

**MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING  
HELD ON MONDAY 27 FEBRUARY AT 3.00pm**

**PRESENT:** Mr G Strawbridge(*Chair*), Ms P Christie, Mr L Kozlovic and  
Cr P Klobucar (electronically via Teams)

**OFFICERS IN ATTENDANCE:** Chief Executive Officer (*Mr J Commons*)  
Director Corporate Services (*Ms K Jarrett*)  
Director Infrastructure (*Mr K Clark*)  
Director City Growth (*Ms J Ballantine*)  
Manager Finance (*Mr G Jennings*)  
Finance Coordinator (*Mrs S Vigar*)  
Manager Governance (*Mrs I Adair*)  
Executive Coordinator – Corporate (*Ms L Symons*)

**GUESTS:** Ms K White and Ms J Vassallo – KAW Consulting (*via Teams*)

**ACKNOWLEDGEMENT**

The Chair acknowledged that the meeting was being held on Barngarla land and gave thanks for the use of this land.

**1. STANDING ITEMS**

**1.1 Welcome and Apologies**

Apologies – Nil  
Leave of Absence – Nil

**1.2 Declaration of Members' Conflict of Interests**

No conflicts of interest on any agenda item were declared by Committee Members.

Ms Christie advised the Committee of her role as Chair of two other audit committees being the Local Government Association of South Australia Audit and Risk Committee and the Electoral Commission of South Australia Audit and Performance Committee.

It was noted that these roles did not present a conflict of interest in any item on the agenda for the Committee's consideration.

**1.3 Committee Members and Auditors Discussion**

Nil

**1.4 Minutes of Previous Meeting – 4 October 2022**

The Director Corporate advised that ordinarily, minutes of previous Committee meetings would be presented to confirm they represent a true and correct record of proceedings but that on this occasion, given current Members were not present at the meeting, they are presented for noting only.

It was noted that the minutes of the previous Council's last Audit Committee meeting held on 4 October 2022 had been circulated to the previous Committee Members in October 2022, with no comments being made and the minutes had also been noted by Council at their October 2022 meeting.

**Moved Cr P Klobucar, Seconded Ms Pat Christie**

**AC4527-2023**

That the Audit and Risk Committee note the minutes of the previous Council's last Audit Committee Meeting held 4 October 2022.

**Carried**

**1.5 Business Arising from Previous Meetings**

The Director Corporate summarised business arising from previous meetings as well as actions outstanding from previous external reviews. The current sources of external reviews was noted as being a Governance Health Check (conducted by Kelledy Jones Lawyers in 2020/2021) and past external audits. It was agreed that this record will include progress reporting on recommendations from all reviews undertaken as part of standard Committee reporting to be developed.

It was further noted that the planned update on Council's Business Continuity Plan will be provided to the May Audit and Risk Committee meeting together with an update on Council's risk management framework.

**Moved Mr L Kozlovic, Seconded Ms P Christie**

**AC4528-2023**

That the Audit and Risk Committee note the progress of actions taken to address items of business arising from previous meetings of the Audit and Risk Committee as well as external reviews.

**Carried**

**2. ITEMS FOR DECISION**

**2.1 Review of Audit and Risk Committee Terms of Reference**

The Director Corporate advised that the Audit and Risk Committee Terms of Reference had been developed based on changes to the Local Government Act 1999 due to commence in November 2023.

Discussion was held on the Terms of Reference (ToR) with the following initial feedback provided:

- the ToR is very broad and consideration could be given to providing more specificity in certain areas, balanced against the development of a detailed work plan for the Committee.
- the ToR should be viewed from both materiality and risk aspects to ensure it focuses the Committee's work at the right level.
- elements relating to risk and audit could be more prescriptive.
- various timings set out in the ToR require review including reporting to the Council following a Committee meeting to ensure it is achievable as well as the distribution of papers and minutes could be earlier.

**ACTION**

Members to provide any further feedback to the Director Corporate with the view to recommended changes being presented to the April Audit and Risk Committee meeting for consideration.

**Moved Mr L Kozlovic, Seconded Cr P Klobucar**

**AC4529-2023**

That the Audit and Risk Committee note the Terms of Reference as approved by Council

**Carried**

## **2.2 Schedule of Meetings and Work Program**

The proposed schedule of meetings and work program were discussed with the following items being noted:

- the schedule of proposed meetings was acknowledged, as was the ability to attend virtually via Teams. The Committee did acknowledge that attendance in person would be preferable.
- for future meetings, the work program will be annexed to the Business Arising item on the Committee's agenda.
- assumptions made in the preparation of annual and long term financial plans will be listed as a topic for the Committee's consideration, as will assumptions, estimates and judgements used in revaluations and the preparation of the annual financial statements.

**ACTION**

Members to provide any further feedback on the work program to the Director Corporate. It was also noted that the work program would be updated with both the feedback received and other items that arise through the review of the Committee's Terms of Reference.

**Moved Ms P Christie, Seconded Cr P Klobucar**

**AC4530 – 2023**

1. That the Audit Committee: Sets the 2023 schedule of ordinary meetings for the Audit and Risk Committee to be held at 11.00am at the Council's Civic Building on:
  - a) Monday 3 April 2023; and
  - b) Monday 8 May 2023; and
  - c) Monday 17 July 2023; and
  - d) Tuesday 3 October 2023 (together with joint workshop with Council tbc); and
  - e) Monday 5 February 2024.
2. That the Audit and Risk Committee notes the indicative work program for 2023.

**Carried**

**3. ITEMS FOR NOTING**

**3.1 Annual Business Plan & Budget Parameters & Process 2022-23**

3.38pm the Chief Executive Officer left the meeting

The Manager Finance provided an overview of the 2023/24 Annual Business Plan and Budget process, highlighting various assumptions included within the long-term financial plan which are tested on an annual basis, Council's previously adopted parameters and the program of community engagement. Discussion was held with the following observations/comments made:

- consideration could be given to setting tolerance levels/ranges for some of the parameters in the context of meeting or not meeting budget.
- what does long term financial sustainability mean and the associated metrics?
- it is important to ensure links between the parameters and the CEO's KPIs.
- the Annual Business Plan and Budget needs to consider the risks, include scenario analysis and be compared to the first year of the long term financial plan.

**Moved Cr P Klobucar, Seconded Mr L Kozlovic**

**AC4531 - 2023**

That the Audit and Risk Committee:

1. notes the adopted 2023/24 budget process as presented; and
2. notes the adopted parameters for the development of the 2023/24 Annual Business Plan and Budget.

**Carried**

### 3.2 2<sup>nd</sup> Quarter Budget Review

3.47pm the Chief Executive Officer returned to the meeting

The Committee noted that quarterly budget reviews would ordinarily presented to the Committee for detailed review and recommendation to Council. The timing of the first Audit and Risk Committee meeting precluded this approach for the 2<sup>nd</sup> Quarter Budget Review. It was noted that:

- the significant variances identified in this review were caused by four (4) major items not ordinarily experienced by Council.
- there is little capacity within the budget and long-term financial plan to offset negative variances of this size.
- the nature of Council's business means that there can be a large number of identified variances in any review process, with these being managed in the normal course of business and ordinarily expected to be largely offset.
- where items of variance relate to a decision point for Council, such as signing of a new contract, then these will be presented to Council as a separate item.

It was agreed that future reporting should include the financial re-engineering approach and options to be progressed to address any unfavourable financial position.

**Moved Ms P Christie, Seconded Mr L Kozlovic**

#### **AC4532-2023**

That the Audit and Risk Committee notes the Budget Review 2022-23 Quarter 2 and the negative impact that it has had on Council's financial position.

**Carried**

### 3.3 Internal Financial Controls – Self Assessment

The recent internal financial controls – self assessment was discussed with the following observations being made:

- actions need to be completed in a more timely manner.
- inherent and residual risk should be included, which in turn assists with prioritisation and the setting of timeframes (agreed dates) for actions.
- it would be useful if a materiality legend was included.
- Management advised that the External Auditor undertakes a similar process, with many of the listed actions in the internal report not identified by them as areas of issue, suggesting they are areas for process improvement rather than areas presenting a risk.

#### **ACTION**

Progress of actions identified in the self-assessment are to be reported as part of the regular reporting to future Audit and Risk Committee meetings.

**Moved Mr P Klobucar, Seconded Mr L Kozlovic**

**AC4533 - 2023**

That the Audit & Risk Committee notes the outcomes of the 2022 internal financial control self-assessment, including actions for improvement.

**Carried**

**4. CONFIDENTIAL ITEMS**

**4.1 Systems Modernisation**

**Moved Ms P Christie, Seconded Mr L Kozlovic**

**AC4534 – 2023**

Pursuant to Section 90(2) of the Local Government Act 1999, the Council orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kristen Clark; Director City Infrastructure, Jade Ballantine; Director City Growth, Kathy Jarrett; Director Corporate Services, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator, Irene Adair; Manager Governance, David Poyner; Information Technology Coordinator and Lisette Symons; Executive Co-Ordinator – Corporate for Agenda Item 4.1 - Systems Modernisation Project.

The Committee is satisfied that, pursuant to Section 90(3)(e) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is related to matters affecting the security of the Council, Council property and employees in that details of the Council's knowledge management and information technology services will be discussed. The Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because of the security risk to Council's information technology services if the abovementioned details are disclosed publicly.

**Carried**

**Moved Mr L Kozlovic, Seconded Cr P Klobucar**

**AC4535-2023**

The Audit Committee:

- 1.
2. Having considered Agenda Item 4.1 Systems Modernisation, under sections 90(2) and (3)(e) of the Local Government Act 1999 the Audit and Risk Committee pursuant to Section 91(7) of the Act orders that this report and any annexures to this report and minutes pertaining to this item be kept confidential and not available for public inspection for a period of 5 years notwithstanding that it will be reviewed in February of each year.

**Carried**

**5. MOTIONS WITH NOTICE**

Nil

**6 MOTIONS WITHOUT NOTICE**

Nil

**7. DATE OF NEXT MEETING – Monday 3 April 2023 at 11am**

**8. CLOSE – Meeting closed at 4.51pm**