

## MINUTES OF THE AUDIT COMMITTEE MEETING

HELD ON TUESDAY 4 OCTOBER 2022 AT 11.03AM

**PRESENT:** Mr A Rushbrook (*Chair*) (*via Teams from 12.00pm*), Mayor C McLaughlin, Cr B Simpson, Cr S Stupos (*via Teams*).

**IN ATTENDANCE:** Chief Executive Officer (*Mr J Commons*)  
Director Corporate (*Ms K Jarrett*)  
Manager Finance (*Mr G Jennings*)  
Finance Coordinator (*Mrs S Vigar*)  
Manager Governance (*Mrs I Adair*)  
Executive Coordinator – Corporate (*Ms L Fisher*)  
Auditor (*Ms S Creten*) (*via Teams*)

### 0. Opening of Meeting

The Chief Executive Officer opened the meeting at 11.03am and advised members in attendance that the Presiding Member of the Committee was not able to be present for the start of this meeting due to his flight from Adelaide being delayed. Mr Rushbrook advised he should be in attendance by 12 noon via Teams.

Moved: Mayor C McLaughlin, Seconded Cr S Stupos

#### CA351-2022

That the meeting be adjourned until 12.00pm to provide opportunity for the Committee's Presiding Member to be in attendance.

Carried

### 11.05 Meeting Adjourned

### 12.00 Meeting Resumed

#### 1. Acknowledgement

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

#### 2. Attendance Record

Apologies – Cr P Klobucar  
Leave of Absence – Nil

#### 3. Declaration of Members' Conflict of Interests – Nil

#### 4. Minutes of Previous Meetings

4.1 *Confirmation of the Minutes of the previous Audit Committee Meeting held on Monday 18 July 2022.*

Moved Mayor C McLaughlin, Seconded Cr S Stupos

**AC352-2022**

That the Minutes of the previous Audit Committee Meeting held on Monday 18 July 2022, as per copies supplied to Members, be adopted as a true and correct record to that meeting.

**Carried**

**4.2 Business Arising**

Actions progressed against business arising from previous Audit Committee meetings and items included on the Committee's work program and external reviews workplan were noted. In relation to the review of Council's Business Continuity Plan, this work would be progressed over the next six months.

**5. Deputations/Presentations – Nil**

**6. Reports – Council Officers**

The Chair sought the leave of the meeting to change the order of items on the agenda by bringing forward item 6.2.1 'Draft Financial Statements' to the first item for consideration. The meeting agreed to the suggested change in order of items.

**6.2 Corporate Services – Ordinary Reports**

**6.2.1 2021-22 Draft Financial Statements**

The Manager Finance introduced the report noting that from management's perspective, the 2021-22 end of year audit went smoothly with no areas of concern being raised.

Discussion was held on the presentation of the draft Financial Statements with the following being noted:

- Commentary included in the Notes regarding the impact of Covid-19 and the resultant comparability of some line items reported in the Statements was useful. In particular, the impact on airport income due to mandatory shutdowns and reduced patronage was noted.
- The quantum of grant funding received was highlighted as a positive.
- The treatment of irrigation assets was due to the one-off impairment following the irrigation assets revaluation in 2021.
- The large increase of accrued revenues was mostly due to capital grants (airport runway) of approximately \$2 million.
- Desktop asset audits were undertaken by Tonkins using the capital portion of the Local Government Price Index as a base in order to test 'reasonableness'. The timing for the next asset revaluation was confirmed to be a five-year cycle, with different asset classes being revalued over this cycle. The next revaluation (transport assets) will be tendered shortly.
- It was confirmed that full cost attribution is used when attributing income and expenditure across functions/activities.

- The matter to be addressed in future financial years raised by the Auditors relating to residual balances held for plant and equipment assets had already been addressed, with a once off adjustment being made.

Ms Creten was invited to address the Committee, with the following comments being made:

- The Auditors concurred with the smooth undertaking of the audit, highlighting that the staff had prepared well with only one immaterial misstatement being identified. This demonstrates the completeness of the presentation of the financial statements.
- It was confirmed that the misstatement would not be an issue in future years.
- It was further confirmed that contingent liabilities were reviewed as part of the audit.

In conclusion, the Committee thanked and congratulated staff in the preparation of the 2021-22 end of year financial statements and commented on Council's high degree of confidence in the competency of team.

Moved Cr S Stupos, Seconded Mayor C McLaughlin

#### **AC354-2022**

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 2022 and is satisfied that they present fairly the state of affairs of Council;
2. Advise Councils' Auditor that it has reviewed the Annual Financial Statements of the Council for the financial year ended 30 June 2022 and is satisfied that they present fairly the state of affairs of Council; and
3. The Audit Committee note the Audit Completion Report from Dean Newbery & Partners for the financial year ended 30 June 2022.

**Carried**

#### **6.2.1a**

Moved Cr B Simpson, seconded Cr S Stupos

#### **AC355-2022**

**That Pursuant to Section 90(2)(e) of the Local Government Act 1999, the Council orders that all persons present, with the exception of the members of the Audit Committee and Council's Auditor, Ms S Cretin be excluded from the meeting as the Committee considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Committee will receive and consider a verbal report that may affect the security of the council, members or employees of the council, or council property, or the safety of any person**

**Carried**

12.30pm all staff and members of the gallery left the meeting

Discussions were held with Council's Auditor regarding the conduct of the end of year financial audit. The committee received satisfactory responses from Ms Creten.

12.40pm all staff and members of the gallery returned to the meeting

## **6.1 Office of the Chief Executive – Ordinary Reports**

### **6.1.1 CEO Report on Financial Sustainability**

The Committee noted the Chief Executive Officer's report on Council's financial sustainability and highlighted that the capacity to remain within the parameter around new / upgraded assets may be a challenge moving forward. The parameter was noted as part of a suite that is reviewed annually during annual business plan and budget processes. The Committee further noted that Council has good / robust asset management plans in place, which in turn support Council's financial sustainability.

Moved Cr B Simpson, Seconded Mayor C McLaughlin

#### **AC353-2022**

The Audit Committee notes the CEO Report on Financial Sustainability

**Carried**

## **6.2 Corporate Services – Ordinary Reports**

### **6.2.2 2021-22 Investment and Loan Performance**

The Committee noted the degree of Council's fixed borrowings was good when reflecting on the current interest rate environment. The Committee further noted:

- Council's Treasury Management Policy was appropriate;
- Increased interest rates had previously been factored into the Long-Term Financial Plan as a risk mitigation strategy.

Moved Cr S Stupos, Seconded Cr B Simpson

#### **AC356-2022**

The Audit Committee note the Investment and Loan Performance Report for 2021-22

**Carried**

### **6.2.3 Financial Results 2021-22**

Moved Cr Simpson, Seconded Cr Stuppos

In reviewing the financial result for the year ending 30 June 2022, the Committee noted:

- The need for a stronger focus on debtors and disposal of surplus land in the future
- That the Council had performed well particularly given the dynamics of the year.

#### **AC357-2022**

The Audit Committee recommends the financial results compared with the estimated financial result of Council for the financial year ending 30 June 2022, be presented to Council

**Carried**

#### **6.2.4 Budget Review 2022-23 Quarter 1 Including Financial Results 2021-22**

It was noted that Council's level of borrowing continues to increase over the term of the updated Long Term Financial Plan projections and it was questioned whether this was due to an excessive spend on New/Upgraded assets. Instead, this is related to the ongoing deficits across the plan, which Council is looking to address after a few years, when some positive impacts on income are expected to start to materialise.

It was suggested that it would be useful to start to model both some positive risks and the impact of additional projects and what Council's future financial capacity would be, given a number of possible scenarios.

Moved Cr B Simpson, Seconded Mayor C McLaughlin

#### **AC358-2022**

The Audit Committee:

1. Recommend the Budget Review incorporating the Financial Results 2021-22, identifying an adjusted operating deficit of \$2,232,000 and an estimated cash position at end of reporting period of \$156,000, be submitted to Council for adoption; and
2. Recommend that the 2022-23 Annual Business Plan and Budget and Long-Term Financial Plan be amended to reflect the variances.
3. Recommends Administration commence modelling on the impact of risks and opportunities over the next 10 years in order to understand Council's future financial capacity.

**Carried**

#### **6.2.5 Quarterly Procurement Report**

It was noted that this report gives great transparency on the procurement practices of Council and that the comments on why certain exemptions had been granted were useful.

Moved Cr S Stupos, Seconded Cr B Simpson

#### **AC359-2022**

The Audit Committee receive and note the Procurement Quarterly Report

**Carried**

## 6.2.6 *Audit Committee Annual Report*

Feedback was given on the following questions from the Annual Report;

- 1. Does the Audit Committee have access to appropriate resources to ensure it functions effectively?**
  - Yes, the Committee is provided with everything it requires and has adequate resources. This position is further reflected in the comments provided by Council's Auditor about the end of year financial processes.
- 2. Does the Committee provide effective support to the Council in fulfilling its responsibilities and adding value to the Council?**
  - Yes, happy with what the Committee provides in terms of reporting and responses to questions. There are no "red flags" with regards to procedures.
  - It was suggested that every 6 months the Committee's Presiding Member could present to Council.
  - It was noted that all Elected Members have different areas of expertise and it was suggested that early in the term of a new Council some training and education regarding finance and the Audit Committee could be beneficial to Members.
  - The new provisions following the introduction of local government reforms will require the Committee to be made up of a majority of independent members and so a decision will need to be made as to the configuration and number of members on the Committee
  - It was suggested an annual joint workshop between Council and the Audit Committee could be beneficial.
  - .
- 3. Do meetings allow Committee members to raise any issue they believe relevant?**
  - Yes. Questions asked are always answered
- 4. Does the Audit Committee have effective mechanisms to understand and gain confidence over key systems of governance including financial management, internal controls, risk management and compliance?**
  - Yes, questions asked are answered and explanations given regarding any queries.
  - Yes, the Committee's Terms of Reference are being met
- 5. The Committee's views on Council's long term financial sustainability and maturity in terms of risk management.**
  - Very satisfactory

The following feedback was provided on the draft Terms of Reference:

- the current draft is based on the new legislative requirements which come into force from November 2023 including the Committee's composition, functions and procedures. This will be further updated once model policies are released by the Local Government Association of SA.
- It was recommended that independent members be appointed on a skills basis to ensure a broader set of skills across the Committee, especially with regards to risk management and governance.
- It was further recommended that independent member vacancies be advertised as well as sourced through an executive search and that 2 Elected Members would provide a better connection into Council

**1.28pm Mayor McLaughlin left the meeting**

Moved Cr Stuppos, Seconded Cr Simpson

**AC360-2022**

The Audit Committee:

1. receive and note the “Audit Committee Annual Report to Council” report and;
2. notes the feedback provided on the outline and content to be included in the 2021/2022 Audit Committee Annual Report to Council provided at Appendix A to this report; and
3. requests the Chair of the Audit Committee finalise the Annual Report on the Committee’s behalf on feedback received and when finalized refer the report ‘2021/2022 Audit Committee Annual Report’ to Council at the 17 October Ordinary Council Meeting.

**Carried**

In closing the meeting and noting that this was likely the last meeting of this Committee, the Chair passed on his thanks to Mayor McLaughlin, Cr Stupos, Cr Simpson and Mr Klobucar for their work on the Audit Committee over the last four years, and also to staff for their professionalism and preparedness and wished them all well for the future.

**7. Close of meeting – 1.48pm**

**8. Date of Next Meeting – TBA**