

NARACOORTE LUCINDALE COUNCIL

MINUTES FOR AUDIT COMMITTEE MEETING HELD ON
16 April 2019

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NARACOORTE LUCINDALE COUNCIL

MINUTES FOR AUDIT COMMITTEE MEETING HELD ON 16 April 2019

COMMENCED: Meeting commenced at 4.32 pm in Naracoorte Council Chamber, DeGaris Place, Naracoorte

PRESENT: Independent Member (Presiding Member): Jim Ker
Independent Member: Robyn Mencil

Elected Members: Cr Earl
Cr Grundy
Cr Ross

APOLOGIES:

ON LEAVE:

OFFICERS: Chief Executive Officer Trevor Smart
Director Corporate Services Fiona Stringer
Director Operations Steve Bourne
Manager Governance & Community Development Sally Klose

MEDIA

REPRESENTATIVES:

ITEM 1 ELECTED MEMBER'S DECLARATION OF INTEREST (IF ANY)
(Section 74, Local Government Act, 1999)

Members of the Committee shall comply with the conflict of interest provisions contained within Sections 73, 74, 75 and 75A of the Local Government Act, 1999.

Members are reminded of their obligations under Division 3 – Conflicts of Interest.

Under section 74 – Material conflicts of interest, if a member of a council has a material conflict of interest in a matter to be discussed at a meeting of the council, the member must:

- a) inform the meeting of the member's material conflict of interest in the matter; and
- b) leave the meeting room (including any area set aside for the public) such that the member cannot view or hear any discussion or voting at the meeting, and stay out of the meeting room while the matter is being discussed and voted on.

Under section 75A - Actual and perceived conflicts of interest, if in relation to a matter to be discussed at a meeting of a council, a member of the council:

- a) has a conflict of interest in the matter (an actual conflict of interest); or
- b) could reasonably be taken, from the perspective of an impartial, fair-minded person, to have a conflict of interest in the matter (a perceived conflict of interest),

the member must deal with the actual or perceived conflict of interest in a transparent and accountable way. The member must inform the meeting of:

- a) the member's interest in the matter; and
- b) if the member proposes to participate in the meeting in relation to the matter, how the member intends to deal with the actual or perceived conflict of interest.

ITEM 2 PUBLIC FORUM

(The Public Forum is an opportunity for community members to ask questions, or to address the Committee on matters relating to the Committee's activities.)

ITEM 3 CONFIRMATION OF COMMITTEE MINUTES

**MOVED CR ROSS
SECONDED CR GRUNDY**

That the Minutes of the Audit Committee meeting held on 18 February 2019 are taken as read and confirmed as an accurate record of the proceedings of the meeting.

CARRIED 22/19

ITEM 4 MATTERS LAID ON THE TABLE FROM PREVIOUS MEETINGS

ITEM 5 REPORTS FOR DECISION

5.1 Monitor Performance of the Naracoorte Regional Livestock Exchange

Audit Committee Function

Work Program Item 8.3

- *Monitor performance of the Naracoorte Regional Livestock Exchange (NRLE) to ensure the facility remains commercially viable.*
- *Provide Council with recommendations in relation to any financial risk associated with the operation and further development of the facility.*

REPORT

The Naracoorte Regional Livestock Exchange Board met on 2 April 2019.

The Board discussed the following at its meeting: -

- Revised Long Term Financial Plan, taking into consideration tendered costs associated with upgrading the cattle selling pens. The LTFP is presented to the Audit Committee for review and comment back to the NRLE. The review by the NRLE is not complete and is not recommended for endorsement/adoption at this stage. Director Operations, Mr Bourne, will speak in relation to this item at the meeting.
- Increase in expenditure and revenue for 2019-20 of 2%
- Contract 201819-16 Upgrade Cattle Selling Pens awarded (awarded at March 2019 Council meeting). Construction expected to commence in April 2019.

Financial reports are attached for Members' information and consideration.

Notes from Meeting:

- Transfer to reserve figures incorrect, will be amended and recirculated with minutes – report checked following the meeting and as printed is correct; reserve balance \$698,397 as at 31.03.19
- General discussion waste water treatment plant
- General discussion 'chain of responsibility' and associated risks

ATTACHMENTS TO REPORT: -

NRLE Reports

- NRLE Minutes 02.04.2019
- NRLE YTD Income & Expenditure as at 28 February 2019

**MOVED CR ROSS
SECONDED CR GRUNDY**

That the reports relating to the performance of the Naracoorte Regional Livestock Exchange are received and noted.

CARRIED 23/19

5.2 Policy Review: Sale or Disposal of Land and Other Assets

Audit Committee Function

Work Program Item 8.5

- *Review the range of Council's financial governance policies and practices to encourage best practice.*

REPORT

Council's Policy in relation to the Sale or Disposal of Land and Other Assets was adopted for the first time in September 2000.

Section 49 (1)(d) of the Local Government Act, 1999 states that Council must prepare and adopt policies on the sale or disposal of land and other assets.

The policy must identify circumstances where the Council will call for tenders for the sale or disposal of land and other assets.

The Purpose of the Policy is: -

- To provide direction on the recommended practice and legislative requirements regarding the sale or disposal of land and other assets
- To ensure a fair, transparent and accountable process is followed when disposing of land or other assets
- To ensure compliance with the Local Government Act, 1999 Section 49, 201 and 202

The Policy is reviewed every four (4) years.

Deletions are highlighted in **yellow** and additions are in **red text**.

Notes from meeting:

- Amendments to draft policy recommended – strengthen the policy statement in relation to sale of road reserves; change wording from ‘library books’ to ‘library material’

ATTACHMENTS TO REPORT: -

- Sale or Disposal of Land and Other Assets

**MOVED MR KER
SECONDED CR ROSS**

That Policy No. 112 – Sale or Disposal of Land and Other Assets (Version 9) as amended, is endorsed, and recommended to Council for adoption.

CARRIED 24/19

5.3 Governance

Audit Committee Function

Work Program Item 9

- *Monitor governance and reporting function of Council*
- *Monitor Policy Register*

REPORT

Governance is the way by which an organisation is held accountable. In Local Government terms, governance encompasses the accountability of staff to the elected Council and the Council Members and staff to the community.

It is the responsibility of the elected body of the Council to “achieve and maintain standards of good public administration”.

The Local Government Act 1999 (LG Act) sets out a governance framework including policies, meeting procedures, consultation requirements, reporting (financial and non-financial), and the roles and responsibilities within the Council.

Good governance is important to ensure Council operates within its relevant legal and other boundaries, to establish and monitor appropriate control processes and accountability systems and to ensure quality informed decision making.

Attached is the first version of a recommended work program for the Audit Committee to consider with respect to providing oversight of Council’s Governance and Reporting functions. Also attached is Council’s Policy Register which lists when policies are due for review and identifies mandatory policies.

A copy of all Council policies are available on Council’s website at <https://www.naracoortelucindale.sa.gov.au/policiesandbylaws>

The Work Program will be further developed to include organisation wide reporting requirements.

The intent is to provide the Audit Committee with a framework to review Council’s governance performance and make recommendations for its improvement if required.

The Work Program was compiled using the Local Government Association's Key Dates document and Governance Legislation Self-Audit Tool and by reviewing the Local Government Act.

ATTACHMENTS TO REPORT: -

- Governance Work Program
- Policy Register

**MOVED MS MENCEL
SECONDED CR GRUNDY**

That: -

- 1. The Governance Work Program is incorporated with the Audit Committee Works Program; and**
- 2. The Policy Register noted.**

CARRIED 25/19

ITEM 6 OFFICERS' REPORTS FOR INFORMATION

6.1 Asset Management

Audit Committee Function

Work Program Item 1.2

- *The Audit Committee should satisfy itself regarding the:*
 - *consistency of Council's Strategic Plan with its long-term financial plan;*
 - *consistency of Council's long-term financial plan with its infrastructure and asset management plan (I&).*

Work Program Item 5.2

- *Ensure that asset values and depreciation rates are up to date and soundly based, including that they have particular regard to local conditions and do not just reflect common practice elsewhere e.g.*
 - *whether land values reflect the current local market;*
 - *whether infrastructure asset values reflect local replacement costs and the condition of existing assets;*
 - *whether an infrastructure asset condition audit has been undertaken recently to assist in making this judgement*

REPORT

A brief update on progress in relation to infrastructure and asset management planning process is provided below.

- Comparison of validated data (roads) to what is held in Council's asset system is currently occurring. Intent of reloading data back into the system week commencing 15 April. Data will be analysed and used to populate asset management plan in relation to roads and then will flow through to long term financial plan. Target: June 2019.
- Director Operations, Steve Bourne, currently reviewing useful life of road infrastructure, in particular minor roads.

- Processes above, along with reviewed unit rates, will be used to undertake revaluation of road infrastructure as at 1 July.

The work undertaken is a collaborative process between Council's Operations and Corporate Services Department.

FOR MEMBERS' INFORMATION

6.2 Annual Meeting with Council Auditor

Audit Committee Function

Work Program Item 4.1

- *Meet with Council's external auditor to:*
 - *Invite presentation of his/her audit methodology and risk assessments within the audit plan;*
 - *Discuss any qualifications raised in the most recent audit or comments made in the accompanying audit management letter;*
 - *Assess the appropriateness of the proposed Council response to matters so raised; and*
- *Invite comment on the financial systems and affairs of the Council having regard to comparable benchmarks.*

REPORT

The annual meeting with the auditor was held on 4 April 2019.

Does the Committee wish to record any of the discussions from the meeting?

Items discussed at meeting:

- Risk Management
- Procurement
- Leave balances
- Cyber Security and Remote Access
- Creditor bank details – recommend to review process for change of bank account details or provision of bank details for new creditor (incorporate into internal control procedure)
- Business Continuity Plan
- External report and associated action plan to be provided to the audit committee

FOR MEMBERS' INFORMATION

6.3 Risk Management

Audit Committee Function

Work Program Item 6.4

- *Invite Council's CEO, Directors and Senior Management to address Committee Meetings in relation to risk management*

REPORT

Presiding Member, Jim Ker, has asked that Council's Systems Administrator, Patrick Diesslin attend the meeting. Patrick will attend at 5pm.

It was determined that there was no need for Patrick to attend the meeting.

FOR MEMBERS' INFORMATION

6.4 Procurement Policy

Audit Committee Function

Work Program Item 8.5

- *Review the range of Council's financial governance policies and practices to encourage best practice.*

REPORT

Presiding Member, Jim Ker, has asked that Council's Procurement Policy is included in today's agenda for discussion.

The Policy was reviewed in June 2017 and is due for review in October 2020.

Notes from meeting:

- General discussion re: need to raise purchase orders in advance and the suitability of the \$5,000 limit before a purchase order must be raised in advance

ATTACHMENTS TO REPORT: -

- Procurement Policy

FOR MEMBERS' INFORMATION

6.5 Year to Date Financial Report

Audit Committee Function

Work Program Item 8.6

- *YTD Expenditure, Income, Capital and Major Projects reports presented to committee on an ongoing basis.*

REPORT

Attached for Members' information is the year to date income and expenditure reports for operating and capital to 31 March 2019. These reports will be presented to Council's April meeting.

The Roads & Infrastructure Projects report to 31 March 2019, which will be presented to Council's April meeting, is also attached for Members' information.

ATTACHMENTS TO REPORT: -

Finance Reports

- YTD Operating Report 31.03.2019
- YTD Operating Report (P&L format) 31.03.2019
- YTD Capital Report 31.03.2019

Roads & Major Infrastructure Projects 31.03.2019

FOR MEMBERS' INFORMATION

6.6 Training Opportunities

Audit Committee Function

Work Program Item 8.6

- Other items as raised for consideration by the Audit Committee

REPORT

Audit Committee training will be held in Naracoorte on Friday 3 May 2019. Commencement time will be advised as soon as it has been confirmed by the LGA.

Members from Tatiara and Robe Council will be in attendance.

Training will be held at the Council chamber on 3 May 2019 from 11.00am – 2.30pm.

FOR MEMBERS' INFORMATION

ITEM 7 PUBLICATIONS / DOCUMENTS / INFORMATION FROM OTHER BODIES

The following publications and documents or other information received during the past month are available for interested Members to view on request, as an attachment or by following the link: -

- IOSCO Report on Good Practices for Audit Committee in Supporting Audit Quality (*provided by Jim Ker*)
- [SA Local Government Sector Financial Indicators Report September 2018](#)
- Local Government Finance Authority (LGFA) Newsletter

ITEM 8 MATTERS RAISED BY MEMBERS

8.1 QUESTIONS WITH NOTICE

8.2 MOTIONS WITH NOTICE

8.3 QUESTIONS WITHOUT NOTICE

8.4 MOTIONS WITHOUT NOTICE

ITEM 9 MATTERS THAT MAY BE CONSIDERED IN CONFIDENCE

ITEM 10 DATE OF NEXT MEETING

NEXT MEETING: Next Ordinary Meeting:
18 June 2019 at 4.30pm
Special Meeting:
14 May 2019 at 4.30pm

ITEM 11 MEETING CLOSURE

CLOSURE: Meeting closed at 5.48pm

..... CONFIRMED

..... DATE