

**MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING
HELD ON MONDAY 3 APRIL AT 11.00am**

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*) – *via Teams*
Director Infrastructure (*Mr K Clark*)
Director City Growth (*Ms J Ballantine*) – *via Teams*
Manager Finance (*Mr G Jennings*)
Finance Coordinator (*Mrs S Vigar*)
Manager Governance (*Mrs I Adair*)
Executive Coordinator – Corporate (*Ms L Symons*)
Manager People and Culture – (*Ms Sue King*)
Projects and Partnership Lead – (*Mr S Sathasilvam*) – *via Teams*
Mgr Airport & Economic Development – (*Mr B Benson*) – *via Teams*
Manager Assets and Planning (*Ms R Nottle*) – *via Teams*
Manager City Development (*Ms J Perone*) – *via Teams*
Manager City Operations (*Mr C Sharp*) – *via Teams*

**COUNCIL MEMBERS
IN ATTENDANCE:** Mayor Phill Stone
Cr Zia Westerman

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.

1.3 Committee Members and Auditors Discussion

Nil

1.4 Minutes of Previous Meeting – 27 February 2023

The Chair noted that the Confidential Item from the previous minutes was not included with the minutes that were distributed with the Agenda papers, but that these minutes had previously been distributed to Committee Members.

Moved Mr L Kozlovic, Seconded Ms Pat Christie

AC4670-2023

That the Committee adopt the minutes of the Audit and Risk Committee meeting held 27 February 2023 as a true and correct record of proceedings noting the inclusion of the confidential item identified above.

Carried

1.5 Business Arising from Previous Meetings

The Manager Governance advised that Item 1 (Annexure A) – ensure progress is achieved in reviewing Council's Business Continuity Plan – has progressed and is now 50 +% complete and will be presented to the next meeting.

The Chair noted that the proposed meeting dates (Annexure B) of 3 October 2023 and 5 February 2024 don't comply with the Committee's proposed Terms of Reference with regard to meeting every quarter but this can be amended as these dates draw closer.

It was noted that the Work Plan (Annexure C) will be revised in accordance with the proposed Terms of Reference and will have flexibility to be altered as reports come to the Committee with new recommendations and as the Committee looks at forward agendas.

It was noted that items included within the External/Internal Reviews Workplan (Annexure D) showing a due date of 'when resources are available' were of low risk and would be updated with definitive completion dates. It was further noted that the item relating to Accounting Policies being up to date should refer only to accounting procedures.

ACTION

The schedule at (Annexure D) to be amended prior to the next meeting and broken down by policy and definitive time frames in order to make it more prescriptive and ensure that due dates are met.

Moved Ms Pat Christie, Seconded Mr L Kozlovic

AC4671-2023

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

It was noted that individual Committee member feedback had been incorporated into the draft Terms of Reference and the functions of the Committee have been expanded from the high-level functions but remain consistent with Local Government Act reforms coming into effect at the end of 2023.

It was advised by management that some amendments will be made to ensure all changes as outlined in the 'tracked changes' version previously distributed to the Committee are translated into the version to be presented to Council for adoption. It was further noted some additional changes of a grammatical nature, as well as the following substantive changes:

ACTION

- Ensure all tracked changes are translated to the final document correctly
- Clause 6.2.1 is to be removed
- Clause 7.3 requires changing from a quorum of two (2) to three (3)
- Clause 7.5 The requirement for the Chief Executive Officer to attend all meetings will be confirmed or otherwise and updated accordingly
- Clause 10.3.2(b) check language in line with legislative requirements.

Moved Mr L Kozlovic, Seconded Ms P Christie

AC4672-2023

1. That the Audit and Risk Committee recommends that Council adopts the revised Audit and Risk Committee Terms of Reference provided at Annexure A subject to the inclusion of the identified changes from the Audit and Risk Committee noted above, minor grammatical updates and confirmation that the Terms of Reference comply with the Local Government Act.

Carried

Moved Cr P Klobucar, Seconded Ms P Chrisite

2. That the Audit and Risk Committee notes that a revised Audit and Risk Committee Work Program will be presented to the May 2023 meeting.

Carried

2.2 Proposed Approach to Internal Audit and Service Reviews

Support was noted for an outsourcing approach in the first instance due to the skillsets and independence that this entails, however a co-sourced approach may be more beneficial in the longer term in relation to cost, corporate knowledge and learning.

Discussion was held on the areas proposed for service reviews in the first instance, with this discussion held in confidence due to the identified services areas not yet being socialised with staff. It was agreed that Management is in the best position to identify which areas

would benefit most from a service review but did note that areas with a high level of potential to generate income and/or materially reduce overheads should be prioritised.

Discussion was held on whether the final scope for service reviews should be referred to the Committee, or be taken straight to the market once ready, however it was agreed that the review of the final scope is a task that falls within the Committee's Terms of Reference.

It was noted that the final cost for the listed services is likely to be above the available budget, meaning that some prioritisation and adjustment may be required.

Moved Cr P Klobucar, Seconded Mr L Kozlovic

AC4763 – 2023

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Audit and Risk Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Kristen Clark, Director City Infrastructure, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator, Mr S Sathasilvam; Projects and Partners Lead, Mr B Benson; Manager Airport and Economic Development, Mr C Sharp; Manager City Operations, Ms J Perone; Manager City Development, Ms S King; Manager People and Culture, Ms R Nottle; Manager Assets and Planning and Lisette Symons; Executive Co-ordinator – Corporate for Agenda Item 2.2 – Proposed Approach to Internal Audit and Service Reviews.

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 commercial information of a confidential nature the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.

Carried

Moved Mr L Kozlovic, Seconded Ms P Christie

AC4674 – 2023

1. That the Audit and Risk Committee supports the establishment of an internal audit and service review program, to be delivered via an outsourced model of service delivery.
2. That the Audit and Risk Committee notes that a request for proposal for the two outsourced services will be formulated by management and presented to the next Audit and Risk Committee for consideration.

Carried

2.3 2023-24 Draft Annual Business Plan and Budget

The Manager Finance provided an overview of the material presented in the report including the makeup of the recommended rate increase and the scenarios developed showing Council's long term financial sustainability based on various rating and revenue options. The Manager Finance highlighted the current Long Term Financial Plan remained in a deficit position for the duration of the Plan as at this stage, it was not prudent to include increased rates revenue from possible future development.

Discussion was held on the information as presented with a focus on the need to ensure Council acts now to address matters of financial sustainability. Points raised included:

- The continuation of Council's seemingly high capital spend and the flow on impact on Council's asset ratio (outside of the target range at 126%) and operating expenditure over the life of the long term financial plan at a time when there is pressure on rates revenue due to the current CPI was questioned. In this regard, Management advised that the capital spend is high due to past year's projects being spread over multiple years and the extent of carry overs being experienced.
- The budget appeared to be a 'business as usual' budget with no action to address the deficit and/or level of borrowings. A higher priority needs to be placed on sourcing new or expanded levels of revenue, and financial re-engineering needed to reduce the current and projected operating deficit and borrowing levels.

In making the above comments, the Committee suggested setting a 2023/24 base case budget of break-even less the direct financial impact at the airport, with Management examining how this might be achieved. In doing so, the following areas could be considered:

- A higher rate increase including consideration of breaking the nexus between rate increase linked to CPI and changing the external narrative to the rationale for the increase.
- Deferring project spend and/or making project spend conditional on the delivery of service review outcomes.
- Reducing service levels
- Increasing other income sources
- Rationalising/disposing underperforming assets
- Including allowance for non-infrastructure strategic projects

Other discussion points made during this item were:

- Improvements in Council's operating position could be achieved by updating the overhead CPI rate and interest rate assumptions within the budget.

Management highlighted that the proposed service review program aimed to ensure any changes to service levels were well informed.

Management acknowledged that the current projected deficit position over the 10 years of the LTFP was untenable and confirmed an ongoing focus to return Council to a financially sustainable position. Management further noted that the timing of effecting changes to improve financial sustainability needed to consider the renewal needs of the City given the impending investment in our city.

Moved Cr P Klobucar, Seconded Mr L Kozlovic

AC4675 - 2023

The Audit and Risk Committee recommends that Council considers the Audit and Risk Committee's discussion of the Draft 2023/24 Annual Business Plan and Budget which includes focus and priority on financial engineering activities to reduce the deficit and borrowing levels.

Carried

Adjournment of Meeting

Moved, Mr L Kozlovic, Seconded Ms P Christie

AC4676 - 2023

The Audit and Risk Committee Meeting be adjourned for 15 minutes for a refreshment break.

Carried

Audit and Risk Committee Meeting adjourned at 1.20pm

Moved Cr P Klobucar, Seconded Mr L Kozlovic

AC 4677 – 2023

The Audit and Risk Committee Meeting reconvenes.

Carried

Audit and Risk Committee Meeting reconvened at 1.35pm

Mayor Phil Stone left the meeting at 1.36pm

3. Items for Noting

3.1 Airport Operating Result

The Committee noted Council's proposed approach to accepting an ongoing \$200,000 deficit position for the airport, recognizing that this relates to grant income already received.

Moved Cr P Klobucar, Seconded Mr L Kozlovic

AC4678-2023

That the Audit and Risk Committee notes the report Airport Operating Result and the related impacts to the development of the next Long Term Financial Plan.

Carried

Moved Ms P Christie, Seconded Mr L Kozlovic

AC4679 – 2023

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Audit and Risk Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Kristen Clark, Director City Infrastructure, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator, Mr S Sathasilvam; Projects and Partners Lead, Mr B Benson; Manager Airport and Economic Development, Mr C Sharp; Manager City Operations, Ms J Perone; Manager City Development, Ms S King; Manager People and Culture, Ms R Nottle; Manager Assets and Planning and Lisette Symons; Executive Co-Ordinator - Corporate for Agenda Item 3.1 – Airport Operating Result.

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 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 Council.

Carried

4. Confidential Items

4.1 Unsolicited Proposal – 127 Nicolson Avenue

Moved Mr L Kozlovic, Cr P Klobucar

AC 4680 - 2023

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Audit and Risk Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Kristen Clark, Director City Infrastructure, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator, Mr S Sathasilvam; Projects and Partners Lead, Mr B Benson; Manager Airport and Economic Development, Mr C Sharp; Manager City Operations, Ms J Perone; Manager City Development, Ms S King; Manager People and Culture, Ms R Nottle; Manager Assets and Planning and Lisette Symons; Executive Co-Ordinator - Corporate for Agenda Item 4.1 – Unsolicited Proposal – 127 Nicolson Avenue.

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 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 Council.

Carried

Moved Cr P Klobucar, Seconded Mr L Kozlovic

AC 4681 – 2023

The Audit and Risk Committee:

1.

2. Having considered Agenda Item 4.1 – Unsolicited Proposal – 127 Nicolson Avenue in confidence, under Sections 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act, orders that this Report and any Annexures to this Report, and minutes be kept confidential and not available for public inspection until such time as the premises at 127 Nicolson Avenue is sold, except insofar as is necessary to implement the Council decision, 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 Council, notwithstanding that it will be reviewed annually in February of each year.

Carried

4.2 Release of Information

Moved Mr L Kozlovic, Cr P Klobucar

AC 4680 - 2023

Pursuant to Section 90(2) and (3)(e) of the Local Government Act 1999, the Audit and Risk Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Kristen Clark, Director City Infrastructure, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator, Mr S Sathasilvam; Projects and Partners Lead, Mr B Benson; Manager Airport and Economic Development, Mr C Sharp; Manager City Operations, Ms J Perone; Manager City Development, Ms S King; Manager People and Culture, Ms R Nottle; Manager Assets and Planning and Lisette Symons; Executive Co-Ordinator - Corporate for Agenda Item 4.2 – Release of Information.

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 Committee will receive information about matters that could affect the security of the council, members or employees of the council, or council property, or the safety of any person.

Carried

5. MOTIONS WITH NOTICE

Nil

6 MOTIONS WITHOUT NOTICE

Nil

7. DATE OF NEXT MEETING – Monday 8 May 2023 at 11am

8. CLOSE – Meeting closed at 3.02 pm