

MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON MONDAY 27 SEPTEMBER 2021 AT 11.02 AM IN THE COUNCIL CHAMBER

PRESENT: Mr A Rushbrook (*Chair*), Mayor C McLaughlin, Crs S Stuppos, and Mr P Klobucar

GUEST: Auditor (*Samantha Creten*)

OBSERVERS: Chief Executive Officer (*Mr J Commons*) via TEAMS
Director Corporate Services (*Ms K Jarrett*)
Director Infrastructure (*Mr Kristen Clark*)
Manager Finance (*Mr G Jennings*)
Finance Co-ordinator (*Mrs S Vigar*)

1. Acknowledgement

2. Attendance Record

Apologies – Nil

Leave of Absence – Nil

3. Declaration of Members' Conflict of Interests – Nil

4. Minutes of Previous Meeting

4.1 Confirmation of the Minutes of the previous Audit Committee Meeting held on Monday 19 July 2021

Moved Mr Klobucar, seconded Cr Stuppos

AC317-2021

That the Minutes of the previous Audit Committee Meeting held on Monday 19 July 2021, as per copies supplied to Members, be adopted as a true and correct record to that meeting.

Carried

4.2 Business Arising

Discussion

Discussion was held on various items of business arising with the following being noted:

- A new meeting schedule for next year is to be advised
- Resignation of Cr Irene Adair from the Audit Committee was noted due to her resignation as an elected member from the Council, with appointment of a new Audit Committee member to be decided at the next meeting of Council

5. Deputations/Presentations – Nil

6. Reports – Council Officers

The Chair sought leave of the meeting to change the order of items on the Agenda. Leave of the meeting was granted, to move forward the following Agenda items for discussion with Council's external auditors:

*Item 6.1.3 2020/21 Draft Financial Statements; and
Item 6.1.4 2020/21 Financial Results*

6.1 Corporate Services– Ordinary Reports

6.1.3 2020/21 Draft Financial Statements

Manager Finance provided a summary of the report. A number of one-off factors affected the financial results including:

- an airport loss of approximately \$600,000;
- Covid relief provided to ratepayers;
- funding of approximately \$900,000 received under the Local Roads and Community Infrastructure program being classified as operating; and
- the initial revaluation of irrigation assets resulted in a large impairment.

Discussion was held on the valuation of land held for sale, with the Audit Committee seeking assurance that this was realistic and also noted that the asset had moved from non-current to current.

Ms Creten, through the Chair, outlined that land held for sale should be treated as inventory. The land included in the statements is based on cost and when compared to historic selling cost and valuations in Whyalla, are held at a reasonable selling amount.

Mr Commons provided that the current proposed development at Port Bonython is expected to enhance future sales adjacent the development.

Ms Creten further provided the staff had put together financial statements on a timely basis.

The Chair stated he found the Audit Completion Report very helpful.

Mayor McLaughlin congratulated the staff on their work. The Manager Finance acknowledged the Finance Coordinator for pulling the reports together and answering the queries from the auditors.

Moved Mayor McLaughlin, seconded Cr Stuppos

AC320-2021

The Audit Committee:

1. in accordance with Section 126(4) of the Local Government Act 1999, advise that it has reviewed the draft Annual Financial Statements of the Council for the financial year ended 30 June 2021 and is satisfied that they present fairly the state of affairs of Council; and
2. advise Councils' Auditor that it has reviewed the Annual Financial Statements of the Council for the financial year ended 30 June 2021 and is satisfied that they present fairly the state of affairs of Council.
3. the Audit Committee note the Audit Completion Report from Dean Newbery & Partners for

the financial year ended 30 June 2021.

Carried

The Chair asked the Observers to leave the Audit Committee Meeting for the Audit Committee members to speak confidentially to the Auditor.

The Observers vacated the meeting at 11.18am.

The Observers returned at 11.26am. (Ms Creten left the meeting).

The Chair provided, there were no areas of concern that Ms Creten felt she needed to bring the Committees' attention. She acknowledged the continued improvements in Internal Controls and the receptiveness of staff to embrace change. Council's system of Internal Control is good. Council has good financial oversight through its systems and regular reporting.

The Committee discussed with Ms Creten Council's borrowings and she stressed the importance of the Long Term Financial Plan in assessing financial sustainability.

6.1.4 2020/21 Financial Results

Manager Finance outlined that the major impact on actual results compared to original budget was due to depreciation and impairment, most of which is one-off.

The Chair enquired about Council's underlying financial position, with administration outlining that the budgeted position for 2021/22 is much more representative.

The Chair enquired what impact the recently signed contract for security screening will have on Council's finances. It was outlined that this service is currently 100% funded by the Federal Government and that Council is advocating for this to continue. If this is not achieved the service will need to be ceased. The current funding does not cover depreciation and there may be a slight loss. All indicators are the Federal Government will provide funding for the security screening component.

The Chair stated it was a really useful report.

Moved Mr Klobucar, seconded Mayor McLaughlin

AC321-2021

The Audit Committee recommends the financial results compared with the estimated financial result of Council for the financial year ending 30 June 2021, be presented to Council.

Carried

6.1.1 2021/22 Budget Review Quarter 1 incorporating Financial Results

Manager Finance outlined that the majority of adjustments for the budget review resulted from the retiming of operating and capital expenditure, along with capital income from 2020/21 to 2021/22. The Local Roads and Community Infrastructure funding is still classified as capital income and will be moved during the Quarter 2 Budget Review once updated timing is known.

An adjustment to airport income and expenditure projections reflecting the tendered value of passenger screening services was noted. The service is federal government funded for the 2021/22 financial year, excluding the depreciation of the screening equipment.

There was a discussion regarding recommendation 2 and the need to update the Annual Business Plan, the Committee accepted the recommendation.

Moved Cr Stuppos, seconded Mayor McLaughlin

AC318-2021

The Audit Committee:

1. recommend the Budget Review incorporating the Financial Results 2020-21, identifying an adjusted operating deficit of \$1,513,000 and an estimated cash position at end of reporting period of \$198,000, be submitted to Council for adoption; and
2. recommend that the 2021-22 Annual Business Plan and Budget and Long Term Financial Plan be amended to reflect the variances.

Carried

6.1.2 *2020/21 Investment and Loan Performance*

Manager Finance discussed loan balances and the reasons for borrowings being outside the Treasury Management Policy at the end of financial year. A \$2 million road re-sealing project occurred in the last two weeks of financial year. Payment for this project, along with other 2020/21 expenditure was made in July 2021.

Moved Cr Stuppos, seconded Mayor McLaughlin

AC319-2021

The Audit Committee note:

1. The Investment and Loan Performance Report for 2020-21.
2. The reasons for fixed borrowings being outside the treasury management policy target at the end of the financial year.

Carried

6.1.3 *2020/21 Draft Financial Statements – refer page 2*

6.1.4 *2020/21 Financial Results – refer page 3*

6.1.5 *Loan Facility*

The Committee noted Council currently holds a \$5 million facility with the Local Government Finance Authority (LGFA) which matures on 15 December 2021. The purpose for establishing this facility is to continue the current loan capacity. The funds will only be utilised when required for cash flow purposes.

Moved Cr Stuppos, seconded Mr Klobucar

AC322-2021

The Audit Committee recommend to Council:

1. to endorse the establishment of an \$5 million borrowing facility to replace CAD 136, to be utilised in line with approved budgets;
2. arrange this facility with the Local Government Finance Authority in the form of a Cash Advance Debenture with a term of 10 years; and
3. that the Mayor and Chief Executive Officer be authorised to sign and seal all necessary documents.

Carried

6.1.6 *Audit Committee Annual Report to Council*

Manager Finance provided the Report was similar to last year's annual report.

The Chair raised the Terms of Reference for the Audit Committee. The Director Corporate advised the Committee and Council need to ensure the Terms of Reference are consistent with the new legislation. The Chair stated the Terms of Reference should better describe what the role of the Audit Committee is and the training needs of the Committee.

A report will be presented to the October Council meeting outlining the resignation of Cr Adair and highlighting the vacancy to be filled on the Committee.

The Chair was of the opinion that the report to Council had improved in recent years and thanked staff for their assistance in putting it together.

It was agreed the Audit Committee would not undertake the self-assessments at this time.

Moved Cr Stuppos, seconded Mayor McLaughlin

AC323-2021

The Audit Committee:

1. Receive and note the "Audit Committee Annual Report to Council" report; and
2. Provides feedback on the outline and content to be included in the 2020/2021 Audit Committee Annual Report to Council provided at Appendix 1 to this report; and
3. Requests the Chair of the Audit Committee finalise the Annual Report on the Committee's

behalf based on the feedback received and when finalised refer the report '2020/2021 Audit Committee Annual Report' to Council at the 18 October 2021 Council meeting.

Carried

6.1.7 Quarterly Report – Procurement

The Chair stated he found the Report very helpful and was happy with the transparency it provided.

Moved Cr Stuppos, seconded Mr Klobucar

AC324-2021

The Audit Committee receive and note the Procurement Quarterly report.

Carried

7. Consideration of Confidential Items – Nil

8. Closure – 12.00 pm

9. Date of Next Meeting – To be advised – a schedule to be developed and provided