



MEMBERSHIP

Mr G Strawbridge (Chair)
Ms P Christie
Mr L Kozlovic
Cr P Klobucar

NOTICE OF AUDIT AND RISK COMMITTEE MEETING

TO THE CHAIR & MEMBERS OF THE AUDIT AND RISK COMMITTEE

NOTICE is hereby given pursuant to Section 87(4) of the Local Government Act 1999 that the Audit and Risk Committee Meeting will be held in the Council Chamber, Darling Terrace, Whyalla on Monday 27 February 2023 at 3.00pm.

The Audit and Risk Committee Meeting is open to the public to attend in person or electronically via Microsoft Teams, [Click here to join the meeting](#).

When attending the meeting via Microsoft Teams, participants are agreeing to Microsoft's *Terms and Conditions* – follow this link [Microsoft Privacy Statement – Microsoft privacy](#) to view Microsoft's *Privacy Statement*.

The business of the meeting is:

- Terms of Reference Review
- Schedule of Meetings and Work Program
- Annual Business Plan & Budget Parameters & Process for 2022-23
- 2nd Quarter Budget Review
- Internal Financial Controls – Self Assessment
- Systems Modernisation (confidential)

A copy of the Agenda for the above meeting is supplied as required.

JUSTIN COMMONS
CHIEF EXECUTIVE OFFICER
Dated: 23 February 2023

AGENDA

AUDIT AND RISK COMMITTEE MEETING

To be held at Whyalla City Council Civic Building, Darling Terrace, Whyalla
on Monday 27 February 2023 **3.00pm – 5.00pm**

Members: Grant Strawbridge (Chair), Patricia Christie, Laurie Kozlovic, Cr Peter Klobucar (via Teams)

In Attendance: Justin Commons (CEO), Kathy Jarrett (Director Corporate Services), Jade Ballantine (Director City Growth), Kristen Clark (Director City Infrastructure), Grant Jennings (Manager Finance), Irene Adair (Manager Governance), Sandra Vigar (Finance Co-Ordinator), Lisette Symons (Executive Co-Ordinator – Corporate).

Guests: Karen White and Jessica Vassallo (KAW Consulting)

Apologies:

WELCOME TO COUNTRY

"We acknowledge the Barngarla people, the traditional owners of the land on which we meet today and pay our respects to the Elders past and present and extend that respect to other Aboriginal and Torres Strait Islander people who are present today."

1. STANDING ITEMS	Action	Page
1.1 Welcome and Apologies		
1.2 Declaration of Members Conflict of Interests		
1.3 Committee Members and Auditors Discussion (if required)	Nil	
1.4 Minutes from Previous Meetings – 4 October 2022	Note	3
1.5 Business Arising from Previous Meetings	Note	11
2. ITEMS FOR DECISION		
2.1 Review of Audit and Risk Committee Terms of Reference	Recommend	14
2.2 Schedule of Meetings and Work Program	Adopt	21
3. ITEMS FOR NOTING		
3.1 Annual Business Plan & Budget Parameters & Process 2022-23	Note	28
3.2 2nd Quarter Budget Review	Note	36
3.3 Internal Financial Controls – Self Assessment	Note	50
4. CONFIDENTIAL ITEMS		
4.1 Systems Modernisation	Recommend	55
5. MOTIONS WITH NOTICE		
Nil		
6. MOTIONS WITHOUT NOTICE		
7. NEXT MEETING		
Monday 3 April 2023: 11am – 1.00pm	Note	
CLOSE		

CORPORATE

1.4 Minutes of Audit Committee Meeting – 4 October 2022

Audit & Risk Committee Meeting: 27 February 2023
Author's Title: Executive Coordinator, Corporate
Director: Corporate
File No.: 0-159

Annexures

A – Minutes of the Audit Committee Meeting held 4 October 2022

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

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Yes

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No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

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Yes

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No

Reason –Nil

PURPOSE

The purpose of this item is to bring to the Audit and Risk Committee's attention the minutes of the previous Council's last Audit Committee meeting.

BACKGROUND / DISCUSSION

The final meeting of the previous Council's Audit Committee was held on Tuesday 4 October 2022. These minutes are presented for noting only given only one Member of the previous Committee is a member of the current Committee. In providing these minutes for noting, the current Committee is advised that they were circulated to previous Committee Members, with no comments forthcoming. They were also presented to the previous Council on 17 October 2022.

RECOMMENDATION

The Audit & Risk Committee:

1. Note the minutes of the previous Council's last Audit Committee meeting held on Tuesday 4 October 2022.

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

CORPORATE

1.5 Business Arising from Previous Meetings – as at 27 February 2023

Audit & Risk Committee 27 February 2023
Meeting:
Author's Title: Executive Coordinator, Corporate **File No.:** 0-159
Director: Corporate

Annexures

A – Business Arising from Previous Meetings and External Reviews

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

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Yes

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No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

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Yes

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No

Reason –Nil

PURPOSE

The purpose of this item is to bring to the Audit and Risk Committee's attention Business Arising from previous meetings of the former Audit Committee and external reviews that remain outstanding.

BACKGROUND / DISCUSSION

Business arising for the Audit and Risk Committee has two sources:

- from previous meetings of the Audit and Risk Committee; and
- matters outstanding from external reviews.

Provided at Annexure A for information purposes is an update on matters that remain outstanding from the former Audit Committee.

For future meetings, this standing item report will combine the current Audit and Risk Committee's business arising together with the Committee's meeting schedule and work program.

RECOMMENDATION

The Audit & Risk Committee:

1. **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.**

“ANNEXURE A”

WHYALLA CITY COUNCIL

BUSINESS ARISING FROM AUDIT COMMITTEE MEETINGS

AS AT 27 February 2023

	Date of Meeting	Item	Responsible	Due Date	Status	Completed
1.	4 April 2022	<i>4.1.1 – Further information be provided on targets/depreciation levels across Airport assets and adjustment to targets to account for assets covered by Federal funding, which cannot be recovered via the passenger levy.</i>	Manager Finance	31/01/2023	Report completed, but deferred to May committee meeting	
2.	4 October 2022	<i>4.2 – ensure progress is achieved in reviewing Council's Business Continuity Plan</i>	Manager Governance	30/06/2023	<p>Council's Business Continuity Plan was developed in 2019 through Local Government Risk Services. The Business Continuity Plan was more recently updated through a separate COVID Management and Risk Assessment process in October 2021 to June 2022</p> <p>Further new work is now required to update the Business Continuity Plan. An update will be provided to the Risk and Audit Committee Meeting 3 April 2023</p>	25%

* Completed items to be removed are shaded

EXTERNAL REVIEWS WORKPLAN

Source	#	Ref	Item	Responsible	Due	Status / % Complete
GHC	3	s.49	Review procurement policies and procedures	Mgr Finance	31/03/2023	In Progress / 70%
GHC	5	s.90	Add the grounds for confidentiality to staff and Elected Member training program and then undertake training	Mgr Legislation	31/12/2022	Completed
GHC	6	s.103	Undertake a full review of Council's suite of HR policies	Mgr People & Culture	30/06/2023	In Progress /25%
GHC	13	s.172	Develop a new procedure for requests to suppress information from the Assessment Record	Mgr Governance/Finance	31/03/2023	Pending
GHC	16	s.196	Review of community land management plans	Mgr City Development	31/12/2023	Pending
EAMR	3	Moderate	Rates Officer - Cash Receipting & Payroll access	Mgr Finance	31/12/2022	Completed
EAMR	7	Low	Tender Documentation – No Evaluation	Mgr Finance	31/03/2023	In Progress / 70%
EAMR	8	Low	Contract Management Policy	Mgr Finance	31/03/2023	In Progress / 70%
EAMR	9	Low	Lease Register	Mgr Finance	Ongoing	In Progress

* Shaded items to be deleted

CORPORATE

2.1 Audit & Risk Committee Terms of Reference

Audit & Risk Committee Meeting: 27 February 2023
Author's Title: Director Corporate
Director: Corporate
File No.: 0-159

Annexures

A – Audit and Risk Committee Terms of Reference

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

☐

Yes

☒

No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

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Yes

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No

Reason –Nil

PURPOSE

The purpose of this item is to facilitate discussion on the Audit and Risk Committee's Terms of Reference and seek any feedback or recommendations for change.

BACKGROUND / DISCUSSION

Current local government reform processes include multiple changes to a council's audit committee, which will come into operation in November 2023. As a matter of good governance, these changes were incorporated into the Terms of Reference (**Annexure "A"**) that were adopted by Council at their meeting on 28 November 2023.

With the establishment of the Audit and Risk Committee now finalised, it is appropriate that the Terms of Reference be further reviewed to identify opportunities for improvement to be recommended to Council. In preparation for discussion on this item, a number of possible items for improvement include:

1. The functions of the Committee could be updated to include matters such as the review of reports that go towards:
 - a. managing, improving and developing the resources available to Council;
 - b. ensuring Council's resources, services, facilities and programs are used fairly and provided effectively and efficiently;
 - c. ensuring standards of good public administration are achieved and maintained

RECOMMENDATION

The Audit and Risk Committee:

1. After discussing opportunities for improvement to the adopted Audit and Risk Committee Terms of Reference, the Committee recommends to Council the following changes:
 - a. [enter recommended change]
 - b. [enter recommended change]
 - c. [enter recommended change]

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE



1. ESTABLISHMENT

- 1.1** The Audit and Risk Committee (the Committee) is a formally constituted Committee of Council pursuant to sections [41](#) and [126](#) of the *Local Government Act 1999* and operates as an independent and objective advisory Committee to Council.

2. OBJECTIVES

- 2.1** The primary objective of the Committee is to add value through the provision of independent advice and assurance to Council on accounting, financial management, internal controls, risk management and governance matters.
- 2.2** It will ensure that the resources of the City of Whyalla are being used efficiently and effectively and will assist Council accomplish its objectives by contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of financial and risk management, control, and governance processes.
- 2.3** As part of Council's governance obligations to the community, Council has constituted the Committee to facilitate:
- 2.3.1 Oversight of relevant activities to facilitate achieving City of Whyalla's objectives in an efficient and orderly manner.
 - 2.3.2 Enhancing the credibility and objectivity of internal and external financial reporting.
 - 2.3.3 Effective management of risk and the protection of Council assets.
 - 2.3.4 Compliance with laws and regulations as well as use of best practice guidelines.
 - 2.3.5 The effectiveness of internal audit and maintaining a reliable system of internal control.
 - 2.3.6 The provision of an effective means of communication between the external auditor, any internal audit function, management/administration, and Council.
 - 2.3.7 The continuous development and review of Council's ethical practices.

3. MEMBERSHIP

- 3.1** The Committee will comprise:
- 3.1.1 Three independent persons who are not members of any council.
 - 3.1.2 1 Council Member (who is not the Mayor).
- 3.2** Members of the Committee (when considered as a whole) will have skills, knowledge and experience in financial management, risk management and governance.
- 3.3** The Chair of the Committee will be appointed by Council from one of the three independent members.
- 3.4** In the absence of the Chair, an independent member will act as Chair.

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



4. INDEPENDENT MEMBERS:

- 4.1** The term of an independent member will be 4 years or as otherwise determined by Council to facilitate appointments being made on a rotational basis, which in turn will ensure succession planning and continuity of membership despite changes to Council's elected representative.
- 4.2** Council may resolve to re-appoint an independent member.
- 4.3** If Council proposes to remove an independent member from the Committee, it must give written notice to the independent member of its intention to do so and provide that independent member with the opportunity to be heard at a Council meeting which is open to the public if that independent member so requests.
- 4.4** Remuneration will be paid to each independent member of the Committee, to be set by Council from time to time.
- 4.5** At a minimum, the remuneration paid to the independent member will be reviewed within 12 months from the date of a Council (periodic) election.

5. COUNCIL MEMBER REPRESENTATIVE

- 5.1** The term of the Council Member representative will be as determined by Council resolution.
- 5.2** Council may appoint a proxy for the Council Member representative to attend meetings in the event the Council Member representative is unavailable.
- 5.3** No additional allowance will be paid to the Council Member representative (or proxy) over and above the allowance already received by the Council Member.
- 5.4** The Council Member representative will raise matters (within the scope of the Committee's Terms of Reference) with the Committee, on behalf of the Council and act as a conduit of information between the Council and the Committee, and the Committee and Council.
- 5.5** The Council Member representative will provide a verbal report to Council on the key matters and recommendations from the Committee meeting when the minutes and/or Committee recommendation reports are presented to Council for adoption.
- 5.6** The Council Member representative will provide a report to the Committee on any Council decisions or discussions that are relevant to the Committee's Terms of Reference

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



6. BASIS FOR OPERATION

- 6.1 The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to the Committee's Terms of Reference.
- 6.2 The City of Whyalla considers that the ability of the Committee to operate in a manner that adds value and also maintains independent judgement is vital.
- 6.3 Council or the Chief Executive Officer may refer any matter to the Committee within its Terms of Reference.
- 6.4 A quorum for a meeting of the Committee shall be two, being at least one independent member and the Council Member representative or their proxy.
- 6.5 The Chief Executive Officer will be in attendance at all meetings except when the Committee is meeting on a confidential basis with Council's auditor.
- 6.6 The Committee will review its performance on a bi-annual basis to ensure continual improvement to its performance.
- 6.7 Representatives of Council's auditor will be invited to attend meetings at the discretion of the Committee but must attend meetings at which there will be consideration of the annual financial report and results of the external audit.
- 6.8 The Committee will meet with both the external auditor and internal auditor (if appointed) without management present at least once per year.
- 6.9 The Chief Executive Officer will ensure appropriate support is provided to Committee meetings.
- 6.10 The Committee shall hold at least one meeting in each quarter.
- 6.11 The time and place for the conduct of meetings will be determined by the Committee provided that all meetings will be held in a public environment and within a City of Whyalla building except where the meeting shall be virtual.
- 6.12 The Committee will consider and determine its own meeting practice, processes and procedures within the parameters of the Local Government Act 1999 and the [Local Government \(Procedures at Meetings\) Regulations 2000](#).
- 6.13 An annual schedule of meetings will be developed and agreed to by the Committee members. This schedule of meetings may include at least one joint workshop with the Council and the Committee.
- 6.14 Additional meetings shall be convened at the discretion of the Chair, or at the written request of Council or any member of the Committee, or external or internal auditor.

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



7. REPORTING

- 7.1 A copy of all agenda and reports forwarded to the Committee will also be forwarded to all Council Members for information prior to the conduct of the Committee meeting.
- 7.2 The Committee will provide a report to the Council after each meeting summarising the work of the Committee during the period preceding the meeting and the outcomes of the meeting. This report may be in the form of the minutes of the meeting and will be forwarded to the next General Council meeting that is not being held on the same day as the Audit Committee meeting.
- 7.3 Where the Committee makes a recommendation to Council on a matter within the scope of its Terms of Reference, the matter will be listed as a separate agenda item for consideration by Council at the next General Council meeting that is not being held on the same day as the Audit Committee meeting.
- 7.4 The Committee shall report annually to the Council, summarising the activities of the Committee during the previous year.
- 7.5 The Committee's annual report will be included in the Council's annual report for the period to which it relates.

8. AUTHORITY

- 8.1 The Committee through the Chief Executive Officer is authorised to seek any information or obtain expert (including legal) advice on matters of concern with the scope of its responsibilities and in order to perform its duties.

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



9. FUNCTIONS

9.1 The Committee will meet its objectives and discharge its duties through the following activities:

- 9.1.1 Reviewing annual financial statements to ensure that they present fairly the state of affairs of the council.
- 9.1.2 Proposing and providing information relevant to a review of the council's strategic management plans or annual business plan.
- 9.1.3 Monitoring the responsiveness of the council to recommendations for improvement based on previous audits and risk assessments, including those raised by a council's auditor.
- 9.1.4 Proposing, and reviewing, the exercise of powers under section 130A.
- 9.1.5 Liaising with the council's auditor in accordance with any requirements prescribed by the regulations.
- 9.1.6 Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.
- 9.1.7 If the council has an internal audit function:
 - (i) providing oversight of planning and scoping of the internal audit work plan; and
 - (ii) reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis; or

If the council does not have an internal audit function, reviewing and commenting on an annual report provided by the Chief Executive Officer in relation to the policies and processes adopted by the council to evaluate and improve the effectiveness of its internal control practices and procedures.
- 9.1.8 Reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis.
- 9.1.9 Reviewing any report obtained by the council under section 48(1).
- 9.1.10 Performing any other function determined by the council or prescribed by the regulations.

CORPORATE

2.2 Audit and Risk Committee Meeting Schedule and Work Plan

Audit Committee Meeting: 27 February 2023

Author's Title: Manager Finance

File No.: 0-159

Directorate: Corporate

Annexures:

A – Proposed Schedule of Meetings

B – Audit and Risk Committee Indicative Work Program

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

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Yes

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No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

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Yes

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No

Reason – Nil

PURPOSE

The purpose of this item is to seek the Audit and Risk Committee's review of a proposed Schedule of Meetings and Audit and Risk Committee Indicative Work Program.

BACKGROUND / DISCUSSION

Schedule of Meetings

The Audit and Risk Committee Terms of Reference provides that an annual schedule of meetings (which may include at least one joint workshop with Council) will be developed and agreed by Committee Members.

In considering Council's strategic and financial management processes, Committee Members' feedback is sought on the following schedule for the next 12 months.

- Monday 3 April 2023
- Monday 8 May 2023
- Monday 17 July 2023
- Tuesday 3 October 2023 (recommend in person, to coincide with a joint workshop with Council to be confirmed)
- Monday 5 February 2024

It is proposed that all meetings commence at 11am to allow those Members available to attend in person adequate travel time to and from Whyalla. The location of all meetings will be the Council's Civic Building, with attendance by Members also able to be facilitated electronically.

Annual Work Program

Setting an annual work program helps to ensure the Audit Committee addresses the scope of activities identified in the Local Government Act 1999 and the Committee's Terms of Reference. It ensures the workload of the Committee is planned, managed and resourced.

Annexure B outlines an indicative work program over the next 12 months. The Committee's feedback on the program is now sought.

RECOMMENDATION

The Audit Committee:

1. 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. The Audit and Risk Committee notes the indicative work program for 2023

“ANNEXURE A”

WHYALLA CITY COUNCIL AUDIT AND RISK COMMITTEE

INDICATIVE MEETING SCHEDULE AND WORK PROGRAM - 2023

Schedule of Ordinary Meetings	
Monday 3 April 2023 at 11am	
Monday 8 May 2023 at 11am	
Monday 17 July 2023 at 11am	
Tuesday 3 October 2023 at 11am	In person, to include joint workshop with Council at 5.30pm
Monday 5 February 2024 at 11am	

Indicative Work Program

Monday 27 February 2023

ToR ref	Topic	Action	Refer item
9.1.3	Business Arising, including progress against external review recommendations	Note	1.5
9.1.10	Review of Audit Committee Terms of Reference	Recommend	2.1
6.10, 6.11, 6.13	Schedule of Meetings and Work Program	Adopt	2.2
9.3	Annual Business Plan & Budget Parameters & Process 2023-24	Note	3.1
9.2, 9.3	2 nd Quarter Budget Review	Note	3.2
9.1.6	Internal Financial Controls – Self Assessment	Note	3.3
9.1.10	Systems Modernisation – Confidential	Recommend	4.1

Monday 3 April 2023

ToR ref	Topic	Action	Refer item
9.1.3	Business Arising, including progress against external review recommendations	Note	
9.1.2	2023-24 Draft Annual Business Plan and Budget	Recommend	
9.1.10	Airport operating result	Note	
9.1.7	Proposed approach to internal audit and service reviews	Recommend	
9.1.6	Any finance policies due for review	Recommend	
9.1.3	Any external review reports for review	Recommend	

Monday 8 May 2023

ToR ref	Topic	Action	Refer item
9.1.3	Business Arising, including progress against external review recommendations	Note	
9.1.8	Progress report on Council's Risk Management program, Risk Management Action Plan & Monitoring tool	Note	
9.1.8	Progress report on Council's Business Continuity Plan	Note	
9.1.6	Information report on insurance activity	Note	
9.1.2	Information report on ESCOSA requirements	Note	
9.1.10	Quarterly Procurement Report	Note	
9.1.6	Review schedule for all Finance Policies	Note	
9.2, 9.3	3 rd Quarter Budget Review	Recommend	
9.1.3	Any external review reports for review	Recommend	

Monday 17 July 2023

ToR ref	Topic	Action	Refer item
9.1.3	Business Arising, including progress against external review recommendations	Note	
9.1.8	Council Risk Management Plan – Strategic	Adopt	
9.1.8	Councils Risk Management Plan – Operational	Adopt	
9.1.10	Quarterly Procurement Report	Note	

9.1.5	Receive the independent auditor's interim report for 2022-23.	Note	
9.1.10	Application for new loan	Recommend	
9.1.2	Rating review considerations	Recommend	
6.6	Audit and Risk Committee bi-annual review of ToR and Performance	Adopt / recommend	
9.1.6	Any finance policies due for review	Recommend	
9.1.3	Any external review reports for review	Recommend	

Tuesday 3 October 2023

ToR ref	Topic	Action	Refer item
9.1.3	Business Arising, including progress against external review recommendations	Note	
9.1.10	Quarterly Procurement Report	Note	
9.1.1	Review 2022-23 Annual Financial Statements	Recommend	
9.1.5	Meeting with Council's external auditors in-camera on the outcome of the 2022-23 Audit Program	Note	
9.1.5	Receive the independent auditor's final report for 2022-23.	Note	
9.1.7	Reviewing the CEOs report on the effectiveness and improvement of internal control.	Note	
9.1.2	Review of the LTFP and Asset Management Strategy	Recommend	
7.4	Audit & Risk Committee Annual Report to Council	Recommend	
9.2, 9.3	1 st Quarter Budget Review	Recommend	
9.1.10	Review of Council Investments and Loans	Note	

Tuesday 3 October 2023

ToR ref	Topic	Action	Refer item
6.13	Joint workshop with Council – risk appetite and profile (tbc)	Note	

Monday 5 February 2024

ToR ref	Topic	Action	Refer item
9.1.3	Business Arising, including progress against external review recommendations	Note	
6.10, 6.11, 6.13	Schedule of Meetings and Work Program	Adopt	
9.3	Annual Business Plan & Budget Parameters & Process 2024-25	Note	
9.1.6	Internal Financial Controls – Self Assessment	Note	
9.1.10	Quarterly Procurement Report	Note	
9.2, 9.3	2 nd Quarter Budget Review	Recommend	
9.1.6	Review schedule for all Finance Policies	Note	

CORPORATE SERVICES

3.1 2023/24 Annual Business Plan & Budget Process and Parameters

Audit Committee Meeting: 27 February 2023

Author's Title: Manager Finance

File No.: 0-216

Directorate: Corporate

Annexures

A – 2021 Community Survey Outcome

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

☐

Yes

☒

No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐

Yes

☒

No

Reason – Not applicable

PURPOSE

To provide the Audit & Risk Committee information on the adopted process for the development of the 2023/24 Annual Business Plan and Budget and the adopted parameters that will guide this.

SUMMARY

Three workshops will be held with Council Members, to formulate the draft 2023/24 Annual Business Plan and Budget (ABP&B) for public consultation. These will be held from late February to mid-March 2023.

The draft will be reviewed by the Audit & Risk Committee before consultation, from late-April to late-May. A Special Council Meeting will be held in late May, to allow the outcomes of public consultation to be incorporated into the final draft to be prepared for adoption at the June Council Meeting.

The budget is not developed in isolation, but instead should bring together information from a number of relevant sources to ensure that Council allocates its limited resources in the most effective and efficient manner.

RECOMMENDATION

The Audit & 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.

3.1 2023/24 Annual Business Plan & Budget Process and Parameters

REPORT

BACKGROUND

The 2023/24 budget process has been designed to continue with improvements made over the past two years. Areas that received positive feedback from Council Members included the increased use of storytelling, to help the community understand the position that Council and the City are in, as well as the use of focus group sessions.

To ensure that the budget is developed in a manner consistent with Council's priorities and needs, the first step involved is agreeing on a set of underlying parameters, so that everyone is working towards the same goals.

Council reviewed and adopted both the process and the parameters at their meeting held 12 December 2022.

DISCUSSION

Adopting a process and timeline for the development of Council's 2023/24 ABP&B, is an important step in ensuring adequate deliberation by both Council and the community in setting priorities and associated budgets for the 2023/24 year.

Based on legislative requirements as well as good practice, the following is the adopted process and timeline:



As will be noted, three workshops will be held with Council Members, allowing in-depth discussion to assist with the formulation of the draft 2023/24 ABP&B. They will occur on the following dates, with 1 of these dates aligning with the current briefing schedule:

- Monday 27 February 2023 – Operating Budget
- Monday 6 March 2023 – Capital Program
- Tuesday 14 March 2023 – Rating Policy

This is in line with the workshop schedule for the previous budget cycle. While each of the workshops will have a different primary focus as shown, any budget topics can be touched upon during any of the sessions.

The draft 2023/24 ABP&B will be presented to the Audit Committee at a Special Meeting, proposed for Monday 3 April 2023. The draft will then be presented to Council at their April meeting, with consultation to run from Thursday 27 April to Monday 22 May 2023.

An informal information evening will be held at the Mount Laura Homestead Museum on Tuesday 2 May 2023. This is early in the consultation period, to allow for the delivery of messaging to interested residents. A second session is also proposed to be held a fortnight later on Tuesday 16 May 2023, to answer any questions that may have arisen during the consultation period.

As per the last two years, focus group sessions will be included within the consultation process. This allows for a more representative cross-section of the community to be involved in discussing key areas of the budget considerations and provide feedback in a slightly less formal setting than a public forum. The group is selected by an external company, using proprietary data and involves the participants being compensated for their time. The feedback was that this was a very worthwhile activity that should be again carried out. The date of Tuesday 9 May 2023 has been put aside for this to occur.

The public will be able to make verbal representations or submit questions for the Council meeting on Monday 22 May 2023. An initial consultation report will also be presented at this meeting.

A Special Council Meeting will be held on Monday 29 May 2023, to allow for Council to give direction to administration on the final draft version of the ABP&B, to prepare for adoption at the Council Meeting on Monday 19 June 2023. The final report on public consultation will be presented at this meeting. It is envisioned that Council would suspend meeting procedures during the Special Meeting to allow for an in-depth discussion on how the feedback from public consultation can be incorporated into the adopted plan.

In addition to the external budget process, processes are run internally for the development of the initial budget. Each Business Unit will develop workplans, that take into account things such as legislative requirements, process improvement and upcoming opportunities, as well as the delivery of adopted Council plans. This assists each Business Unit to articulate and report on how they are supporting the delivery of Council's strategy.

The ABP&B is a key document that outlines how Council will deliver on its strategic direction and operational requirements for the coming year. The budget is not developed in isolation, but instead should bring together information from a number of relevant sources to ensure that Council allocates its limited resources in the most effective and efficient manner.

Some of the key areas that will be integral in the development of the ABP&B are discussed further below. The budget parameters include either direct or indirect reference to these key considerations.

Strategic Management Plans

The ABP&B should be viewed as a one year “slice” of Council’s overall delivery of its strategic direction. For this reason, the ABP&B is developed to be consistent with Council’s Strategic Plan, Asset Management Strategy and Long Term Financial Plan (LTFP). In line with the review of the ABP&B, all LTFP projections will also be updated and presented to Council, to ensure that this consistency remains in place.

Annual Community Survey

Council undertook a Community Survey for the second time near the end of 2021 that sought high level feedback on how Council is performing against the delivery of its strategic objectives. This information is useful in identifying areas that need attention, or perhaps need to be investigated in more detail with the community. While there were some changes between the two years, the results were consistent enough to suggest that the data is a good representation of the community’s opinion. The results are included as **Annexure A**. The survey was not held near the end of 2022 due to the election process, so the next survey is currently underway.

Key Performance Indicators

Council has adopted a suite of Key Performance Indicators (KPIs) for the Chief Executive Officer. These set out, at a high level, the areas that the organisation should be focusing effort on. It is important that the development of the ABP&B is consistent with these KPIs and allocates appropriate resources, to set the organisation up for success.

External Environment

A detailed scan of the external environment will be undertaken by Elected Members and Senior Management, to identify key threats and opportunities that Council need to be aware of and assigning resources towards. The areas of focus are:

- Political
- Economic
- Social
- Technology
- Legal
- Environment
- Relationships

Internal Environment

Each Business Unit will undertake a process to develop a detailed work plan, that will cover at least a 12-month period but will also look to identify upcoming items within the next 4 year timeframe. The development of these plans takes into account many internal factors such as; process improvement; resourcing and succession planning; current service offering; the customer experience; delivery of periodic (i.e. non-annual) tasks; and delivery of actions from adopted Council plans.

These plans will also take into account items identified within the other areas of consideration included here, based on which team/(s) they relate to.

Assumptions

Council's LTFP is built on a number of assumptions, which then flow into the development of the ABP&B. These assumptions need to be tested on an annual basis to ensure they are still appropriate and to update based on the most recent information available. The key assumptions include:

- Service Levels
- Rate Increase
- Wage Increase
- Consumer Price Index
- Interest Rates
- Capital Costs
- Ongoing Savings
- Other Income

After taking all of these considerations into account, the following parameters are proposed to form the basis for the development of the 2023/24 ABP&B:

- Support the achievement of the City of Whyalla's Strategic Direction.
- Address issues arising, and opportunities identified, from organisational effectiveness assessments/reviews.
- Reach a break-even operating position in the Long-Term Financial Plan by 2026/27 or earlier.
- Continue to improve the whole of life focus on assets in accordance with Council's Asset Management Strategy, with a priority on:
 - maintenance to ensure assets reach end of life; and
 - 100% funding of renewal at end of life except where a service level change has been specified, or where renewal would be inconsistent with an adopted Council plan or resolution.
- Review existing services and assets to ensure they meet prioritised community needs.
- Council only approve New/Upgrade Capital Projects where it has identified:
 - borrowing capacity to fund upfront cost; and
 - operating capacity to fund ongoing costs.
- Maintain predictability and stability in rating increases, in line with the LTFP.

These parameters are the same as those that were adopted in the previous year, as would normally be expected.

The parameter relating to returning to a break-even position by 2026/27 is not currently being met. When adopting the budget last year, Council noted that this was the case, but also noted that the changes happening in the city have the potential to address this issue, although the timing is not currently known.

Financial Implications

The main cost of consultation will be the proposed focus group sessions, with the cost to Council being approximately \$190 per attendee. Other costs are minor, such as advertising. All costs can be accommodated within the current budget.

The financial implications of the draft budget on Council's long term financial sustainability will be discussed in depth throughout the budget process and presented to Council at the time of commencing public consultation and again at adoption.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.2 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adapt to the changing needs and expectations of the community

Legislation

Council will prepare and consult on the draft 2023/24 Annual Business Plan and Budget in accordance with the following:

- *Local Government Act 1999;*
- *Local Government (Financial Management) Regulations 2011;* and
- Council's Public Consultation Policy.

Officer Direct or Indirect Interest – Nil

Risk Assessment

The outlined process ensures that Council exceeds all legislative requirements, allocating sufficient time to consider something as important as the annual budget. This will assist the decision-making process and reduce risk to Council.

Ensuring that the ABP&B is developed within a mutually agreed framework from the very beginning reduces the risk to Council, as it allows more time within the process to have detailed discussion around strategic priorities.

Financial risk will be considered as part of the outcomes of the budget process.

Social Considerations – Not applicable

Community Engagement

Council will conduct consultation on its draft 2023/24 Annual Business Plan and Budget in accordance with Section 123 of the *Local Government Act 1999*.

The public consultation period commences on Thursday 27 April 2023 and ends on Monday 22 May 2023. This will be communicated via Council's website, Facebook and a public notice in the local newspaper.

Work will be undertaken to ensure that the reasons for the proposed rate increase are clearly articulated to the community.

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

The budget process is similar to the overall structure from last year, with feedback received that the process worked well and achieved some good consultation outcomes.

The key areas considered in developing the budget parameters include Council's Strategic Management Plans, the results of the recent Annual Community Survey, adopted Key Performance Indicators, a comprehensive scan of Council's external & internal environments and the underlying assumptions. This ensures that the ABP&B is developed in a manner consistent with Council's priorities and needs.

2021-22 COMMUNITY PERCEPTIONS

COMMUNITY SURVEY

During late 2021, Council undertook its second annual survey, focused on understanding our community's perception of the city. These results have been compared to the initial survey from a year earlier to identify trends. These results, and the related commentary received, form an important input into Council's planning process and provide feedback on how the objectives within the Strategic Plan 2021-2030 are being met.

SCORE - expressed in percentages (rounded and therefore resulting in slight variations in totals)		Weighted Score -/5	Trend
OUR PEOPLE - a safe and engaged community, which is healthy, culturally and socially rich			
Pride	Proportion who say they feel proud of Whyalla	3.66	↑
Safe, Healthy, Connected	Proportion who say they feel safe, healthy and connected to their community	3.28	↓
AVERAGE		3.47	---
OUR PLACES - protecting our natural environment and enhancing our built environment			
Attractive and creative city	Proportion who say they have great memories of Whyalla's parks, gardens, public buildings and infrastructure	3.82	↑
Activated	Proportion who say Whyalla's parks, gardens, public buildings and infrastructure are well used and reflect community needs	3.52	↓
Sustainable environment	We look after our natural environment, effectively protecting it for us now and for future generations	3.26	↓
AVERAGE		3.54	---
OUR ECONOMY - Whyalla has a diverse and sustainable economy			
Growing	New businesses in Whyalla	3.21	↑
Learning, working, staying	Higher education enrolments, higher education retention	3.28	---
AVERAGE		3.25	↑
OUR IMAGE - Whyalla is respected and recognised as a strong community with a bright, positive and long-term future			
Belonging	Would you recommend Whyalla as a place to live? (Net Promoter Score)	*-20	---
	Would you recommend Whyalla as a place to do business? (Net Promoter Score)	*-39	↑
AVERAGE		-30	---
OUR LEADERSHIP - we are a City confident in its leaders			
Strategic Accountable Engaged Modern	Proportion who say Council delivers value for the rate dollar	2.73	↑
	Proportion who are satisfied with Council services	3.39	↑
	Proportion who say it takes little effort to do business with Council	3.20	---
	Proportion who are satisfied with their experience in dealing with Council	3.22	---
	Proportion who say Council is engaging with residents, ratepayers, community groups, visitors	3.05	↓
	Proportion who say Council is exciting, modern and embracing change	2.92	↑
AVERAGE		3.09	↑

* Net Promoter Score (NPS) measures how likely respondents are to recommend something. NPS is a score between -100 and 100, and is calculated using the percentage of promoters minus the percentage of detractors.

Promoters are those who score 9 or above while detractors are those who score 6 or below, with the remainder being considered neutral.

Corporate

3.2 Budget Review 2022-23 Quarter 2

Audit Committee: 27 February 2023
Author's Title: Manager Finance
Director: Corporate

File No.: 0-159

Annexures:

Annexure A – Budget Review 2022-23 Quarter 2

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

To provide an updated projection of Council's operating and capital budgets for the 2022-23 financial year, identifying any variations sought to Council's original budget and the cumulative financial implications.

SUMMARY

The Quarter 2 Budget Review identifies all known variances to Council's 2022-23 budget at this stage, with a number of large variances negatively impacting on Council's financial position.

All together these large variances negatively impact Council's operating result by almost \$1.1 million in the current year. Council's deficit doesn't increase by this large amount, because at the same time the Phase 3 Local Roads and Community Infrastructure funding is being moved from capital to operating.

Work will be undertaken over the coming months to identify any possible savings from the current year's budget that could be used to offset these impacts. Further work will also be required during the upcoming budget process to address Council's long term financial position. Another important factor in identifying ongoing savings is the Service Review schedule, which is currently being developed.

RECOMMENDATION

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

3.2 Budget Review 2022-23 Quarter 2

REPORT

BACKGROUND

Regulation 9(1)(b) of the *Local Government (Financial Management) Regulations 2011*, requires a budget review report to include a revised forecast of the Council's operating and capital investment activities compared with estimates set out in the budget.

This report was presented to Council at their meeting held 20 February 2023. In normal circumstances the Audit and Risk Committee would review this information and recommend it be submitted to Council for adoption. However, the formation of the new committee has delayed the first meeting of the new year. If Council was to adopt the Second Quarter Budget Review at the March Council Meeting, this would be later than the deadline of 15 March set out in the *Local Government (Financial Management) Regulations 2011* for this item.

DISCUSSION

The Budget Review comprises the following statements:

1. key financial indicators;
2. explanation of material variances;
3. uniform presentation of finances; and
4. financial statements.

Refer **Annexure "A"** – Budget Review 2022-23 Quarter 2

The budget review includes a number of notable cost increases that individually could be managed and offset, but collectively are having a material impact on Council's financial position for this year.

The three major impacts on Council's operating result are:

- Allowance for relocation (\$400,000) – It has previously been reported to Council that while work had commenced to plan for the temporary relocation to the Edward John Eyre High School site, that a budget allocation had not yet been made to cover this. Now that this planning has progressed, an estimate is able to be made about what the cost of the move will be. This allowance has been included in the budget to allow the required works to progress when required, noting that a separate report will be brought to Council outlining the costs in detail and seeking Council's approval before this occurs. This report is currently anticipated to be presented to Council on 14 March 2023.
- Waste costs (\$330,000) – Waste tonnages have been rising over the last few years, putting pressure on the overall cost of providing waste services. There has also been a higher utilisation of the hard waste service and an increase in illegal dumping. For the current year there was an additional pressure, as a portion of the contract price is linked to the fuel price index, which was well above CPI in June. This should reverse next year.

- Electricity costs (\$300,000) – Council’s previous electricity agreement came to an end in December 2022. As has occurred previously, the tender for a new contract was handled centrally by Local Government Procurement. The contract is split into two parts, for small and large sites. Unfortunately, the tender occurred during a time of turmoil in wholesale electricity markets and there were few companies willing to quote prices for large sites. This resulted in prices for supply that were in some cases 3 times what they had previously been. As a result, only a 6-month contract was entered into, with a subsequent process over the coming months expected to yield much better results.
- Animal Management costs (\$50,000) – This is having a major ongoing impact, as the annual cost of this service has risen substantially with the new contract. The full impact is not felt in the current year, as the price phases in over a three-year period. Changes to animal management laws are expected over the coming years, and when other Councils start feeling the budget pressures that we are, there may be an opportunity to advocate for support at sector level. In the meantime, administration will look to implement strategies from the Animal Management Plan aimed to reduce the overall costs of animal management. This is discussed in a separate report in this agenda.

All together these items negatively impact Council’s operating result by almost \$1.1 million in the current year. Council’s deficit doesn’t increase by this large amount, because at the same time the Phase 3 Local Roads and Community Infrastructure funding is being moved from capital to operating. It should be noted though, that this change has no impact on Council’s cashflow, so the \$1.1 million impact is actually the more pertinent figure.

In addition to this, there is a net increase in overall capital expenditure of \$150,000, relating to the airport runway project. This project has now been completed, pending some minor defect rectification and was brought in within 2% of budget.

Projected borrowings for the current year actually drop by \$1.8 million from the change in this review. However, once the \$3 million of project expenditure retimed to 2023-24 is taken into account, it can be seen that ongoing borrowings have actually increased by \$1.2 million.

Work will be undertaken over the coming months to identify any possible savings from the current year’s budget that could be used to offset these impacts. Further work will also be required during the upcoming budget process to address Council’s long term financial position. Another important factor in identifying ongoing savings is the Service Review schedule, which is currently being developed.

Financial Implications

Budget 2022-23 Impact

If approved by Council, these amendments will:

- increase Council’s operating deficit by \$278,000 to a projected \$2.51 million;
- deteriorate Council’s Operating Deficit Ratio, from (6%) to (7%);
- decrease Council’s Net Financial Liabilities Ratio from 70% to 63%; and
- decrease Council’s Asset Renewal Funding Ratio from 166% to 141%.

Council is outside target range for the Adjusted Operating Ratio. This was already the case for the original budget but has worsened over the financial year.

The Net Financial Liabilities Ratio is within target range. The Asset Renewal Funding Ratio is above target range due to projects carried forward from previous years.

Long Term Financial Plan (LTFP) Impact

Council's operating results in future years are negatively impacted by approximately \$180,000 per annum, primarily due to increased costs of animal management under the new agreement as well as higher interest from higher projected borrowings. The Net Financial Liabilities Ratio is estimated to peak at 74% in 2023-24, previously projected to peak at 72% in the same year. Borrowings are estimated to be at \$28.8 million in 2023-24, and after staying fairly stagnant for a number of years, will begin increasing in the second half of the plan.

Airport

The airport's operating result has been negatively impacted by \$203,000 for the current year, due primarily to an increase in labour costs and higher interest rates.

The airport's ongoing operating result has been negatively impacted by approximately \$160,000 per annum, due to an increase in labour costs and higher interest on increased borrowings. The labour cost increase is the result of an internal transfer of labour from within Council's overall wage budget, which is why this increase is not reflected in the overall analysis above.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Regularly inform the community of Council activities, decisions and actions by promoting positive stories and positive image

Strategy 1.1.2 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adapt to the changing needs and expectations of the community

Legislation

The Budget Review has been prepared in accordance with S 9(1)(b) of *the Local Government (Financial Management) Regulations 2011*.

Officer Direct or Indirect Interest – Nil

Risk Assessment

Legislative risk is minimised as Council will have reviewed its budget in line with the Local Government Act 1999 and Local Government (Financial Management) Regulations.

The financial impacts recognised within this review represent a Moderate risk to Council, due to their cumulative value. While many of the larger impacts are currently one-off, some such as waste costs have the potential to be an ongoing cost pressure that will need to be sufficiently addressed.

Social Considerations – Not applicable

Community Engagement – Nil

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

Overall, the identified variances to Council's budget are considered to be material, but are largely of a one off nature. The impacts on the Long-Term Financial Plan will need to be carefully considered during the upcoming budget process.

BUDGET REVIEW 2022-23 2nd Quarter

KEY FINANCIAL INDICATORS	Target	Note	Original Budget 2022-23	Amendments 2022-23	Current Budget 2022-23	Proposed Amendments 2022-23	Projected Total 2022-23	Note	Estimated Budget 2023-24	Estimated Budget 2024-25	Estimated Budget 2025-26
Council (including Airport)		1						2			
Operating Surplus/(Deficit) - \$'000			(1,943)	(289)	(2,232)	(278)	(2,510)		(2,666)	(2,169)	(2,003)
Adjusted Operating Surplus/(Deficit)* - \$'000			(1,943) ●	(289)	(2,232) ●	(278)	(2,510) ●		(2,666) ●	(2,169) ●	(2,003) ●
Adjusted Operating Surplus/(Deficit) Ratio - %	(2)% - 1%		(5%) ●	(1%)	(6%) ●	(1%)	(7%) ●		(7%) ●	(5%) ●	(5%) ●
Net Financial Liabilities Ratio	< 80%		69% ●	1%	70% ●	(7%)	63% ●		76% ●	72% ●	70% ●
Asset Renewal Funding Ratio	90 - 110%		129% ●	37%	166% ●	(25%)	141% ●		128% ●	101% ●	104% ●
Whyalla Airport											
Operating Surplus/(Deficit) - \$'000		9	(795) ●	199	(596) ●	(203)	(799) ●		(895) ●	(771) ●	(761) ●
Operating Surplus/(Deficit) Ratio - %	1% - 6%		(25%) ●	6%	(19%) ●	(12%)	(31%) ●		(33%) ●	(26%) ●	(24%) ●
Net Financial Liabilities Ratio - %	< 250%		216% ●	8%	224% ●	62%	286% ●		285% ●	266% ●	250% ●

KEY

In target range ● Above target ● Below target ●

* The Adjusted Operating Surplus/(Deficit) removes the impact of timing differences in the receipt of Financial Assistance Grant income and is considered to provide a more meaningful measurement of Council's underlying financial position.

Note Explanations – 2022-23 Quarter 2:

1. The adjusted operating deficit is expected to increase by \$278,000 to \$2.51 million. The Adjusted Operating Deficit Ratio deteriorates from (6%) to (7%). The Net Financial Liabilities Ratio decreases by 7% from 70% to 63%. The Asset Renewal Funding Ratio decreases by 25% from 166% to 141%, due to carry forward renewal projects.
2. Council's operating results in future years are negatively impacted by approximately \$180,000 per annum. This can be primarily attributed to the increase in costs for animal management under the new agreement and higher interest rates over the term of the plan from higher borrowings. The Net Financial Liabilities Ratio is estimated to peak in 2024 at 76%, but then will only drop slightly to 69% by the end of the plan. Borrowings are now estimated to be \$28.8 million in 2024 and after staying fairly stagnant for a number of years, begin increasing in the second half of the plan.
3. Operating income is expected to increase by \$1.09 million, which is attributed to:
 - An increase in user charges of \$155,000 due to:
 - an increase in childcare income of \$75,000 generated from an increase in occupancy rate at the centre, offset by increased staffing costs;
 - \$25,000 of income from the Whyalla Football League, contributing to the cost of running Bennett Oval;
 - increased admission income for the Maritime Museum of \$25,000;
 - increased cemetery income of \$20,000;
 - an increase in airport income of \$15,000; and
 - increased souvenir sales of \$15,000, offset by additional staffing costs.
 - An increase in grants & contributions of \$737,000 due to:
 - Local Roads and Community Infrastructure funding of \$935,000 being transferred from capital to operating;
 - Financial Assistance grant funding from the Federal Government being \$388,000 higher than projected;
 - a waste grant of \$43,000 to assist with the costs of transporting recyclables; offset by
 - a decrease of \$575,000 in the expected grant for airport screening, in line with the direct cost of providing the service;
 - a reduction in Star Club funding of \$30,000 due to the program ending; and
 - a reduction in Country Arts income of \$25,000, due to a grant funded position being temporarily vacant.
 - An increase in investment income of \$21,000 due to higher interest rates and a higher bonus received from the Local Government Finance Authority.
 - An increase in reimbursement income of \$68,000 due to Council incurring costs as host of the Regional Assessment Panel.
 - An increase in other income of \$113,000 due to:
 - income of \$40,000 for purchases of IT equipment oncharged to a third party;
 - \$27,000 of income from the rental of property to staff, offset by rental expenses; and
 - \$26,000 of sponsorship for the Whyalla Wings Day, offset by costs for the event.
4. Operating expenditure is expected to increase by \$1.37 million, this can be attributed to:
 - A decrease in labour costs of \$60,000 due to:
 - savings from vacant positions of \$120,000, which was used to fund labour hire;
 - a reduction of \$25,000 due to a vacant grant funded position being temporarily vacant; offset by
 - a \$70,000 increase in labour costs for the childcare centre due to increased occupancy, generating higher income; and
 - a \$15,000 increase in labour for the Visitor Information Centre, which is generating additional souvenir sale income.
 - An increase in contract, material and other costs of \$1.31 million due to:
 - a budget of \$400,000 being allocated to allow the relocation of the Civic Centre;
 - an increase in waste costs of \$109,000 due to higher tonnages of kerbside waste collections as well as more hard waste collections being booked;
 - an increase in electricity costs of \$300,000 for the next 6 months, due to the current contract coming to an end and issues in the wholesale electricity market making it impossible to find a competitive price for large sites;

- \$198,000 reallocated from capital to operating, due to the nature of the projects involved;
 - an increase in labour hire and consulting costs of \$120,000 to backfill vacant positions, offset by labour savings;
 - additional costs of \$68,000 incurred due to Council being the host for the Regional Assessment Panel, with these costs oncharged to the two other councils;
 - an increase in insurance costs of \$62,000, due to increased asset values and the addition of cybercrime cover for the first time;
 - increased fuel costs at the airport of \$50,000, due to increased sales;
 - an increase of \$50,000 in the cost of animal rehoming services, based on year 1 of the new RSPCA agreement;
 - costs of \$40,000 incurred for the removal of rubbish from the old diary site. Council saved significant funds because the work to move rubble from the site was undertaken by the party about to lease the site at their cost;
 - purchases of IT equipment for a third party of \$40,000;
 - increased costs for rental properties for Council employees, with these costs recovered in their entirety;
 - increased costs for the Whyalla Wings event of \$26,000, covered by sponsorship;
 - legal costs of \$25,000 relating to an ongoing oval lighting issue;
 - increased costs of \$25,000 for the recent election, paid directly to the Electoral Commission;
 - the re-budgeting of \$25,000 on an operating project that was not completed in 2021-22, being a one-off updating of aerial photography for the entire Council region, rather than just the city. This amount was not spent last year, causing Council's operating result to be better than projected;
 - \$25,000 of additional costs for maintaining Bennett Oval;
 - an additional \$20,000 required to undertake asset valuation and condition assessments for transport assets, with a reduction in this budget next year for stormwater assets;
 - an increase in cemetery costs of \$20,000;
 - increased costs of \$15,000 for maintenance of the streetlighting network, paid to SA Power Networks; offset by
 - removal of the Star Club project line of \$30,000, due to funding being discontinued; and
 - a \$280,000 reduction in screening costs, based on passenger numbers and the updated contract cost.
 - An increase in depreciation expense of \$25,000, which is attributed to minor changes in the fleet.
 - An increase in interest expenses of \$100,000, due to interest rates increasing during the financial year more quickly than initially anticipated.
5. A decrease of \$941,000 in the outlay on existing assets due to:
- \$1.1 million of project expenditure carried forward to 2023-24 in line with updated project schedules, including \$500,000 for marina renewal works, \$500,000 for Recreation Centre Renewal and \$103,000 for the replacement of the Childcare Centre playground; offset by
 - an increase of \$97,000 in the plant replacement program cost, with the amount expected from sale of old items increasing by the same amount, leading to no net cost to Council; and
 - \$50,000 of urgent works required on the WEDB roof, brought forward from the 2023-24 program.
6. A decrease of \$2.84 million in the outlay on new and upgraded assets due to:
- \$2.08 million of project expenditure carried forward to 2023-24 in line with updated project schedules including \$789,000 for the Broadbent Terrace and Newton Street stormwater project, \$695,000 for Northern Coastline Projects and \$600,000 for the Childcare Centre Upgrade.
 - a reduction in the Cuttlefish Coast Sanctuary Project budget of \$862,000, due to a reduction in the grant funds to be claimed at this time and some expenditure needing to be transferred to operating;
 - \$58,000 moved to operating, as the current work on the lighthouse is more maintenance in nature; offset by
 - \$150,000 of additional budget for the finalisation of the runway project, with the total project cost coming in within 2% of budget; and
 - \$27,000 for the installation of CCTV at the depot, with this being funded by Local Government Risk.
7. A decrease of \$1.89 million in amounts received specifically for new and upgraded assets due to:
- Local Roads and Community Infrastructure funding of \$935,000 being transferred from capital to operating;
 - \$835,000 of funding for the Cuttlefish Coast Sanctuary Project not being claimed at this time;

- \$150,000 of grant funding being re-budgeted in 2023-24 in line with the updated project schedule for the Childcare Centre Upgrade; offset by
 - additional funding of \$27,000 from Local Government Risk for the installation at the Depot.
8. It is expected a reduction in borrowings of \$1.8 million will be required in 2022-23 to meet cash flow requirements, compared to previous projections. This is mainly a timing difference related to project outlays. Total borrowings at 30 June 2023 are projected to be \$23.4 million, \$1.6 million lower than projected by the adopted budget.
9. Whyalla Airport
- The operating deficit is expected to decrease by \$203,000 to \$799,000. The Operating Deficit Ratio is expected to deteriorates by 12% from (19%) to (31%). The Net Financial Liabilities Ratio increases from 224% to 286%.
 - The Airport's operating results in future years are negatively impacted by approximately \$160,000 per annum due to an increase in labour costs and higher interest from increased borrowings.
 - The change to the operating result of \$203,000 is due to:
 - \$111,000 of labour costs transferred from Council operations;
 - increased interest expense of \$40,000;
 - a net reduction in airport income of \$35,000, after taking into account that additional fuel income is offset by higher fuel costs; and
 - increased insurance costs of \$17,000, due to higher asset values.

WHYALLA CITY COUNCIL
BUDGET REVIEW 2022-23 2nd Quarter

UNIFORM PRESENTATION OF FINANCES	Note	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Note	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
OPERATING ACTIVITIES										
Operating Revenues	3	36,474	26	36,500	1,094	37,594		38,385	40,037	41,664
less Operating Expenses	4	(38,417)	(315)	(38,732)	(1,372)	(40,104)		(41,051)	(42,206)	(43,667)
Operating Surplus/ (Deficit)		(1,943)	(289)	(2,232)	(278)	(2,510)		(2,666)	(2,169)	(2,003)
CAPITAL ACTIVITIES										
Net Outlays on Existing Assets										
Capital Expense on renewal and replacement of Existing	5	(5,574)	(1,557)	(7,131)	941	(6,190)		(7,131)	(4,471)	(5,096)
add back Depreciation, Amortisation and Impairment		8,132	(140)	7,992	25	8,017		8,390	8,721	8,965
add back Proceeds from Sale of Replaced Assets		178	39	217	97	314		199	159	78
Net Outlays on Existing Assets		2,736	(1,658)	1,078	1,063	2,141		1,458	4,409	3,947
Net Outlay on New and Upgraded Assets										
Capital Expenditure on New and Upgraded Assets	6	(10,140)	(1,438)	(11,578)	2,842	(8,736)		(5,422)	(2,330)	(2,404)
add back Amounts received specifically for New and Upg	7	4,823	(930)	3,893	(1,892)	2,001		1,148	215	222
Net Outlays on New and Upgraded Assets		(5,317)	(2,368)	(7,685)	950	(6,735)		(4,274)	(2,115)	(2,182)
Net Lending/ (Borrowing) for Financial Year		(4,524)	(4,315)	(8,839)	1,735	(7,104)		(5,482)	125	(238)
Financing transactions associated with the above net overall deficit, or applying the overall net funding surplus are as follows:										
New Borrowings		7,300	1,650	8,950	(1,800)	7,150		5,400	100	200
Repayment of Principal		-	-	-	-	-		-	(300)	-
(Increase)/Decrease in Cash and Investments		49	145	194	(48)	146		7	-	(37)
Net Balance Sheet funding (debtors & creditors etc)		(2,825)	2,520	(305)	113	(192)		75	75	75
Financing Transactions	8	4,524	4,315	8,839	(1,735)	7,104		5,482	(125)	238

WHYALLA CITY COUNCIL

BUDGET REVIEW 2022-23 2nd Quarter

STATEMENT OF COMPREHENSIVE INCOME	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
INCOME								
Rates	23,696	-	23,696	-	23,696	25,505	26,658	27,812
Statutory Charges	409	-	409	-	409	434	447	460
User Charges	3,621	(34)	3,587	155	3,742	4,205	4,514	4,719
Grants, subsidies and contributions	7,708	60	7,768	737	8,505	7,085	7,211	7,415
Investment Income	12	-	12	21	33	12	12	12
Reimbursements	14	-	14	68	82	19	20	21
Other Income	1,014	-	1,014	113	1,127	1,125	1,175	1,225
TOTAL INCOME	36,474	26	36,500	1,094	37,594	38,385	40,037	41,664
EXPENSES								
Employee Costs	13,947	-	13,947	(60)	13,887	14,959	15,483	15,994
Materials, contracts & other expenses	15,934	455	16,389	1,307	17,696	16,631	16,825	17,473
Depreciation, amortisation & impairments	8,132	(140)	7,992	25	8,017	8,390	8,721	8,965
Finance Costs	404	-	404	100	504	1,071	1,177	1,235
TOTAL EXPENSES	38,417	315	38,732	1,372	40,104	41,051	42,206	43,667
OPERATING SURPLUS/(DEFICIT)	(1,943)	(289)	(2,232)	(278)	(2,510)	(2,666)	(2,169)	(2,003)
Amounts specifically for new or upgraded assets	4,823	(930)	3,893	(1,892)	2,001	1,148	215	222
Net gain (loss)	-	-	-	-	-	-	-	-
NET SURPLUS/(DEFICIT)	2,880	(1,219)	1,661	(2,170)	(509)	(1,518)	(1,954)	(1,781)
Other Comprehensive Income	13,676	-	13,676	-	13,676	16,071	11,244	10,848
TOTAL COMPREHENSIVE INCOME	16,556	(1,219)	15,337	(2,170)	13,167	14,553	9,290	9,067

WHYALLA CITY COUNCIL

BUDGET REVIEW 2022-23 2nd Quarter

STATEMENT OF FINANCIAL POSITION	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
ASSETS								
Current Assets								
Cash & Cash Equivalents	301	(145)	156	48	204	197	197	234
Trade & Other Receivables	9,385	(2,820)	6,565	-	6,565	6,565	6,565	6,565
Inventories	2,861	-	2,861	-	2,861	2,861	2,861	2,861
TOTAL CURRENT ASSETS	12,547	(2,965)	9,582	48	9,630	9,623	9,623	9,660
Non-current Assets								
Infrastructure, Property, Plant & Equipment	329,557	3,096	332,653	(3,905)	328,748	348,783	357,948	367,253
Other Non-Current Assets	4,810	-	4,810	(113)	4,697	4,597	4,497	4,397
TOTAL NON-CURRENT ASSETS	334,367	3,096	337,463	(4,018)	333,445	353,380	362,445	371,650
Total Assets	346,914	131	347,045	(3,970)	343,075	363,003	372,068	381,310
LIABILITIES								
Current Liabilities								
Trade and Other Payables	3,731	(300)	3,431	-	3,431	3,431	3,431	3,431
Short Term Borrowings	100	-	100	(100)	-	300	-	-
Short Term Provisions	2,719	-	2,719	-	2,719	2,719	2,719	2,719
TOTAL CURRENT LIABILITIES	6,550	(300)	6,250	(100)	6,150	6,450	6,150	6,150
Non-Current Liabilities								
Long Term Borrowings	23,450	1,650	25,100	(1,700)	23,400	28,500	28,600	28,800
Long Term Provisions	1,049	-	1,049	-	1,049	1,024	999	974
TOTAL NON-CURRENT LIABILITIES	24,499	1,650	26,149	(1,700)	24,449	29,524	29,599	29,774
Total Liabilities	31,049	1,350	32,399	(1,800)	30,599	35,974	35,749	35,924
NET ASSETS	315,865	(1,219)	314,646	(2,170)	312,476	327,029	336,319	345,386
EQUITY								
Accumulated Surplus	50,924	(1,219)	49,705	(2,170)	47,535	46,017	44,063	42,282
Asset Revaluation Reserve	264,266	-	264,266	-	264,266	280,337	291,581	302,429
Reserves	675	-	675	-	675	675	675	675
TOTAL EQUITY	315,865	(1,219)	314,646	(2,170)	312,476	327,029	336,319	345,386

WHYALLA CITY COUNCIL
BUDGET REVIEW 2022-23 2nd Quarter

STATEMENT OF CHANGES IN EQUITY	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
Accumulated Surplus								
Balance at Beginning of Period	48,044	-	48,044	-	48,044	47,535	46,017	44,063
Change in financial position resulting from operations	2,880	(1,219)	1,661	(2,170)	(509)	(1,518)	(1,954)	(1,781)
Transfers from Other Reserves	-	-	-	-	-	-	-	-
Transfers to Other Reserves	-	-	-	-	-	-	-	-
Balance at End of Period	50,924	(1,219)	49,705	(2,170)	47,535	46,017	44,063	42,282
Asset Revaluation Reserve								
Balance at Beginning of Period	250,590	-	250,590	-	250,590	264,266	280,337	291,581
Revaluation Increment	13,676	-	13,676	-	13,676	16,071	11,244	10,848
Balance at End of Period	264,266	-	264,266	-	264,266	280,337	291,581	302,429
Other Reserves								
Balance at Beginning of Period	675	-	675	-	675	675	675	675
Transfers to Accumulated Surplus	-	-	-	-	-	-	-	-
Transfers from Accumulated Surplus	-	-	-	-	-	-	-	-
Balance at End of Period	675	-	675	-	675	675	675	675
TOTAL EQUITY AT END OF REPORTING PERIOD	315,865	(1,219)	314,646	(2,170)	312,476	327,029	336,319	345,386

WHYALLA CITY COUNCIL
BUDGET REVIEW 2022-23 2nd Quarter

STATEMENT OF CASH FLOWS	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts								
Operating Receipts	33,562	2,546	36,108	1,073	37,181	38,373	40,025	41,652
Investment Income	12	-	12	21	33	12	12	12
Payments								
Operating Payments	(29,806)	(455)	(30,261)	(1,134)	(31,395)	(31,515)	(32,233)	(33,392)
Finance Costs	(404)	-	(404)	(100)	(504)	(1,071)	(1,177)	(1,235)
Net Cash provided by (or used in) Operating Activities	3,364	2,091	5,455	(140)	5,315	5,799	6,627	7,037
CASH FLOWS FROM INVESTMENT ACTIVITIES								
Receipts								
Amounts specifically for new or upgraded assets	4,823	(930)	3,893	(1,892)	2,001	1,148	215	222
Sale of replaced assets	178	39	217	97	314	199	159	78
Payments								
Purchase of Renewal/Replacement Assets	(5,574)	(1,557)	(7,131)	941	(6,190)	(7,131)	(4,471)	(5,096)
Purchase of New/Expansion Assets	(10,140)	(1,438)	(11,578)	2,842	(8,736)	(5,422)	(2,330)	(2,404)
Net Cash provided by (or used in) Investing Activities	(10,713)	(3,886)	(14,599)	1,988	(12,611)	(11,206)	(6,427)	(7,200)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Proceeds from Borrowings - Council	7,300	1,650	8,950	(1,800)	7,150	5,400	100	200
Payments								
Repayment of Borrowings	-	-	-	-	-	-	(300)	-
Net Cash provided by (or used in) Financing Activities	7,300	1,650	8,950	(1,800)	7,150	5,400	(200)	200
Net Increase (Decrease) in Cash Held	(49)	(145)	(194)	48	(146)	(7)	-	37
Cash & cash equivalents at beginning of period	350	-	350	-	350	204	197	197
Cash & cash equivalents at end of period	301	(145)	156	48	204	197	197	234

CORPORATE

3.3 Internal Financial Controls – Self-Assessment

Audit Committee Meeting: 27 February 2023
Author's Title: Manager Finance
Director: Corporate

File No.: 0-159

Annexures

A – List of controls requiring action

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

☐

Yes

☒

No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐

Yes

☒

No

Reason – not applicable

PURPOSE

To inform the Audit & Risk Committee of the outcome of the self-assessment of internal financial controls undertaken in late 2022.

SUMMARY

The annual self-assessment of internal financial controls was undertaken in late 2022 in line with the relevant policy and shows that Council's system of internal controls is operating effectively. A number of areas for improvement were identified, with these being areas that have already previously been identified and improvements are taking place over an extended period.

RECOMMENDATION

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

3.3 Internal Financial Controls – Policy Review and Self-Assessment

REPORT

BACKGROUND

In accordance with section 125 of the *Local Government Act 1999*, Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained.

The process used to undertake annual self-assessments of Council's internal financial controls was endorsed by the Audit Committee at their meeting in July 2021. This process compliments the work undertaken by Council's external auditor and provides increased confidence that controls are being applied consistently. The process used is in line with the *Better Practice Model—Internal Financial Controls*, as is required by the *Local Government (Financial Management) Regulations 2011*.

DISCUSSION

In October and November 2022, the annual self-assessment process was undertaken. Both the annual and triennial control review groups were reviewed as part of this cycle, covering controls rated as extreme, high or low. The biennial control review group was last reviewed in 2012, covering controls rated as moderate.

Full details of the 2022 Control Self-Assessment will be issued to members under separate cover, showing the officers involved, the rated level of effectiveness and the reasons given for this.

Of the controls assessed, the following rating were given:

Rating	Assessor	Reviewer
Effective	90	91
Majority effective	26	28
Partially effective	5	3
Requires significant improvement	1	0
Ineffective	0	0

Refer Annexure A – List of controls requiring action

This shows that Council's system of internal controls is operating effectively, in line with the assessments undertaken by Council's external auditor. A total of 3 controls were rated as partially effective or lower, meaning that action is required to be taken to improve these controls. In addition to this, there are 8 controls from last year's assessment that still need further action.

None of the identified issues are of particular concern, being mostly areas that have been identified as needing overall process improvements, rather than acute issues likely to cause loss to Council. This includes the areas of procurement, policies, project management and training. Other minor changes to documented processes have also been identified. None of

the deficiencies identified pose a serious risk to Council. The actions will continue to be worked on and will also be assessed by Council's External Auditor.

Financial Implications

There are no direct costs related to this process, as all work was undertaken internally using existing resources. Some of the action plans for improvement may require some additional resources to implement. These will be identified as the actions are progressed and reported through normal budgeting processes as required.

Legislation

Section 125 *Local Government Act 1999*

Section 10A *Local Government (Financial Management) Regulations 2011*

Officer Direct or Indirect Interest – Nil

Risk Assessment

The system of internal financial control is a key risk mitigation factor for Council and is considered important enough that the external auditor provide a separate opinion on how it is operating. Undertaking a self-assessment provides additional confidence to the external auditor that the system is operating as intended, and also provided additional opportunities for improvement, to reduce risk further over time.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication - Nil

Conclusion

The annual self-assessment for internal financial controls was recently undertaken and shown that Council's system of internal controls is operating effectively. A number of areas for improvement were identified, with these being areas that have already previously been identified and improvements are taking place over an extended period.

	Risk	Control	Control Effectiveness	Comments	Action Required
2.4.1	KPIs are not consistent with Corporate Objectives and accounting policies adopted by Council are not adhered to by Council administration	2 Council has a suite of accounting policies and procedures that are regularly reviewed, and updates are communicated to appropriate personnel.	Partially effective	Policies are up to date as per review schedule, but a review of internal procedures is required.	A review of internal accounting procedures is required to ensure they are up to date.
3.8.2	Appropriate approvals are not received for the establishment and changes in project scope or costs	2 Processes are in place for establishing and changing project scope and budgets with approvals in accordance with Delegations of Authority.	Partially effective	Process for changing project scope is improving, with the implementation of monthly meetings where any issues with Projects can be discussed with the whole Leadership. In addition, project groups have been developed for higher risk projects. Agree that their aren't issues with things being done outside delegation, it is the opposite where too many decisions require high	A review of the overall project approval process is required, particularly around the robustness of early scoping requirements.
5.3.1	The fee charged does not reasonably reflect the value of the services provided	2 Regular reviews are conducted to ensure formal lease agreements and other Council facilities contracts are being met and payments are made on time.	Partially effective	Processes in place, but more resources likely required to meet all requirements.	A formal review of Council's leases is in progress.
6.3.2	Elected Members obtain unauthorised private benefit from Council	2 Where use of public assets or services by Elected members is identified debtors invoice is raised for reimbursement	Requires significant improvement	Invoices cannot be raised if officers are not advised of benefits provided.	Need to develop more robust procedure for this process, noting that this has not been identified as an area that is likely to be being misused.
6.4.2	Credit Cards are used for purchases of a personal nature	4 Cardholders must check their statement to ensure all transactions are correct and identify any transactions of a personal nature which must be reimbursed to Council.	Partially effective	Ongoing Improvement required re providing tax invoices and documentation in a timely manner.	Additional communication required for card holders around requirements.
7.1.1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process	1 There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement	Partially effective	Current process is robust and results in good outcomes for Council, but an easier process for recording the decision making process would increase transparency.	Review of Procurement Framework currently underway.
7.1.1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process	2 The selection panel is made up of appropriate personnel who have declared any relevant conflict of interest to ensure that informed and objective decision is made	Partially effective	The process needs to be more prescriptive of requirements.	Review of Procurement Framework currently underway.
7.1.1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process	5 There is a contract management process in place throughout the term of the contract to ensure that supplier/contractor meet their obligations.	Partially effective	The contract management process requires improvements, as this is often an oversight, particularly for ongoing contracts.	Review of contract management processes need to be reviewed, particularly for high risk contracts.
7.1.2	Council does not obtain value for money in relation to its Contracting	2 Tender Documents are kept securely.	Partially effective	Need to ensure that access to the applicable folder is restricted.	Review of access levels in procurement to be undertaken.
8.1.3	Staff are not aware of their responsibilities to ensure good governance including compliance with policies, procedures and relevant legislation	1 There is a process to ensure staff are aware of policies and procedures referenced in the Better Practice Model.	Partially effective	Regular training regime required to ensure that this is always up to date.	Training program has been developed and will be implemented over the coming months.

	Risk	Control	Control Effectiveness	Comments	Action Required
8.1.3	Staff are not aware of their responsibilities to ensure good governance including compliance with policies, procedures and relevant legislation	2 There is a process in place for staff to be made aware of the Code of Conduct and Conflict of Interest.	Partially effective	Regular training regime required to ensure that this is always up to date.	Training program has been developed and will be implemented over the coming months.

CORPORATE

4.1 Systems Modernisation Project **Confidential**

Audit Committee Meeting: 27 February 2023
Author's Title: Director Corporate
Director: Corporate

File No.: 0-159

Annexures

- A – Systems Modernisation Project – Scope of Works
- B – Systems Modernisation Project – Key Outcomes Sought
- C – Presentation by KAW Consulting

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

☐

Yes

☒

No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☒

Yes

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No

Reason – Matters affecting the security of the Council.

RECOMMENDATION

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.