TheBarossaCouncil

MINUTES OF THE MEETING OF AN SPECIAL AUDIT AND RISK COMMITTEE

held on Monday 25 November 2024 commencing at 5.00pm
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 5.03pm.

1. ATTENDANCE RECORD

1.1 Members Present

Mr Peter Brass, Ms Ellen Ewing, Mr Ian Swan, and Cr John Angas

Apologies

Cr Heidi Thompson

Not Present

Nil

Leave of Absence

Nil

2. DEBATE REPORT

2.1 2023-24 ANNUAL FINANCIAL STATEMENTS - THE BAROSSA COUNCIL
24/109496

MOVED Ms Ewing

That the Audit and Risk Committee:

(1) Receives and notes the Draft Audit Report for the Barossa Council from Council's external auditor Mr Tim Muhlhausler of Galpins Accountants, Auditors and Business Consultants for the year ended 30 June 2024.

(2) Receives and notes the Management Representation Letter, which was provided to Mr Tim Muhlhausler of Galpins Accountants, Auditors and Business Consultants for the year ended 30 June 2024.

(3) Notes the Draft Audit Certificate of Audit Independence as part of the 2023-24 Annual Financial Statements which will be provided by Mr Tim Muhlhausler of Galpins Accountants, Auditors and Business Consultants.

(4) Having reviewed the Barossa Council 2023-24 Annual Financial Statements for the year ended 30 June 2024 consider the statements present fairly the state of affairs of the Barossa Council.

(5) Notes the analysis contained within this report comparing the audited 2023-24 Financial Statements with the 2023-24 original adopted budget and the audited 2022-23 Financial Statements.

(6) Receives and, including as necessary any further minor and non-material adjustments, endorses for adoption by Council the Barossa Council 2023-24 Annual Financial Statements for the year ended 30 June 2024

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

SECONDED Mr Swan **CARRIED AC 2022-26/28**

PURPOSE

The purpose of this report is to present the Annual Financial Statements for the 2023-24 financial year for the Barossa Council for review and endorsement for Council adoption.

REPORT

Background

The 2023-24 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

Key results of the Barossa Council 2023-24 Annual Financial Statements include:

- 2023-24 operating deficit of $1.139 million compared to $0.949 million operating surplus for 2022-23.
- 2023-24 adjusted and true underlying operating surplus (adjusting for the advanced payment of 2023-24 financial) assistance grants of $2.086M paid in he 2022-23 financial year of $0.947M and for comparison the adjusted and true underlying operating surplus for 2022-23 was $0.247M).
- 2023-24 net surplus after capital adjustments of $1.535 million (2022-23 $8.403 million net surplus).
- 2023-24 total comprehensive income after changes in revaluation surplus and share of other comprehensive income of equity accounted council businesses of $4.306 million surplus (2022-23 $3.685 million surplus).
- Net assets increased to $407.809 million as at 30 June 2024 from $403.503 million as at 30 June 2023.
- Cash and cash equivalents at 30 June 2024 were $3.153 million (2023 $4.618 million).
- Total borrowings have increased by $6.471 million from $8.958 million to $15.429 million at 30 June 2024.
- There was a $469,000 increase to the revaluation surplus for infrastructure, property, plant and equipment recognised in 2023-24 in addition to $2.302 million recognised for the Barossa Council's share of other comprehensive income of equity accounted council businesses.
- Future commitments for capital expenditure are recorded at Note 14 of the Annual Financial Statements and totalled $10.860 million.

Discussion

The tables below compare the 2023-24 audited financial result to both the 2023-24 adopted original budget and the 2022-23 audited financial result.

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

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

2024/27

Table 1: Statement of Comprehensive Income	2023/24 Actual $'000	2023/24 Budget $'000	Variance to Budget $'000	Variance to Budget %	Notes	2022/23 Actual $'000	Variance to actual $'000	Variance to actual %	Notes
Income									
Rates	37,956	37,892	64	0%		35800	2,156	6%	A1
Statutory charges	830	828	2	0%		803	27	3%	
User charges	3,827	3,927	-100	-3%		3601	226	6%	A2
Grants, subsidies and contributions - operating	1,903	1,471	432	29%	B1	4311	- 2,408	-56%	A3
Investment income	217	152	65	43%		415	- 198	-48%	A4
Reimbursements	63	62	1	2%		9	54	600%	
Other income	1,243	772	471	61%	B2	806	437	54%	A5
Total income	46,039	45,014	1,025	2%		45745	294	1%	
Expenses									
Employee costs	17,817	17,478	339	2%		15897	1,920	12%	A6
Materials, contracts and other expenses	17,533	18,426	-893	-5%	B3	17887	- 354	-2%	
Depreciation, amortisation and impairment	11,010	10,170	840	8%	B4	10553	457	4%	
Finance costs	771	1,285	-514	-40%	B5	441	330	75%	A7
Net loss - equity accounted council businesses	47	0	47	-		18	29	161%	
Total expenses	47,178	47,359	-181	0%		44796	2,382	5%	
Operating surplus / (deficit)	-1,139	-2,345	1,206	-51%		949	- 2,088	-220%	
Physical resources received free of charge	2,832	0	2,832	-	B6	3131	- 299	-10%	A8
Asset disposal and fair value adjustments	-2,497	-854	-1,643	192%		-1097	- 1,400	128%	A9
Amounts received specifically for new or upgraded assets	2,339	2,838	-499	-18%		5420	- 3,081	-57%	A10
Net surplus / (deficit)	1,535	-361	1,896	-525%		8403	- 6,868	-82%	
Other comprehensive income									
Increase/(decrease) in asset revaluation surplus	469	0	469	-		-4714	5,183	-110%	A11
Share of other comprehensive income - equity accounted council businesses	2,302	0	2,302	-		0	2,302	-	A12
Inmpairment Expense	0	0	0	-		-4	4	-100%	
Total Other Comprehensive Income	2,771	0	2,771	-		-4718	7,489	-159%	
Total Comprehensive Income	4,306	-361	4,667	-1293%		3685	621	17%	

Where the variation is greater than +/- 5% and +/- $100,000, a comment is provided below.

Notes	Explanation
B1	95% of Financial Assistance Grant for 2023-24 was received in June 2023, actual amount received in 2023-24 was higher than initial budget. Also received unbudgeted Bushgardens grant.
B2	Variance primarily relates to unbudgeted contributions received from other councils for project work and unbudgeted amounts received from insurance, eg. income protection and workers compensation
B3	Variance is primarily due to lower than anticipated spend in contractors and consultants ($963,000 favourable), slightly offset by higher than budgeted energy and water costs ($198,000 unfavourable).
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 in 2022-23 with the impact only being know after 2023-24 original budget was set.
B5	Borrowing costs lower than original budget due to lower capital spend throughout the year.
B6	Physical resources received free of charge are not budgeted for and amount to assets transferred at land division.
A1	The increase is represented by: · A general rate increase of 3.28% · A budgeted growth in rateable properties of 0.91% · Waste, recycling and green organics collection service charge increase of 2.5% · CWMS service charge increase of 7.3%.
A2	Nuriootpa Centennial Park site activity growth on 2022-23 resulting in additional income for cabins and site fees. Also increase in sale of CWMS reuse water.
A3	2023-24 Financial Assistance Grant and Local Roads grant paid in 2022-23.

A4 Reduced interest received from investing activities due to less cash available for investing with increased capital spend.

A5 Largely due to a $307,000 increase in contributions and a $92,000 increase in insurance and other recoveries.

A6 Due to overall salary and superannuation rate increases in enterprise agreements and superannuation law changes, insourcing of works and approved organisational growth.

A7 The variance is primarily due to the following: increased average interest through the year on variable borrowings as well as increased borrowing (CAD Facility) to fund capital projects.

A8 The variance is predominately due to less transport assets received from development this year compared to last year.

A9 Increased disposals for replaced assets in major projects for 2023-24, the asset class breakdown is as follows: Bridges $98,000, Buildings $945,000, CWMS $95,000, Land $255,000, Plant $126,000, Recreation Infrastructure $462,000 and Transport Infrastructure $723,000.

A10 Variance is primarily due to a number of grants for projects received in 2022-23 and not received in 2023-24 including: Local roads and community infrastructure program, Barossa rugby precinct and Tanunda Recreation Park.

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 only land being revalued in 2023-24.

A12 Move in Gawler River Floodplain Management Authority revaluation surplus resulting in an increase in equity share.

Table 2: Statement of Financial Position	2023/24 Actual $'000	2023/24 Budget $'000	Variance to Budget $'000	Variance to Budget %	Notes	2022/23 Actual $'000	Variance to actual $'000	Variance to actual %	
ASSETS									
Current assets									
Cash and cash equivalent assets	3,153	902	2,251	250%	B1	4618	- 1,465	-32%	A1
Trade and other receivables	3,248	2703	545	20%	B2	2946	302	10%	A2
Inventories	123	391	- 268	-69%	B3	245	- 122	-50%	A3
Total current assets	6,524	3996	2,528	63%		7809	- 1,285	-16%	
Non-current assets									
Trade and other receivables	1,228	1212	16	1%		1312	- 84	-6%	
Equity accounted investments in council	4,518	2281	2,237	98%	B4	2263	2,255	100%	A4
Other non-current assets	5,724	0	5,724	-	B5	15893	- 10,169	-64%	A5
Infrastructure, property, plant and equipr	414,613	439067	- 24,454	-6%	B6	394340	20,273	5%	A6
Total non-current assets	426,083	442560	- 16,477	-4%		413808	12,275	3%	
TOTAL ASSETS		446556				421617			
LIABILITIES									
Current liabilities									
Trade and other payables	5,355	5429	- 74	-1%		5116	239	5%	
Borrowings	3,558	22644	- 19,086	-84%	B7	1945	1,613	83%	A7
Provisions	3,292	3035	257	8%	B8	3358	- 66	-2%	A8
Total current liabilities	12,205	31108	- 18,903	-61%		10419	1,786	17%	
Non-current liabilities									
Borrowings	11,871	2380	9,491	399%	B7	7013	4,858	69%	A7
Provisions	722	1073	- 351	-33%	B8	682	40	6%	A8
Total non-current liabilities	12,593	3453	9,140	265%		7695	4,898	64%	
TOTAL LIABILITIES	24,798	34561	- 9,763	-28%		18114	6,684	37%	
Net assets	407809	411995	- 4,186	-1%		403503			
EQUITY									
Accumulated surplus	106561	105899	662	1%		105026	1,535	1%	
Asset revaluation reserve	285676	293089	- 7,413	-3%		282905	2,771	1%	
Other reserves	15572	13007	2,565	20%	B9	15572	-	0%	
Total equity	407809	411995				403503			

Where the variation is greater than +/- 5% and +/- $100,000, a comment is provided below.

Notes	Explanation
B1	The budget assumed greater cash outflows for investing activities and upgraded assets.
B2	Due to budget assumptions associated with repayments of loans to community and level of predicted rates debtors.
B3	Inventories lower due to no rubble crush in 2023-24, rubble inventory was reduced to a very minor amount as at end of June 2024.
B4	Move in Gawler River Floodplain Management Authority revaluation surplus resulting in an increase in equity share.
B5	No budget allocated for Works in Progress (WIP).
B6	Approximately $11 million carried forward to 2023-24. The budget assumed $27.1 million expenditure on new and upgraded assets whereby actuals were $13.6 million.
B7	Lower than anticipated borrowings in 2023-24 due to timing of capital expenditure on major projects being later than budgeted. Borrowing to occur in 2024-25.
B8	Overall provision variance is within tolerance this is purely a difference in current vs non-current.
B9	Budget included a decrease in CWMS reserves due to high capital spend however actual capital spend was lower than anticipated with a portion being carried forward to 2024-25.
A1	Reduced cash year on year with lower investment balance and increased borrowing CAD facilities due to nature of current capital project work.

A2	The variance is predominately due to the outstanding rates balance which has increased ($350,000 higher as at 30 June 2024).
A3	Inventories lower due to no rubble crush in 2023-24, rubble inventory was reduced to a very minor amount as at end of June 2024
A4	Move in Gawler River Floodplain Management Authority revaluation surplus resulting in an increase in equity share.
A5	The variance is mainly due to the following: major projects sitting as WIP at the end of 2022-23 including: Mt Pleasant Caravan Park $2.1 million, Barossa Rugby $1.5 million, Tanunda Recreation Park $6.6 million and Moculta Road $2.1 million. Most of these were completed in 2023-24. The majority of WIP in 2023-24 relates to: Nuriootpa Soccer $2 million, Lyndoch Recreation Park $0.8 million and Creative Industries $0.4 million.
A6	The following significant movements in infrastructure, property, plant and equipment occurred during 2023-24: additions related to renew/replaced assets $9.9 million, capital additions related to found/gifted/new assets $23.6 million, depreciation $11 million, and disposals $2.8 million.
A7	Overall current and non-current borrowings have increased in order to fund major capital projects, this is primarily an increase in cash advance borrowing.
A8	Overall provision variance is within tolerance this is purely a difference in current vs non-current split.

Table 3: Financial Indicators	**Notes**	**2023-24 Actual**	**2023/24 Budget**	**2022-23 Actual**	**Adopted Target**
Operating Surplus Ratio	1	(2.5%)	(5.2%)	2.1%	(2%) – 10%
Adjusted Operating Surplus Ratio	1a	2.0%	(5.2%)	0.5%	(2%) – 10%
Net Financial Liabilities Ratio	2	37%	66.1%	20%	0% - 100%
Adjusted Net Financial Liabilities Ratio	2a	36%	66.1%	25%	0% - 100%
Asset Renewal Funding Ratio	3	123%	116.8%	113%	80% - 110%

Notes	**Explanation**
1	Operating Surplus Ratio outside of the adopted target range but exceeded budget expectations.
1a	True and underlying operating surplus ratio meets performance target.
2	Net Financial Liabilities Ratio exceeded budget expectations due to less than budgeted borrowings and meets performance target.
2a	True and underlying net financial liabilities ratio meets target.
3	Asset Renewal Funding Ratio is higher than budgeted and outside of the adopted target range due to additional spending on asset renewals.

Asset Revaluations

Land assets classified as level 3 in the fair value hierarchy were revalued in 2023-24 based on a desktop valuation using values supplied by the Valuer-General as at 1 July 2023. Table 4 below explains the revaluation movements as reported in note 9(a).

Table 4 – Asset Revaluations

Asset Class	**Increment/ (Decrement)**	**Explanation**

	$'000	
Land (community)	$37,000	Revalued based on values supplied by the Valuer-General as at 1 July 2023. Revaluation increments totalled $1.144 million, and revaluation decrements totalled $1.107 million resulting in an overall net revaluation increment to the asset revaluation reserve of $37,000.

Other adjustments were made to the asset revaluation reserve for assets that were 'found' during the year. These adjustments totalled $432,000.

A $2.302 million increment to the asset revaluation reserve was also recognised for the Council's 10.61% interest in the other comprehensive income of the Gawler River Floodplain Management Authority.

Management Representation Letter

A copy of the management representation letter for the year ended 30 June 2024, which has been provided to Galpins Accountants, Auditors and Business Consultants, has also been attached for your information and noting.

Summary and Conclusion

The 2023-24 Annual Financial Statements of the Barossa Council are presented for review.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1	Draft 2023-24 Annual Financial Statements (Audit Clearance Version to Audit and Risk Committee) - Barossa Council
Attachment 2	Galpins Draft Audit Report on Financial Statements - Barossa Council
Attachment 3	2023-24 Management Representation Letter to Galpins - Barossa Council

Supporting references

Nil.

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

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 2024 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.

2.2 2023-24 ANNUAL FINANCIAL STATEMENTS - NURIOOTPA CENTENNIAL PARK AUTHORITY
24/109497

The CEO outlined that the change to land valuations is suspected to be related to the prior residential land purchased for the soccer development moving from residential valued land to community land and that would be confirmed post meeting and inserted in the minutes. The CEO has confirmed this is the cause of the major variation related to the valuation decrease to land.

MOVED Cr Angas

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 2024.

(2) Receives and notes the Management Representation Letter, which was provided to Mr Tim Muhlhausler of Galpins Accountants, Auditors and Business Consultants for the year ended 30 June 2024.

(3) Notes the draft Certificate of Audit Independence attached as part of the 2023-24 Annual Financial Statements which will be signed by Mr Tim Muhlhausler of Galpins Accountants, Auditors and Business Consultants.

(4) Having reviewed the Nuriootpa Centennial Park Authority 2023-24 Annual Financial Statements for the year ended 30 June 2024, consider the statements present fairly the state of affairs of the Nuriootpa Centennial Park Authority.

(5) 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 2022-26/29**

PURPOSE

The purpose of this report is to present the Annual Financial Statements for the 2023-24 financial year for the Nuriootpa Centennial Park Authority for review and endorsement for Council adoption.

REPORT

Background

The 2023-24 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 2023-24 Annual Financial Statements was undertaken by Galpins Accountants, Auditors and Business Consultants. They have provided clearance on the financial statements and have provided their draft report.

Key results of the Nuriootpa Centennial Park Authority 2023-24 Annual Financial Statements include:

- 2023-24 operating deficit of $38,330 compared to $16,420 surplus for 2022-23.
- 2023-24 net deficit after capital adjustments of $60,108 (2022-23 $2,624,351 surplus).
- Net assets decreased to $13.087 million as at 30 June 2024 from $14.461 million as at 30 June 2023.
- Cash and cash equivalents at 30 June 2024 totalled $318,674 (2023 $404,706).
- Total borrowings (including lease liabilities) have decreased by $232,706 from $856,994 to $624,288 at 30 June 2024.

Discussion

Total income increased by $175,495 or 6.65% for 2023-24. This is predominately due to increased site activity resulting in a $134,847 increase in cabin fees and an $18,764 increase in site fees.

Total expenditure increased by $230,245 or 9.61% for 2023-24. This is due to the following:

- A $170,863 increase in employee costs associated with general increases
- A $42,407 increase in depreciation costs associated with $2.918 million in new and upgraded assets acquired during 2022-23 and $64,081 in new and upgraded assets acquired during 2023-24.

Physical resources received free of charge decreased significantly in 2023-24 from $2.612 million in 2022-23 to $2,122 in 2023-24. In 2022-23 the Nuriootpa Centennial Park Authority received significant 'gifted' assets from the Barossa Council as a result of capital works completed under The Big Project.

Land assets categorised as level 3 in the fair value hierarchy under *AASB 13 Fair Value Measurement* were revalued as at 1 July 2023 using values provided by the Valuer-General. This resulted in a $1.318 million decrease in the value of the Nuriootpa Centennial Park Authority's community land.

Net assets decreased to $13.087 million as at 30 June 2024 from $14.461 million as at 30 June 2023, a decrease of $1.374 million. This is due to:

- A $1.702 million decrease in infrastructure, property, plant and equipment assets largely due to the $1.318 million revaluation decrement to community land and $552,214 in depreciation expenses, offset by $188,376 in additions throughout the year.
- A $185,716 increase in capital works in progress largely relating to the Barossa soccer precinct.
- A decrease to total liabilities of $229,257 from $14.461 million to $13.087 million. This is due to a $232,706 decrease in borrowings (including lease liabilities) from $856,994 to $624,288 at 30 June 2024 largely resulting from $226,820 in loan repayments being made throughout the year.

A copy of the Management Representation Letter for the year ended 30 June 2024, which has been provided to Galpins Accountants, Auditors and Business Consultants, has also been attached for your information and noting.

Summary and Conclusion

The 2023-24 Annual Financial Statements for the Nuriootpa Centennial Park Authority are presented for review.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1	Draft 2023-24 Financial Statements (Audit Clearance Version from Galpins) - Nuriootpa Centennial Park Authority
Attachment 2	2023-24 Galpins Draft Audit Report on Financial Statements - Nuriootpa Centennial Park Authority (NCPA)
Attachment 3	2023-24 Management Representation Letter to Galpins - Nuriootpa Centennial Park Authority (NCPA)

Supporting references

Nil.

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

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 2024 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.

3. URGENT OTHER BUSINESS

4. NEXT MEETING

30 January 2025

5. CLOSURE

Mr Brass declared the meeting closed at 5:41pm.

Confirmed at Audit and Risk Committee Meeting on 30 January 2025

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