TheBarossaCouncil

MINUTES OF THE MEETING OF AN AUDIT AND RISK COMMITTEE

held on Monday 30 September 2024 commencing at 3:30pm
in the Peramangk Room (Committee Room), 43-51 Tanunda Road, Nuriootpa.

M I N U T E S

Welcome by Mr Peter Brass declared the meeting open at 3:31pm.

1. ATTENDANCE RECORD

1.1 Members Present

Mr Peter Brass (via Teams), Ms Ellen Ewing, and Cr John Angas

Apologies

Mr Ian Swan

Not Present

Cr Heidi Thompson

Leave of Absence

Nil

2. CONFIRMATION OF PREVIOUS MINUTES

2.1 Minutes of previous meetings – for confirmation:

MOVED Ms Ewing

That the Minutes of the Audit and Risk Committee held on Thursday 20 June 2024 at 3:30pm, as circulated, be confirmed as true and correct records of the proceedings of those meetings.

SECONDED Cr Angas **CARRIED AC 2022-26/23**

2.2 Matters arising from previous minutes

Nil

3. MATTERS FOR INFORMATION

3.1 ENTERPRISE RISK AND SAFETY REPORT - APRIL TO JUNE 2024

3.2 NORTHERN AND YORKE LOCAL GOVERNMENT ASSOCIATION ANNUAL REPORT FOR THE 2023-2024 FINANCIAL YEAR

3.3 REPORT ON 2023-24 INTERIM FINANCIAL CONTROLS REVIEW FROM EXTERNAL AUDITOR

Mr Brass enquired about a list of responsible officers for actioning the external auditor's recommendations. Mr McCarthy advised this will be attached to the Minutes.

4. DEBATE REPORT

4.1 GOVERNANCE STRUCTURE AND TERMS OF REFERENCE FOR AUDIT AND RISK COMMITTEE
24/82965

MOVED Cr Angas

That the Audit and Risk Committee, having reviewed the Governance Structure and Terms of Reference review, inform Council that it wishes to retain one Elected Member, and proceed to seeking a further independent member with the requisite skills.

SECONDED Ms Ewing **CARRIED AC 2022-26/24**

PURPOSE

To review the Committee's governance structure and seek comment and support to proceed with a four-person Committee comprised entirely of independent members with the requisite skill and experience.

REPORT

Background
Council has undertaken a broad review of the Audit and Risk Committee and adopted, subject to the Committee's feedback, revised arrangements.

The fundamental driving force behind the revised changes is to:

- Achieve full independence of the Committee members.
- Review sitting fees.

- Update the role of the Committee in further alignment with research undertaken with State arrangements, private sector and the Local Government Act.

Introduction
A report was presented to Council at its meeting of 20 August 2024, tabling updated Terms of Reference and an alternate committee structure. The report, minutes and associated documents are provided at Attachment 1.

Discussion
The Audit and Risk Committee is now asked to review the proposed arrangements, excluding fee setting as that remains the role of Council and has already been endorsed by Council, with a two-year CPI increase to apply from the next meeting of the Committee. New fees applicable from 1 July 2024 are $670 per meeting for the Presiding Member and $435 per meeting for Independent Members.

Summary and Conclusion
Subject to any material comments, the Audit and Risk Committee is asked to endorse the implementation with a target date being from 1 January 2025.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1 Council Report, Attachment and Minutes of 20 August 2024

Supporting references
Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Corporate Plan

BS5	Enterprise Risk - Strategic and operational risk assessment, control and monitoring; internal control and audit; business continuity and disaster recovery planning; organisational emergency management; insurance portfolio management; and Work Health Safety system coordination
BS4	Council and Committees - Provision of support to Council and Committees through the provision of required information, agendas, and minutes. Council and Committees are provided with support to enable informed decisions
BS7	Governance - Provision of governance advice and support in the discharge of legislative responsibilities for policy development, delegations and authorisations, internal review of Council decisions, delegations and authorisations, Native Title claims

Legislative Requirements
Section 41 and 126 of the Local Government Act

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Outlined in the Attachment.

COMMUNITY ENGAGEMENT

Community consultation is not required or recommended for this matter.

4.2 UPDATED TO THE LONG TERM FINANCIAL PLAN - 2023-24 TO 2033-34
24/86437

MOVED Ms Ewing

That Audit and Risk Committee having reviewed the updated Long Term Financial Plan for the 2023-24 to 2033-34 period receive and note the report and request a further update at the conclusion of the Quarter 2 budget adjustment process to be completed in February 2025.

SECONDED Cr Angas **CARRIED AC 2022-26/25**

PURPOSE

To review two updates to the Long Term Financial Plan (LTFP) for the 2024-2025 to 2033-2034 years.

REPORT

Background
Whilst it is not required to update the LTFP regularly, due to material changes since the past adoption and significant expenditure projections in this years and next budget necessitating large borrowings, the administration is undertaking regular performance comparison and analysis and updates to ensure detailed assessment of decisions being taken are sustainable.

Introduction

The LTFP is normally reviewed annually, however due to the nature of the current budget and material changes already endorsed, or proposed within the updates provided to Council, it was deemed necessary to update the plan to ensure Council and the Audit and Risk Committee has the full picture of the current and long-term budget. The purpose of the reviews, notwithstanding it was recently reviewed and adopted in June, is to reflect material changes to date, to ensure a revised budget position can support anticipated changes and the future estimates remain sound at this early stage of the budget cycle and is good prudential management practice.

The LTFP, along with normal monthly budget management, is being closely monitored and remodelled due to the significant investment program this year to ensure the best and most accurate information is used for modelling and maintenance of service delivery and funding and treasury management.

It is not anticipated that a further update will be undertaken until the quarter 2 budget amendments are completed in February 2024.

Discussion

Update September 2024

The revised and updated LTFP is provided at Attachment 1 and incorporates the August 2024 updates.

The changes in this LTFP reflects material changes in:

- Recently announced financial assistance grants resulting in an increase of approximately $149,730, all related to the general-purpose grant. Road grants were practically on budget, being a variance of $543 this financial year, this is not material in the annual accounts, however in the LTFP it is.

- Recently announced road to recovery funding for the 2024-2029 program resulting in a small increase this year of $21K and $139K over the 5-year program, this is not material in either the annual accounts or LTFP but as it was being updated it was incorporated into the modelling.

- All amendments approved by Council to the end of the August meeting including a more accurate provision for resourcing and structural changes approved at the August 2024 meeting.

- Ongoing active management of our treasury needs continues to result in savings in interest payments and these have been reflected in the model.

- The cash flow statements presented as part of the modelling to the August 2024 meeting had an error in allocation before sale of surplus assets and grants received for capital works, whilst this had little impact on the actual outcomes this has been corrected.

All key financial indicators continue for the current and future years within and meeting the performance targets based on the assumptions outlined in the updated plan provided at the Attachment.

<u>Update August 2024</u>

The updated LTFP is provided at Attachment 2 in summary it has catered for the following changes already approved by Council, the estimated and actual 2023-24 financial results. The update also includes those amendments approved by Council at up to the August 2024 meeting of Council.

Amendments approved to date are:

- Concordia planning which is cost neutral with a grant received paying 100% of those costs ($399,746 grant and expenditure).
- Nuriootpa Bowling Club tree removal and footpath works ($60,000).
- Barossa Creative Industry Centre preliminary works and ongoing service provision needs ($100,000).
- Legal costs associated with a Supreme Court matter ($7,000).
- Restructure of Corporate Services and Business Innovation Directorate.
- Barossa Park – Lyndoch Recreation Park works.
- Neldner Street sealing.
- Cyber security investment needs estimated at $27K.
- Business continuity plan and disaster recovery planning updates estimated at $10,000.

- Barossa Creative Industries Centre estimated at 10% base increase due to passage of time for grant assessment and escalation of costs however later spending of those costs due to delays in the grant assessment and funding agreement.

2023-2024 financial estimates and known results to date (at mid August 2024):

- Operating position is forecast at this time, pending still significant end of year work to be undertaken at $1.981M better than budget, subject especially to depreciation, however depreciation outcome will not affect the ending cash balance and borrowings.
- Cash balance at 30 June 2024 $2.825M better than originally budgeted.
- Borrowings at 30 June 2024 $8.658M better than originally budgeted (noting $6.3M was carried forward in capital expenditure so net borrowings can be considered in the order of $2.358M better than budgeted).

What does this translate to in terms of key indicators:

- Operating position of Council resulted in more available cash and less borrowings at 30 June 2024.
- This impacts the overall borrowings required in the LTFP as it reduces the interest bill.
- The net financial liabilities with the above actual and anticipated budget changes reduces significantly by 4.8% down to 88.8%.
- Net borrowings reducing by $2.006M based on a performance outcome for capital of 92% spend of budget, we normally perform around the 80%-85%.

Further, with Council borrowing program significant work has been undertaken to manage cash flows weekly and ensure they are managed to minimise interest exposures. To date this strategy, and an early payment of $2.059M on 1 July of Financial Assistance Grants, has resulted in anticipated interest savings for 2024-25 against the budget of $138K.

The LTFP is showing all indicators being within set and legislative standards for the 2023-24, 2024-25 and the whole of the plan and overall, the financial position and sound health of the organisations finances based on current service levels and Council policy positions.

Summary and Conclusion
A further review and update of the LTFP has been undertaken to reflect material updates and is presented for the Committees review.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1 Long Term Financial Plan Update - September 2024
Attachment 2 Long Term Financial Plan Update - August 2024

Supporting references
Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Corporate Plan

BS5 Enterprise Risk - Strategic and operational risk assessment, control and monitoring; internal control and audit; business continuity and disaster recovery planning; organisational emergency management; insurance portfolio management; and Work Health Safety system coordination

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

BS7 Governance - Provision of governance advice and support in the discharge of legislative responsibilities for policy development, delegations and authorisations, internal review of Council decisions, delegations and authorisations, Native Title claims

BS13 Strategic/Legislative Planning and Reporting - Provision of organisational performance report (outcomes), activity report (outputs), a range of statutory reporting (e.g. public health, tax, superannuation), financial reporting. Transparency and accountability regarding Council activity and expenditure provided

Legislative Requirements
Section 122 of the Local Government Act

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Outlined in the body of the report and attachments.

COMMUNITY ENGAGEMENT

Nil required or recommended, the LTFP has already been consulted upon.

4.3 QUARTER CREDIT CARD STATEMENT REVIEW
24/87254

MOVED Cr Angas

That the Audit and Risk Committee, having reviewed the statements, receive, and note the information.

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

PURPOSE

To review the credit card statements of the Mayor and CEO.

REPORT

As per the recommendation of the External Auditor the statements of the Mayor and CEO since 13 June 2024 to 18 September 2024 are attached and tabled for Audit and Risk Committee review. Any questions can be addressed at the meeting.

As with any expenditure it is incurred with procurement policy and aligned to approved budgets and is no different to purchasing goods and services through other means which is reviewed by the auditors through their testing processes.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1 Credit Card Summary

Supporting references
Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Corporate Plan
BS7 Governance - Provision of governance advice and support in the discharge of legislative responsibilities for policy development, delegations and authorisations, internal review of Council decisions, delegations and authorisations, Native Title claims

Legislative Requirements
Nil

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Nil

COMMUNITY ENGAGEMENT

Nil

4.4 ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE
24/87797

MOVED Cr Angas

That Audit and Risk Committee endorse the Annual Report of the Audit and Risk Committee for inclusion in Council's Annual Report.

SECONDED Ms Ewing **CARRIED AC 2022-26/27**

PURPOSE

The Annual Report for the Audit and Risk Committee is to be endorsed for inclusion in Council's Annual Report.

REPORT

Background
Pursuant to 126(9) of the Local Government Act, Council must ensure that the annual report of it's Audit and Risk Committee is included in its Annual Report.

Discussion
The Annual Report of the Audit and Risk Committee for financial year 2023-24 is included as Attachment 1.

Summary and Conclusion
Following the Committees endorsement, the report will be incorporated into Council's Annual Report.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1 Audit and Risk Committee - Annual Report 2023-2024

Supporting references
Audit and Risk Committee Terms of Reference

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Corporate Plan
BS7 Governance - Provision of governance advice and support in the discharge of legislative responsibilities for policy development, delegations and authorisations, internal review of Council decisions, delegations and authorisations, Native Title claims

Legislative Requirements
Local Government Act 1999

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Nil

COMMUNITY ENGAGEMENT

Nil

5. CONFIDENTIAL AGENDA

Nil

6. URGENT OTHER BUSINESS

Nil

7. NEXT MEETING

Thursday 7 November 2024 at 3:30pm

8. CLOSURE

Mr Brass declared the meeting closed at 4:06.

Confirmed at Audit and Risk Committee Meeting on 7 November 2024

Date:…………………………… Chairperson…………………………….

Responses to 2023-24 interim management letter

2.1.1 Instance of exemption from procurement policy not being properly executed

Recommendations:

Council introduces the use of secure digital signatures for the approval of waiver forms (and other digital forms as appropriate).

Where waivers are used, ensure the nature of the waiver is consistent with the requirements of the procurement policy.

Barossa Council's response:

We accept this audit finding and agree that it was human error that the waiver referred to waiving the requirement for three quotes when it should have referred to waiving the requirement for open tender, given the value of the purchase. We are satisfied that a waiver was appropriate in this instance given there was only one supplier available to supply the materials required.

We agree that it would be better practice for any word documents containing electronic signatures to be converted to a PDF document after the electronic signature has been attached. An email will be sent to all staff reminding them of the correct process to follow if using electronic signatures for approvals.

Responsible Manager: Naomi Minett, Manager Corporate Services

Responsible member of ELT: Jo Moen, Director Corporate Services and Business Improvement

Date for completion: 31 December 2024

2.2.1 Council's Infrastructure Asset Management Plan does not include sufficient renewal plans

Recommendations:

Council prioritises the development of a robust 10-year renewal plan for inclusion in the revised IAMP (currently planned for approval in September 2024). This renewal plan is used as the basis of the IAMP, Annual Business Plan and Long-Term Financial Plan (LTFP) to ensure consistency between key strategic documents.

Barossa Council's response:

This has been achieved with the updating of the asset system, alignment of new modelling and condition assessment along with valuation reviews being back on track, and will be fully aligned and assessed as part of the current strategic review of the asset system. The 2024-25 LTFP now fully aligns to the current IAMP, and capability within the new asset system will enable ongoing annual alignment between the IAMP modelling and the LTFP. There are no further actions required in addition to those currently achieved and embedded in the annual review and budgeting processes.

Responsible Manager: Ben Clark, Director Infrastructure and Environmental Services

Responsible member of ELT: Ben Clark, Director Infrastructure and Environmental Services

Reference: TRIM

Date for completion: **N/A – already completed**

2.3.1 A list of IT users with access to key finance modules in CiA is not reviewed by Finance Management

Recommendations:

IT continue to follow up with CiA to develop a solution allowing the export of a list of users with roles and access rights to key finance modules.

A periodic review is performed by Finance Management to ensure adequate segregation of duties in the finance system. Key areas of access that should be considered in this review include:

- Administrator access
- Banking
- General ledger
- Payroll
- Accounts payable
- Accounts receivable
- Rates
- Receipting.

Barossa Council's response:

We accept this audit finding and agree that a periodic review of user access in the CiA system should be performed to ensure users continue to have appropriate access in the system (including the financial delegations set up in the system) and incompatible duties are segregated. We will continue to follow-up with CiA to obtain a listing of all users with roles and access rights to the CiA system, and will perform a review annually once this information has been obtained. A user access review policy will be developed by ET&I to govern this process.

There are also other controls not contemplated that have a real effect on controlling the risks identified, such as financial delegations, human resource and IT policies, induction processes, monthly and quarterly reporting processes, and other manual controls like payroll checking, along with normal accounting reconciliations that oversee the use and input of information, which should also be taken into account.

Responsible Manager: **Wayne Simes, Manager Enterprise Technology & Innovation with assistance from Kelly Wilksch, Manager Financial Services for performing the review.**

Responsible member of ELT: **Jo Moen, Director Corporate Services and Business Improvement.**

Date for completion: **31 March 2025**

2.3.2 Some key IT policies/procedures are not up-to-date

Recommendations:

The IT Disaster Recovery Plan and Back-up Policy are updated and formally reviewed.

Barossa Council's response:

We accept this audit finding. The Council's IT Disaster Recovery Plan and Back-Up Policy will be reviewed and updated if required. The Council's Business Continuity Plan, IT Security Policy Manual and End User Security Policy will also be reviewed by the new Manager Enterprise Technology & Innovation to ensure the information remains up-to-date and reflects current practice.

Responsible Manager: Wayne Simes, Manager Enterprise Technology & Innovation

Responsible member of ELT: Jo Moen, Director Corporate Services and Business Improvement

Date for completion: 31 March 2025

2.3.3 No documented policy/procedure in place for approval of manual journals

Develop a journal policy/procedure requiring that journals are independently reviewed and approved, and providing guidance as to the appropriate approver (eg. that journals must be approved by persons with equal or higher levels of authority).

Barossa Council's response:

We accept this audit finding and will develop a manual journal approval policy outlining who in the Finance team can approve the posting of manual journals.

Responsible Manager: Kelly Wilksch, Manager Financial Services

Responsible member of ELT: Jo Moen, Director Corporate Services and Business Improvement

Date for completion: 31 December 2024

2.4.1 Accounts Payable staff are not following up with changes in the supplier master file via phone call

Recommendations:

Suppliers are contacted via phone to confirm that any changes to the supplier's details are correct prior to changes being approved and updated in the supplier Masterfile.

Barossa Council's response:

We accept this audit finding. This is currently occurring on an ad hoc basis, however going forward we will call all suppliers using the phone number on file to confirm that any changes to the supplier masterfile are correct. The Council's Purchasing Process will be updated to reflect this.

Responsible Manager: Kelly Wilksch, Manager Financial Services

Responsible member of ELT: Jo Moen, Director Corporate Services and Business Improvement

Date for completion: 31 December 2024

2.5.1 No formal review of Pathway system access and excessive administrator users

Recommendations:

A formal annual review of Pathway access rights is introduced.

Responsibility for this review is assigned to an appropriate user group/s (eg. property and rating and debtors/receipting departments).

As part of the review process, the number of administrator users is reviewed with a view to minimising the number of administrators based on need.

Barossa Council's response:

We accept this audit finding and will formally review user access to Pathway annually. As part of this we will review users with administrator access and will delete this access if not required for their role at the Council. As identified in our response to 2.3.1, a user access review policy will be developed by ET&I to govern this process.

Responsible Manager: Wayne Simes, Manager Enterprise Technology & Innovation with assistance from Kelly Wilksch, Manager Financial Services and Wayne Hampel, Manager Customer Experience for performing the review.

Responsible member of ELT: Jo Moen, Director Corporate Services and Business Improvement

Date for completion: 31 March 2025

2.7.1 Delays in matching a large volume of miscellaneous reconciling items

Recommendations:

Ensure that reconciling items in the bank reconciliation are matched by the end of the financial year.

Allocate resources to the month end bank reconciliation process to ensure that this reconciliation is prioritised and completed each month, including matching of all reconciling items.

Barossa Council's response:

We accept this audit finding. This issue came about due to resourcing issues in the Finance team during 2023-24. Reconciling items in the bank reconciliation have now been resolved as at 30 June 2024.

A monthly sign-off process is in place to ensure all key reconciliations are performed each month and this will be reviewed by the Manager Financial Services at the end of each month to ensure all key reconciliations have been performed, supporting information attached, and independently reviewed.

Responsible Manager: Kelly Wilksch, Manager Financial Services

Responsible member of ELT: Jo Moen, Director Corporate Services and Business Improvement

Date for completion: 30 September 2024

2.7.2 'Authorised Financial Signatories Register' not updated to reflect staffing changes

Recommendations:

Update the 'Register of Authorised Financial Signatories' to remove staff no longer employed by Council. In addition to the scheduled annual review of the register, implement a process to ensure updates are made when staffing changes occur.

Barossa Council's response:

We accept this audit finding and agree that the Register of Authorised Financial Signatories is required to be updated to reflect current staffing in the Finance team.

Responsible Manager: Kelly Wilksch, Manager Financial Services

Responsible member of ELT: Jo Moen, Director Corporate Services and Business Improvement.

Date for completion: 31 December 2024