

**MINUTES OF THE WHYALLA COUNCIL AUDIT AND RISK COMMITTEE MEETING  
HELD ON MONDAY 5 FEBRUARY 2024 AT 11.00 AM  
IN THE MURRAYLANDS AND RIVERLAND BOARD ROOM, LGA HOUSE,  
GROUND FLOOR, 148 FROME STREET, ADELAIDE AND AT 21 GRUNDEL STREET, WHYALLA  
AND VIA TEAMS.**

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

**OFFICERS IN ATTENDANCE:** Chief Executive Officer (*Mr J Commons*)  
Director Corporate Services (*Ms K Jarrett*)  
Director City Growth (*Ms J Ballantine*)  
Manager Finance and Knowledge Management (*Mr G Jennings*)  
Manager People and Culture (*Mrs S King*)  
Executive Co-ordinator – Corporate (*Ms L Symons*)

**COUNCIL MEMBERS:** Mayor Phill Stone  
Cr Zia Westerman (until 12 noon)

**ACKNOWLEDGEMENT**

The Chair acknowledged that the meeting was being held on Barngarla and Kaurna 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 – Nil**

**1.3 Committee Members and Auditors Discussion – Nil**

**1.4 Minutes of Previous Meeting – Monday 3 October 2023**

The Chair noted that confidential items from the previous meeting were not included within the Minutes distributed with the Agenda papers, but that the full Minutes had been distributed to Committee Members on 12 October 2023.

Moved Mr L Kozlovic, seconded Ms P Christie

**AC403-2024**

That the Audit and Risk Committee confirm the minutes of the Audit and Risk Committee Meeting held on Monday 3 October 2024 as a true and correct record of proceedings subject to the inclusion of confidential items previously included as noted above.

**Carried**

**Action:**

Future Agendas distributed to Committee Members are to include the Confidential version of the Minutes.

## 1.5 Business Arising from Previous Meetings – as at 5 February 2024

The Director Corporate advised that the following items have been deferred to future meetings due to resource availability:

- emergency management and business continuity
- review of Council's Fraud and Corruption Policy
- review of the Audit and Risk Committee's Terms of Reference
- first draft of the new Strategic Plan

Discussion was held on two items of business arising being the organisation's risk culture and the demolition of the previous Civic Building. It was noted that the UniSA's Culture Survey does not provide any indication as to Council's risk culture and it was agreed that further consideration is to be given to this matter. Regarding the demolition of the former Civic Building, a tender will shortly be released seeking early contractor involvement to understand the methodology needed and associated costs. Work is also progressing on the development of a Prospectus offering the Darling Terrace site and another parcel of Council land on Ekblom Street for development purposes. Independent advice is still being sourced as to whether this approach is most appropriate. The advice of Renewal SA will also be sought in this regard. It was further advised by the Director Corporate that no scheduled April 2024 meeting items were at risk of non-completion.

Moved Cr Klobucar, seconded Ms Christie

### AC404-2024

That the Audit and Risk Committee notes 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 the Asset Management Strategy and Long-Term Financial Plan

It was agreed that the Long-Term Financial Plan would be discussed first, followed by the Asset Management Strategy.

The Manager Finance and Knowledge Management provided an overview of the review of Council's Long-Term Financial Plan (LTFP) and Asset Management Strategy (AMS).

Key points highlighted by Management regarding the LTFP included:

- a conservative approach has been taken in not including potential increases in revenue associated with possible future developments. This is because it is very difficult to quantify what these increases might be in terms of quantum and timing.
- It is hoped that the State Government will finalise its land transactions with Council in the next few months, realizing additional once off revenue.

- There has been some market response to demand for the supply of quality housing in Whyalla, but it is difficult to speculate on the timing of any solutions to this, and therefore any growth projections.
- Some sensitivity analysis has been undertaken on the timing of future revenue growth, but in the absence of certainty, Council continues to remain conservative in its approach to not include growth revenue in the LTFP.
- The LTFP shows Council reaching a break-even position in year 4 of the LTFP being 27/28, but with the Airport excluded, shows a break-even position in 25/26, a year ahead of Council's current objective.

It was agreed that the LTFP is more reflective of a short-term plan that does not represent current or future potential activities with the following matters being considered:

- The separation of the Airport was noted however consideration needs to be given as to how the Airport can be turned around.

**Action:** What would need to change to bring the Airport into a break-even position and what would be needed to achieve this is to be reported to the April Audit and Risk Committee meeting.

- Consistent with comments made by ESCOSA regarding Council's financial position, the continuing increase to ratepayers over the years of the LTFP is not sustainable. From this perspective, the next three years of the LTFP need to be brought back to a breakeven position to ensure the Council has capacity to leverage investment into the City when the timing is right.
- There needs to be a focus on renewal only, rather than new developments given the lack of resources available.
- Costs containment in the short term should be the priority and focus as well as the removal of anything new to bring the LTFP back to a 'match fit' position which in turn will ensure Council has the capacity to realise opportunities as they arise rather than dealing with legacy.

**Action:** Chair of the Audit and Risk Committee is to present the minutes of the 5 February meeting to the Council to reinforce the Committee's feedback regarding the LTFP and to provide any further clarification to Council as needed.

Following discussion on the LTFP, the Manager Finance and Knowledge Management provided introductory comments regarding the AMS, highlighting the significant data that sits behind the AMS which is now quite mature. The Manager Finance and Knowledge Management also highlighted that the AMS is consistent with the LTFP.

Discussion was held on the AMS with its comprehensive nature being noted. For future reference, additional information in the covering report as to the assumptions included in the AMS would be appropriate. The following additional matters were highlighted:

- The Audit and Risk Committee is not mentioned as a stakeholder within the AMS. The role of the Committee is to be considered in the context of asset management and included in the AMS accordingly.
- Table 3.1 is to be updated with the residual risk for 'all assets'.
- A greater understanding of which asset categories are more critical (from a condition and / or community value perspective) to assist with prioritisation would be appropriate. In this

regard, the inclusion of a heat map as to what's important / urgent would be a good future improvement to the AMS and Council's decision making.

- An indication as to what level of independent review is undertaken when each renewal activity occurs (e.g. do we need to do the activity) would be appropriate, noting that when the internal audit of the Asset Management Strategy is undertaken, a question should be asked as to what level of rigour is applied each time money is being spent on renewal.

Regarding both the LTFP and AMS, Management confirmed the light touch approach to community consultation is consistent with the Local Government Act 1999 particularly given the extensive community engagement undertaken on the Whyalla Community Plan. Furthermore, the feedback from ESCOSA regarding the degree of information available to the community about Council's LTFP will be addressed as part of the consultation process.

Moved Cr Klobucar, seconded Mr Kozlovic

**AC405-2024**

The Audit and Risk Committee provides the feedback on the draft 2025-2034 Asset Management Strategy and draft 2025-34 Long-Term Financial Plan which have been prepared for public consultation as outlined above.

**Carried**

***Adjournment of Meeting***

Moved Cr P Klobucar, Seconded Ms P Christie

**AC406-2024**

That the Audit and Risk Committee Meeting be adjourned for 10 minutes.

**Carried**

***The Audit and Risk Committee Meeting adjourned at 12:07pm***

***Reconvening of Meeting***

Moved Cr P Klobucar, Seconded Mr L Kozlovic

**AC407-2024**

That the Audit and Risk Committee Meeting reconvene.

**Carried**

***The Audit and Risk Committee Meeting reconvened at 12.17pm***

## 2.2 Budget Review 2023/24 Quarter 2

The Manager Finance and Knowledge Management presented the 2<sup>nd</sup> quarter budget review noting the Committee's previous comments regarding Council's budget position being supported by the increase in Whyalla's Financial Assistance Grant allocation offsetting a number of mainly once off items, rather than large ongoing cost increases which were seen last financial year. The Committee's feedback have been considered when structuring the LTFP in that the additional grant monies received have not just been used to improve long-term projections but have also been used to improve capacity to deal with future unknowns.

Discussion was held on the 2<sup>nd</sup> quarter review outcomes with the following matters noted:

- The increased revenue and costs associated with the Child Care Centre were highlighted, which will be of interest when the service review report comes through.
- **Action:** Following a discussion around the Council's degree of comfort with the deficit position and flexibility to address the shortfall, future reports are to contain commentary about options, levers and capacity available to address the shortfall (and what impact these levers may have on the business). This will assist Council understand the cause of the outcome presented and their consideration as to what levers can be implemented to address the shortfall and the appetite to implement.
- Standard corporate practice is for details to be maintained about the available levers (prioritised) in the event of them needing to be pulled.
- The need to focus on costs and scale things back was reinforced as per the previous discussions around the LTFP. Grants have been received to smooth out the events impacting on costs, however, it is important to get back to business as usual as this approach cannot be relied upon in the long term. The change to Council's financial position is material, and this cannot be sustained.

Moved Cr P Klobucar, seconded Ms P Christie

### AC408-2024

The Audit and Risk Committee:

1. recommend the Budget Review 2023/24 Quarter 3, identifying an operating deficit of \$3,440,000 and an estimated cash position at end of reporting period of \$213,000, be submitted to Council for adoption; and
2. recommend that the 2023/24 Annual Business Plan and Budget and Long-Term Financial Plan be amended to reflect the variances.

**Carried**

## 2.3 Financial Internal Control Self-Assessment and Policy

The Manager Finance and Knowledge Management introduced the Financial Internal Control Self-Assessment and Policy noting several actions have been listed as not requiring monitoring as they are long term improvement processes rather than short term actions however, these should still be monitored against compliance with policies eg. credit card usage.

Discussion was held on the outcomes of the Self-Assessment and Policy and the need to undertake a review of the initial risk assessment forming the basis for the assessment. Discussion was held on

items in the Assessment that were highlighted as not requiring monitoring. In particular, credit card usage was discussed, and it was agreed that this will continue to be monitored. The following matters were also noted:

**Action:**

- The Policy and Self Assessment are to be shared with BDO for any feedback / improvements they might have as well as for reference in future internal audits they undertake. In particular, BDO's feedback is to be sought on the cycle of review for the Policy noting that the current 4-years is at the outer limit of review cycles.
- The Policy will be amended whereby items flagged as a long-term continuous improvement item will be initially reported to the Audit and Risk Committee, but delegated to the Executive Management Team for action and priority.

Moved Cr P Klobucar, seconded Mr L Kozlovic

**AC409-2024**

The Audit and Risk Committee:

1. notes the outcomes of the 2023 financial internal control self-assessment, including controls requiring improvement; and
2. recommends the updated Financial Internal Control Policy to Council for adoption subject to inclusions noted above.

**Carried**

*The Chair sought leave of the meeting to defer Item 2.4 'Implementation of Service Review and Internal Audit Services' until 1pm and therefore to bring forward Agenda Item 3.1 'Quarterly Procurement Report'.*

*The leave of the meeting was granted.*

**3. ITEMS FOR NOTING**

**3.1 Quarterly Procurement Report**

It was noted that the number of exemptions has been higher than in previous quarters. This has been examined and nothing has been flagged as being of great concern and it is believed that it is a one-off increase. This will continue to be monitored.

Moved Cr P Klobucar, Seconded Mr L Kozlovic

**AC410-2024**

That the Audit and Risk Committee receive and note the Quarterly Report – Procurement for the period 9 September to 31 December 2024.

**Carried**

### 3.2 Management of Excess Leave

The Manager Finance and Knowledge Management provided comments about the management of excess leave and the improvements achieved. Discussion was held on the approach being taken and now that the initial excess leave policy has been introduced. It was noted that there may be benefit in implementing an ongoing annual reminder to staff to take leave.

Moved Mr L Kozlovic, Seconded Ms P Christie

#### AC411-2024

The Audit and Risk Committee notes the progress on managing excess leave balances

**Carried**

### 2.4 Implementation of Service Review and Internal Audit Services

*Mr Kyffin Thompson, Partner BDO Advisory joined the meeting via Teams at 12:54 pm*

The Director Corporate highlighted that BDO have reviewed Council's risk profile and developed the Internal Audit Plan presented in the papers following a risk workshop with both the Audit and Risk Committee and Council. Management acknowledge that further work is required on the Risk Profile in terms of risk management strategies, which will be done over the coming months. Management have reviewed the Internal Audit Plan prepared by BDO and are comfortable that it can be accommodated from a resource perspective.

Mr Thompson from BDO provided a detailed overview of the risk assessment undertaken and the Internal Audit Plan as presented, specifically highlighting the risk and internal audit project linkage table outlining the projects that could be undertaken to address the identified risks.

Discussion was held on the plan with the following matters being considered:

- Does the Internal Audit Plan cover items you would normally expect to see in a Council, to which Mr Thompson confirmed it does.
- Is the order of the first two projects appropriate? Ordinarily you would undertake a review of the strategic and business planning process prior to a budget management review. However, given Council is currently undertaking a comprehensive review of its strategic management plans, there are no issues with undertaking the budget project first.
- What will be the nature of reports provided by BDO e.g. will they reflect a review of the process, or will there be commentary for example about whether Council's budget proposition is too aggressive and/or service level changes need to be made? The reports will be reporting on the adequacy of the processes adopted e.g. is the budget linked to the strategic plan and how is it monitored, are there appropriate controls and mechanisms to address changing circumstances. It will also highlight areas where expenditure may not be aligned with Council's strategic plan. The budget review project is confirmed as an assurance audit rather than a strategic audit.
- Is the internal audit function primarily around assurance, or is there a strategic advisory function as well? Internal audit projects will focus on three key areas being compliance, assurance and strategic.
- Is the order of projects correct and should the ICT project be brought forward in the program given Council's current ICT position. Regarding ICT, Management highlighted they were

comfortable with the project being scheduled for 25/26 given the comprehensive review of ICT undertaken in the last 12 months and the testing of the market approaches to be implemented over the next 12 months.

It was noted that the top three key priorities are appropriate and future priorities would be reviewed on an annual basis.

Moved Mr L Kozlovic, seconded Ms P Christie

**AC412-2024**

That the Audit and Risk Committee:

1. Note the actions taken to date to implement Service Review and Internal Audit Services
2. Recommends that Council endorse the Whyalla Council's:
  - a. Strategic Risk Assessment
  - b. Internal Audit Plan

**Carried**

*Mr Kyffin Thompson left the meeting at 1:14 pm*

**4. CONFIDENTIAL ITEMS**

**4.1 Prudential Report for Foreshore Masterplan Delivery**

Moved Mr L Kozlovic, Seconded Ms P Christie

**AC413-2024**

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Audit & Risk Committee orders that the public be excluded from the meeting with the exception of Phill Stone; Mayor, Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate Services, Jade Ballantine; Director City Growth, Grant Jennings; Manager Finance and Knowledge Management, Sue King; Manager People & Culture, and Lisette Symons; Executive Co-ordinator – Corporate Services for Agenda Item 4.1 – Prudential Reports – Stage 1 Foreshore Masterplan.

The Audit and Risk 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 Council will receive and consider a report containing information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council and would, on balance, be contrary to the public interest.

**Carried**

The Manager Finance and Knowledge Management highlighted that in ordinary circumstances, this report would have been brought to the Committee prior to being presented to Council, however the timing of the grant funding application precluded this approach. The Manager Finance and Knowledge Management further noted that Council endorsed the recommended resolution to

submit the grant funding application and if the grant funding application is successful, the operating costs of the new assets will be funded from funds generated from land sales which in turn will be used to bring down borrowings and reduce interest rate costs.

Discussion was held on the Prudential Report for the Foreshore Masterplan, with a particular focus on how the foreshore development will lock in Council's financial resources, leaving little capacity for Council to work with the State Government on other activities building Whyalla. Other strategic matters were also raised such as areas across Whyalla requiring investment (e.g. recreation centre, civic building, sport and recreation, council buildings in general etc), the instances of poor land use and very low value lease arrangements for both land and buildings especially in prime areas, the provision of tourism / cabin / workers accommodation and the desire of Discovery Park to further develop their site.

It was agreed that the Prudential Reports were of appropriate substance and quality however the value the Committee was providing to Council on matters of strategic importance was questioned. In this regard, comment was made that potential areas of value-add included governance, commercial and stakeholder management. However, the timing and methodology of the Committee's input (e.g. providing comment on reports at the end of the process) did not provide a strategic view of the circumstances before Council and therefore the Committee's contribution was not achieving best value. Accordingly, to commence looking at the bigger picture and thereby facilitating the Committee in adding best value, it was agreed that:

**Action**

- The Audit and Risk Committee would be invited to join the presentation being delivered to Council by Discovery Park; and
- A special meeting of the Audit and Risk Committee would be called for early March (post the Premier's visit to Whyalla) to discuss Council's overarching strategy and themes. Following this, the Committee can then revisit opportunities for adding value to Council's considerations and discuss how the Committee remains engaged in the business going forward.

Moved Cr P Klobucar, Seconded Ms P Christie

**AC414-2024**

The Audit and Risk Committee:

1. notes the report titled Prudential Reports – Stage 1 Foreshore Masterplan; and
2. having considered Agenda Item 4.1 – Prudential Reports – Stage 1 Foreshore Masterplan in confidence, under Sections 90(2) and (3)(b) of the Local Government Act 1999, the Audit & Risk Committee pursuant to Section 91(7) of the Act, orders Annexure A pertaining to this item be kept confidential and not available for public inspection for a period of 7 years on the basis that it contains commercial information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council, notwithstanding that it will be reviewed annually in February of each year.

**Carried**

#### 4.2 Unsolicited Proposal

Moved Ms P Christie, Seconded Mr L Kozlovic

##### AC415-2024

Pursuant to Section 90(2) and (3)(d) of the Local Government Act 1999, the Audit & Risk Committee orders that the public be excluded from the meeting with the exception of Phill Stone; Mayor, Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Jade Ballantine; Director City Growth, Grant Jennings; Manager Finance and Knowledge Management, Sue King; Manager People & Culture and Lisette Symons; Executive Coordinator – Corporate for Agenda for Agenda Item 4.2– Unsolicited Proposal – Purchase of Crown Land.

The Audit & Risk 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 report containing commercial information of a confidential nature the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information.

**Carried**

The Manager Finance and Knowledge Management provided an overview of the Unsolicited Proposal received and the process undertaken in considering the Proposal to date.

Discussion was held on the Proposal with the following matters being raised:

- It was confirmed that the Proposal fits within the Unsolicited Proposal Policy framework.
- Care needs to be taken to ensure competitive neutrality is maintained.
- The Proposal needs to be dealt with in accordance with Council’s Unsolicited Proposals Policy.

Discussion was held on the proposed use of the land the subject of the proposal

Moved Ms P Christie, Seconded Mr L Kozlovic

##### AC416-2024

The Audit and Risk Committee:

1. notes the report Unsolicited Proposal – Purchase of Crown Land and provides the following feedback to Council to be used during their deliberations:
2. having considered Agenda Item 4.2 – Unsolicited Proposal – Purchase of Crown Land in confidence, under Sections 90(2) and (3)(b) of the Local Government Act 1999, the Audit and Risk Committee pursuant to Section 91(7) of the Act, orders that this Report including Annexures be kept confidential and not available for public inspection for a period of five (5) years, on the basis that it contains commercial information of a confidential nature the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, not withstanding that it will be reviewed annually in February of each year.

**Carried**

#### 4.3 Verbal Update on Council Business and City Developments

Nil

**4.4 Reports on any matters arising about good public administration**  
Nil

**5. MOTIONS WITH NOTICE**

Nil

**6 MOTIONS WITHOUT NOTICE**

Nil

**7. DATE OF NEXT MEETING –**

Special Meeting – Date TBA

Monday 8 April 2024 11.00am – 2.00pm at Civic Building on Grundel Street

**8. CLOSE – Meeting closed at 2.09pm**

Confirmed: .....

Presiding Member – March 2024