
Other Reserves	15,572	10,969	4,603	42%		13,980	1,592	11%	
Total Equity	**403,503**	**412,776**	**(9,273)**	**(2%)**		**399,818**	**3,685**	**1%**	

Whereby the variation is greater than both 5% and $100,000, a comment is provided below.

Notes	Explanation
B1	The budget assumed greater cash outflows for investing activities for new and upgraded assets.
B2	Due to budget assumptions associated with repayments of loans to community and level of predicted rates debtors.
B3	The budget does not provision for work in progress and assumes all work will be completed.
B4	The variance is predominately attributable to the following: • The budget assumed $34.4m of new asset additions and asset renewals whereby actuals were $18.1m. Noting that work in progress increased by $9.8m during 2022/23. • The budget did not provision for an asset revaluation.
B5	Due to the differences in budget assumptions for payments received in advance related to unspent conditional capital grants.
B6 & B8	Less borrowings were required than budget due to less than budgeted works on new and renewed assets.
B7 & B9	The provision for annual leave has now been fully classified as a current liability to better align to accounting standard AASB 119 Employee Benefits.
A1	Greater cash outflows for investing activities with new and upgraded assets.
A2	Increase is representative of the increase in total income and specifically rates.
A3	Decrease is attributable to less road materials on hand at balance date.
A4	Increase is due to an additional loan to a community organisation.
A5	Increase is due to work in progress not yet capitalised.
A6	The movement is predominately attributable to the decrease in payments received in advance related to unspent conditional capital grants at balance date.
A7 & A9	The increase is associated with funding capital projects.
A8 & A10	The provision for annual leave has now been fully classified as a current liability to better align to accounting standards.

Table 3: Financial Indicators	Notes	2022/23 Actual	2022/23 Budget	2021/22 Actual	Adopted Target
Operating Surplus Ratio	1	2.1%	(3.4%)	6.4%	(2%) - 10%
Net Financial Liabilities Ratio	2	20%	67.3%	4%	0 - 100%
Asset Renewal Funding Ratio	3	108%	112%	89%	80% - 110%

Notes	Explanation
1	Operating Surplus Ratio exceeded budget expectations and was within the adopted target range.
2	Net Financial Liabilities Raito exceeded budgeted expectations due to less than budgeted borrowings and was within the adopted target range.
3	Asset Renewal Funding Ratio is in line with budgeted expectations and within the adopted target range.

Asset Revaluations
Three asset classes were revalued in 2022/23. Table 4 below explains the revaluation movements as reported in note 9(a).

Table 4 – Asset Revaluations

Asset Class	Increment/ (Decrement) $'000	Explanation
Bridges, Floodways and Major Culverts	$3.807m	The increase is due to an increase in unit rates in which Council Officers applied the Local Government Price Index of 17.5% on the previous valuation 1 July 2017.
Community Wastewater Management Scheme	$13.532m	The increase is due to: • A review of the unit rates which was undertaken by Council Officers from the previous valuation 1 July 2021 • A review of the condition of the assets by Council Officers in which the assessment determined a slight improvement then previously assessed.
Transport	($21.293m)	The decrease is due to a review of the condition of sealed and sheeted roads undertaken by Infrastructure Management Group partly offset by an increase in the unit rates which was undertaken by Tonkin Consulting.

Stormwater and drainage asset class revaluation decrement of $0.760m was due to a data issue in which cross drain headwall assets were duplicated in the previous asset register. At the time, the value of these asset was estimated to be $2.184 million and an annual depreciation effect of $14.5k. The asset data was transferred to a new asset register in 2022/23 in which the error was identified and corrected through the asset revaluation reserve.

Summary and Conclusion
The 2022/23 annual financial statements are presented for review.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1	Final Draft 2022/2023 Financial Statements - The Barossa Council
Attachment 2	Draft Audit Completion Report Galpins - Barossa Council 2022/2023

Supporting references
Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Community Plan

How We Work - Good Governance

Corporate Plan
BS6 Finance – Transparency and accountability regarding Council activity and expenditure. Provision of organisational performance report (outcomes), activity report (outputs), a range of statutory reporting (e.g. public health, tax, superannuation), financial reporting

Legislative Requirements
Section 126(4) of the Local Government Act 1999
Local Government (Financial Management) Regulations 2011

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial
All known financial and resourcing requirements as at 30 June 2023 have been included in the annual financial reports.

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

COMMUNITY ENGAGEMENT

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

4.2 ANNUAL FINANCIAL STATEMENTS 2022/23 - NURIOOTPA CENTENNIAL PARK AUTHORITY
23/113416

MOVED Ms Ewing

That the Audit and Risk Committee:

(1) Receives and notes the Draft Audit Report for the Nuriootpa Centennial Park Authority from Council's external auditor Mr Tim Muhlhausler of Galpins Accountants, Auditors and Business Consultants for the year ended 30 June 2023.

(2) Accepts the Certificate of Audit Independence provided by Mr Tim Muhlhausler of Galpins Accountants, Auditors and Business Consultants.

(3) Having reviewed the Nuriootpa Centennial Park Authority 2022/23 Annual Financial Statements for the year ended 30 June 2023, consider the statements present fairly the state of affairs of the Authority.

(4) Recommends the Certificate of Auditor Independence be signed by the Chair of the Nuriootpa Centennial Park Authority Audit and Risk Committee.

SECONDED Mr Swan **CARRIED AC 2022-26/14**

PURPOSE

The purpose of the report is to present the Annual Financial Statements for the 2022/23 financial year for the Nuriootpa Centennial Park Authority for approval.

REPORT

Background
The 2022/23 Annual Financial Statements and accompanying notes have been prepared in accordance with Section 127 of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011.

Regulation 13 of the Local Government (Financial Management) Regulations 2011 requires that the Financial Statements of a council subsidiary be prepared in accordance with the requirements set out in the Model Financial Statements.

Section 126(4)(a) of the Local Government Act 1999 requires that the functions of an Audit and Risk Committee include "reviewing annual financial statements to ensure that they present fairly the state of affairs of the council."

Introduction
The independent audit of the Annual Financial Statements was undertaken by Galpins Accountants, Auditors and Business Consultants who have provided clearance on the financial statements and provided their report.

Key results of the Nuriootpa Centennial Park Authority 2022/23 Annual Financial Statements include:

- 2022/23 Operating Surplus of $16,420 compared to $62,395 surplus for 2021/22.

- 2022/23 Net Surplus after capital adjustments is $2,624,351 (2021/22 $73,945 surplus).
- Net Assets increased to $14.465m as at 30 June 2023 from $11.841 as at 30 June 2022.
- Cash and Cash Equivalents at 30 June 2023 were $404,706 (2022 $514,582).
- Total borrowings have decreased from $1,088,830 to $856,994 at 30 June 2023.

Discussion

Total Income increased by $394,443 or 19.5% for 2022/23. This is predominately due to increased site activity resulting in increased income for site and cabin fees.

Total expenditure increased by $440,418 or 22.5% for 2022/23. This is due to the following:

- Increase in employee costs associated with additional casual staff due to increased site activity.
- Increase in materials, contracts and other expenses for:
    - infrastructure repairs for amenities block and pool filtration system
    - materials (cabin supplies) associated with increased site activity
    - increased electricity costs
    - acquisition of minor equipment (under asset threshold).
- Increase in depreciation expense associated with $2.9 million in new and upgraded assets acquired during 2022/23.

Physical resources received free of charge of $2.612m were 'gifted' from The Barossa Council as a result of capital works under The Big Project.

Net Assets increased to $14.465m as at 30 June 2023. This is due to:

- Total assets increasing by $2.261m predominately due to capital works from The Big Project.
- Total liabilities decreasing by $0.363m predominately due to repayment of existing borrowings and no additional borrowings for 2022/23.

Summary and Conclusion

The 2022/23 annual financial statements are presented for review.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1	Final Draft 2022/2023 Financial Statements - Nuriootpa Centennial Park Authority
Attachment 2	Draft Audit Completion Report Galpins - Nuriootpa Centennial Park Authority 2022/2023

Supporting references

Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Community Plan

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Corporate Plan
BS6 Finance – Transparency and accountability regarding Council activity and expenditure. Provision of organisational performance report (outcomes), activity report (outputs), a range of statutory reporting (e.g. public health, tax, superannuation), financial reporting

Legislative Requirements
Section 126(4) of the Local Government Act 1999
Local Government (Financial Management) Regulations 2011

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial
All known financial and resourcing requirements as at 30 June 2023 have been included in the annual financial reports.

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

COMMUNITY ENGAGEMENT

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

5. CONFIDENTIAL AGENDA

Nil

6. URGENT OTHER BUSINESS

Nil

7. NEXT MEETING

To be determined.

8. CLOSURE

Mr Brass declared the meeting closed at 4:40pm

Confirmed at Audit and Risk Committee Meeting on

Date: 28/3/24 Chairperson: [signature]