

NARACOORTE LUCINDALE COUNCIL

MINUTES FOR AUDIT COMMITTEE MEETING HELD ON
19 February 2019

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NARACOORTE LUCINDALE COUNCIL

MINUTES FOR AUDIT COMMITTEE MEETING HELD ON 19 February 2019

<u>COMMENCED:</u>	Meeting commenced at 4.32 pm in the Naracoorte Council Mayor's Office, DeGaris Place, Naracoorte	
<u>PRESENT:</u>	Independent Member (Presiding Member):	Jim Ker
	Independent Member:	
	Elected Members:	Cr Earl Cr Ross
<u>APOLOGIES:</u>	Cr Grundy	
<u>ON LEAVE:</u>		
<u>OFFICERS:</u>	Chief Executive Officer	Trevor Smart
	Director Corporate Services	Fiona Stringer
	Director Operations	Steve Bourne
	Manager Governance & Community Development	Sally Klose
<u>MEDIA REPRESENTATIVES:</u>		

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 EARL
SECONDED CR ROSS**

That the Minutes of the Audit Committee meeting held on 11 December 2018 are taken as read and confirmed as an accurate record of the proceedings of the meeting.

CARRIED 16/19

ITEM 4 MATTERS LAID ON THE TABLE FROM PREVIOUS MEETINGS

ITEM 5 REPORTS FOR DECISION

5.1 Review Financial Indicators

Audit Committee Function

Work Program Item 2.2

- *Review Financial Targets Annually*

REPORT

The Committee needs to determine if the current targets are relevant for the year ending 30 June 2020 or if they believe there are more appropriate annual targets which could be adopted specifically for the financial year.

The attached report includes the current adopted targets, Council's actual results for 2014-15 to 2017-18 and Council's budgeted targets for year ending 30 June 2019.

ATTACHMENTS TO REPORT: -

- Financial Indicators

**MOVED CR ROSS
SECONDED MR KER**

That Council is advised that the Audit Committee consider the current targets appropriate and relevant for the year ending 30 June 2020.

CARRIED 17/19

5.2 Policy Review: Risk Management

Audit Committee Function

Work Program Item 6.4

- *Whether an assessment has been undertaken to identify Council's risk exposure and actions established to minimize their likelihood and effect.*
- *Whether there are significant risks identified by Council's insurers that have not been reasonably addressed and therefore could jeopardise insurance cover in this regard.*

REPORT

Council's Policy in relation to Risk Management was adopted for the first time in February 2004. A comprehensive review has been undertaken with the intent of creating a policy, which while complying with legislative requirements, can be used as a reference tool by members and employees when assessing risk at both a strategic and operational level.

The previous version included reference to a complex *Enterprise Risk Management Guidelines*. It is recommended that due to the complex and lengthy nature of this document that it is removed from Council's suite of documents.

The *Guide* may be accessed at the following link: [Enterprise Risk Management Guidelines](#).

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

The Purpose of the Policy is: -

- To provide a strategic framework for the systematic and structured management of risks and identification of opportunities for Naracoorte Lucindale Council such that risk management, including risk assessment and risk mitigation/control, is conducted in a systematic and consistent manner across the organisation
- To foster and encourage a risk-aware culture where risk management is seen as a positive attribute of decision making
- To ensure that the approach to risk management is based on AS/NZS ISO 31000 - Risk Management Guidelines
- To ensure that risk management expectations associated with self-insurance standards are adequately addressed

ATTACHMENTS TO REPORT: -

- Risk Management Policy

**MOVED CR ROSS
SECONDED CR EARL**

That: -

- 1. Policy No. 104 – Risk Management (Version 7) is endorsed, and recommended to Council for adoption; and**
- 2. Naracoorte Lucindale Council’s Enterprise Risk Management Guidelines is removed from Council’s suite of documents.**

CARRIED 18/19

5.3 Mid-Year Budget Review

Audit Committee Function

Work Program Item 8.1

- Review mid-year budget review prior to presentation to Council*

REPORT

The Local Government (Financial Management) Regulations 2011 require Council to consider its budget at least three (3) times during the financial year.

Two reviews, to be carried out between 30 September and 31 May must provide a comparison in a manner consistent with the note in the Model Financial Statements entitled “Uniform Presentation of Finances”. These are less formal reviews.

The third review, which is a more comprehensive review, to be carried out between 30 November and 15 March must provide a comparison in a manner consistent with the Model Financial Statements, including the Financial Indicators.

Directors and Managers are responsible for the monitoring of budgets against actual expenditure for their individual Departments. Individual budget lines are monitored on an on-going basis. Members receive budget vs actual reports at each Council meeting and the roads and major infrastructure projects report which provides information in relation to budget, current spend and estimate as at 30 June.

It should be noted that the estimates are based on available information at the time of writing this report.

The following adjustments are required because of grant funding applications, tendering processes (unders and overs) and anticipated expenditure as indicated by Departmental Managers. In some cases, these adjustments have previously been reported to, and endorsed, by Council.

Income

- P&G Grant – Early Flood Warning System
(remainder of successful grant application) ↑ \$25,000
- VRC Grant (grant was not fully expended by 31.12.18
and Department required repayment) ↓ \$7,000
- Sport Centre Master Planning (successful grant application) ↑ \$20,000
- Sport – Contribution from Sports Centre towards Master Plan ↑ \$5,000

Capital Expenditure

• NRLE – Minor Plant	↑	\$8,000
• NRLE – Water Reuse Project (refer NRLE minutes)	↑	\$60,000
• Kingston Avenue (refer resolution 150/19)	↑	\$19,000
• Barclay Avenue (refer resolution 143/19)	↑	\$32,000
• Mill Road (refer Item 8.1)	↓	\$30,000
• Butler Terrace (payment delayed due to deficient works from 2016)	↑	\$133,000
• Crooked Lane (refer Item 8.1)	↓	\$40,000
• Cedar Avenue/Jenkins Terrace Intersection (refer Item 8.1)	↓	\$27,000
• Miles Road (refer Item 8.1)	↓	\$50,000
• Naracoorte Rail Lands Stormwater (refer Item 8.1)	↑	\$8,000
• Creek Walk Path Upgrade (refer Item 8.1)	↑	\$7,000
• Early Flood Warning System (offset by grant)	↑	\$25,000
• BBQ Lucindale Gazebo	↑	\$6,000
• South Parklands (refer Item 8.1)	↓	\$3,000
• Memorial Parklands Nature Play (Stage 2)	↓	\$3,000

Operational Expenditure

• NRLE (various adjustments – refer to NRLE Minutes 05.02.19)	↑	\$17,000
• Cemetery P&G (L)	↓	\$5,000
• P&G – Creek Walk Maintenance	↓	\$10,000
• P&G – Creek Erosion Control	↓	\$6,000
• Road Maintenance – Rural Drainage	↑	\$30,000
• Sports – Master Plan for Sports Centre	↑	\$25,000
• Development – Contribution to Planning Portal	↓	\$20,000

Community Loans

• Naracoorte & District Hockey Association	↑	\$100,000
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Depreciation increased for year ending 30 June 2018. No adjustment has been made to the forecast for 30 June 2019 due to current work being undertaken to apply Council's hierarchy to road infrastructure and the asset validation process, which is currently occurring. Both of these processes will have potential impacts on the calculation of depreciation.

Details about road and major infrastructure projects may be sourced from the report at item 8.1.

Members will also recall the early payment of the Grants Commission funds in June 2018, this affected Council's cash position for 30 June 2018. The current forecast continues to be based on the assumption that a similar early payment will occur in June 2019.

Inevitably, some projects are not complete at 30 June or alternatively are not ready to capitalise, for example, design and survey work. These projects, though affecting Council's cash balance, cannot be included in the 'asset renewal funding ratio' until the project is classed as complete and added to the Asset Register.

The column labelled "estimate" is a forecast of where Council, based on the current available information, can expect to be at 30 June 2019.

A further estimate of final position will be presented in May during the budget preparation process for 2019-20.

The formal budget review document includes:

- actual data as at 30 June 2018
- budget figures as adopted by Council
- adjustment to budget taking into account 30 June 2018 actuals
- revised estimates for the current financial year.

Actual results for 30 June 2018 affect balance sheet items – cash balance; infrastructure, property, plant & equipment; trade & other receivables and liabilities.

The revised estimates as at 30 June 2019, including adjustments for actual results as at 30 June 2018 and the 1st and 2nd budget reviews, indicate the following: -

Operating Surplus/Deficit	↓	\$63,000
Amounts received specifically for new or upgraded assets	↑	\$95,000
Total Comprehensive Income	↑	\$33,000
Total Equity	↓	\$1,192,000
Cash balance	↑	\$1,580,000
Trade & Other Receivables	↓	\$209,000
Financial Assets (community loans)	↑	\$78,000
Capital Renewal Expenditure on Infrastructure, Property, Plant & Equipment	↑	\$410,000
New Capital Expenditure on Infrastructure, Property, Plant & Equipment	↑	\$40,000
Trade & Other Payables	↓	\$585,000
Asset Renewal Funding Ratio	↑	6%

Members are encouraged to contact the Director Corporate Services if further clarification is required.

ATTACHMENT TO REPORT: -

- Budget Review as at 31.12.2018

**MOVED MR KER
SECONDED CR ROSS**

That the mid-year budget review for year ending 30 June 2019 is received and noted.

CARRIED 19/19

5.4 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 5 February 2019.

Financial reports are attached for Members' information and consideration.

Notes from Meeting:

- Discussion re: risk associated with EU cattle not using dedicated EU ramp. Solution, as approved by EU Auditor, is for ramps to be labelled when being used for EU cattle. Noted that loss of EU Accreditation at NRLE is a cash and reputational risk for NRLE and producers.
- WWTP – engineering treatment for sand – discussion around effectiveness of proposed treatment and potential risks.

ATTACHMENTS TO REPORT: -

NRLE Reports

- NRLE Minutes 05.02.2019
- NRLE YTD Income & Expenditure as at 31 January 2019

**MOVED CR ROSS
SECONDED CR EARL**

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

CARRIED 20/19

5.5 Borrowings

Audit Committee Function

Work Program Item 8.6

- *Review Council's borrowings on an annual basis.*

REPORT

As per the Audit Committee's request at its December 2018 meeting, indicative break costs have been sought from the Local Government Finance Authority (LGFA).

The total column below indicates the total amount payable, subject to final confirmation, if the loan is paid out as at 28 February 2019.

Loan no.	Principal	Accrued interest	Market adjustment	Total
16	\$ 54,721.18	\$ 423.68	\$ 2,938.32	\$ 58,083.18
17	\$ 264,795.00	\$ 8,428.82	\$ 21,964.05	\$ 295,187.87
19	\$ 99,960.17	\$ 3,181.89	\$ 8,291.36	\$ 111,433.42
20	\$ 80,547.25	\$ 2,563.94	\$ 6,681.28	\$ 89,792.47
21	\$ 81,846.96	\$ 2,605.31	\$ 6,788.78	\$ 91,241.05
22	\$ 285,283.28	\$ 7,407.96	\$ 25,171.45	\$ 317,862.69
23	\$ 180,330.73	\$ 4,682.65	\$ 15,910.90	\$ 200,924.28
24	\$ 1,381,191.76	\$ 33,366.08	\$ 191,745.18	\$ 1,606,303.02
	\$ 2,428,676.33	\$ 62,660.33	\$ 279,491.32	\$ 2,770,827.98

The table below indicates the total amount payable if the loans are paid as per the current debenture schedules.

Loan no.	Principal	Interest	Total	Finalisation Date
16	\$ 54,721.18	\$ 4,425.38	\$ 59,146.56	16.01.2021
17	\$ 264,795.00	\$ 37,480.07	\$ 302,275.07	15.03.2022
19	\$ 99,960.17	\$ 14,261.91	\$ 114,222.08	15.03.2022
20	\$ 80,547.25	\$ 11,492.32	\$ 92,039.57	15.03.2022
21	\$ 81,846.96	\$ 11,677.45	\$ 93,524.41	15.03.2022
22	\$ 285,283.28	\$ 41,007.72	\$ 326,291.00	16.04.2022
23	\$ 180,330.73	\$ 25,921.19	\$ 206,251.92	16.04.2022
24	\$ 1,381,191.76	\$ 373,387.58	\$ 1,754,579.34	17.09.2027
	\$ 2,428,676.33	\$ 519,653.62	\$ 2,948,329.95	

Council's cash balance as at 15 February 2019 is \$9,238,924.06. Allocated reserves include: -

Reserve	Balance
Community Waste Management Scheme (CWMS)	\$ 360,239.91
Open Space	\$ 24,793.73
Naracoorte Regional Livestock Exchange (NRLE)	\$ 701,355.60
Plant Machinery	\$ 1,271,191.37
	\$ 2,357,580.61

**MOVED MR KER
SECONDED CR EARL**

That the information is received and noted and Council advised that there is no significant financial advantage to paying out the loans. That it is also noted that cash holdings could be used for priority projects of Council.

CARRIED 21/19

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.

- Asset validation of road and culvert data is currently occurring. Process is being undertaken by Greenhill Engineering.
- Strategic Asset Management Committee considered the Draft Road Hierarchy & Service Levels report at its meeting on 12 February 2019 and has recommended adoption of the document by Council.

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 Committee normally meets with the Auditors during the Interim Audit.

Council is in the fourth year of its five-year contract with Dean Newbery & Partners

The Interim Audit is scheduled for 3 & 4 April 2019.

The Committee's next meeting is scheduled for 16 April 2019 at 4.30pm.

What day would the Committee prefer to meet with Council's Auditor?

4 APRIL 2019 (to be confirmed)

6.3 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 January 2019. These reports will be presented to Council's February meeting.

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

ATTACHMENTS TO REPORT: -

Finance Reports

- YTD Operating Report 31.01.2019
- YTD Operating Report (P&L format) 31.01.2019
- YTD Capital Report 31.01.2019

Roads & Major Infrastructure Projects 31.01.2019

FOR MEMBERS' INFORMATION

6.4 Training Opportunities

Audit Committee Function

Work Program Item 8.6

- *Other items as raised for consideration by the Audit Committee*

REPORT

The LGA was contacted following the December meeting to determine the viability of holding Audit Committee Training in Naracoorte. No response has been received at the time of compiling this agenda.

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: -

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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:
16 April 2019 at 4.30pm

ITEM 11 MEETING CLOSURE

CLOSURE: Meeting closed at 5.48 pm

..... CONFIRMED

..... DATE