



MINUTES

**Audit, Risk and Improvement
Committee Meeting**

Thursday, 8 September 2022

Order Of Business

2	OPEN	3
3	PRESENT	3
	MEMBERS via Zoom	3
	Rosanne Kava (Chairperson) and Simon Rule (Independent Member)	3
	others Present – via zoom	3
	Mike Colreavy (Administrator), John Batchelor (Finance Consultant), Laurie Knight (Finance Consultant), Edna Mendes (Finance Consultant), Brett Hanger (External Auditor)	3
	In Person	3
	Jeff Sowiak (General Manager), Kristy Bellerby (Senior Finance Officer) and Carol Holmes (Senior Executive Assistant)	3
4	APOLOGIES	3
5	Minutes of Previous Meeting	3
4.1	Minutes of the Audit Risk and Improvement Committee Meeting held on 10 March 2022	3
6	DISCLOSURE OF INTEREST	4
	There were no Disclosures of Interests submitted to this meeting	4
8	Reports	5
8.1	DRAFT GENERAL PURPOSE ANNUAL FINANCIAL STATEMENTS 2021/2022	5
8.2	END OF YEAR RESERVES AND UNRESTRICTED FUNDS	7
8.3	REQUIREMENTS FOR AUDIT, RISK AND IMPROVEMENT COMMITTEES MEMBERSHIP	8
8.4	ARIC MEMBERSHIP.....	8

**MINUTES OF BALRANALD SHIRE COUNCIL
AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBERS, MARKET STREET BALRANALD
ON THURSDAY, 8 SEPTEMBER 2022 AT 5PM**

1 OPEN

The Chairperson opened the meeting at 5pm via zoom platform with a quick introduction of each person present.

2 PRESENT**MEMBERS VIA ZOOM**

ROSANNE KAVA (CHAIRPERSON) AND SIMON RULE (INDEPENDENT MEMBER)

OTHERS PRESENT – VIA ZOOM

MIKE COLREAVY (ADMINISTRATOR), JOHN BATCHELOR (FINANCE CONSULTANT), LAURIE KNIGHT (FINANCE CONSULTANT), EDNA MENDES (FINANCE CONSULTANT), BRETT HANGER (EXTERNAL AUDITOR).

IN PERSON

JEFF SOWIAK (GENERAL MANAGER), KRISTY BELLERBY (SENIOR FINANCE OFFICER) AND CAROL HOLMES (SENIOR EXECUTIVE ASSISTANT).

ACKNOWLEDGEMENT OF COUNTRY

WE PAY OUR RESPECT TO OUR TRADITIONAL CUSTODIANS OF THE LANDS WHERE WE HOLD THIS MEETING TO ELDERS PAST, PRESENT AND EMERGING.

3 APOLOGIES

Keith Coates (Internal Auditor) and Manuel Moncado (Audit Office)

The Chair asked if Damien Aidon had submitted a resignation, with Mr Sowiak advising that he has not and hasn't responded to any emails.

4 MINUTES OF PREVIOUS MEETING**4.1 MINUTES OF THE AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING HELD ON 10 MARCH 2022**

COMMITTEE RESOLUTION 2022/10

Moved: Mr Simon Rule

Seconded: Ms Rosanne Kava

That the Minutes of the Audit Risk and Improvement Committee Meeting held on 10 March 2022 be received and noted.

CARRIED

5 DISCLOSURE OF INTEREST

There were no Disclosures of Interests submitted to this meeting.

6 BUSINESS ARISING FROM PREVIOUS MINUTES

In terms of follow-up to the Minutes

The Chair invited the Auditor to comment on treatment of Rural Fire Fighting Assets and use of Asset Register.

The Chair

1. Invited the Auditor to comment on treatment of Rural Fire Fighting Assets and use of the Asset Register.
2. advised that the Committee has received the Workforce Plan and Strategy, as requested.
3. asked for an update from the General Manager on the Market Street Revitalisation Project which the committee had recommended that council consider referring to ICAC and OLG.
4. Sought confirmation of the 2 year extension of the Internal Auditor contract, which was a recommendation by the committee.

The General Manager advised;

1. Market Street Revitalisation Project was referred to ICAC, who decided to not take any further action.
2. The 2 year contract was extended for Internal Auditor, although due to personal issues he has asked for leave of absence for 2/3 months which was granted.

7 REPORTS

8.1 DRAFT GENERAL PURPOSE ANNUAL FINANCIAL STATEMENTS 2021/2022

PURPOSE OF REPORT

To provide the committee with a copy of the Draft General Purpose Annual Financial Statements for 2021/2022.

Discussion

Mr Sowiak advised of the great effort of the finance team to have the draft Financial Statements ready to refer to audit, with the following highlights;

- \$1.7M net operating result after capital grants, therefore had sufficient revenue to fund our operations but also almost \$5M in depreciation and still made a profit;
- Increased our cash flows from \$18M to \$22M;
- Our depreciation includes \$3.3M on roads which in addition to everything else are a non performing asset.
- Restricted and allocated Cash – We have included an extra \$1M for Plant and \$1M for infrastructure, and we have managed to also put an extra \$600,000 (from sale of service station) in the \$1M reserve, and we still have a \$2.6M working Capital which is enough to cover our operating result.
- We have put some extra funds in reserves for the Caravan Park, which we are hoping to use to replace some units which are past their use by date. We are looking at a substantial investment in plant, to replace 11 utilities.
- Rural Fire Service – we have done all that we can reasonably do to assess the assets. We haven't been able to inspect them we couldn't get access. We have relied on advice that we received from OLG in terms of a listing that was supplied. We determined that they weren't material in terms of the amount of money.
- Our Rates & Annual Charges outstanding percentage has gone from 3.8 to 2.44%.
- Trends over the years of where we started in 2018 to where we are 2022
 - Rates have increased, almost doubled
 - Employment costs have remained the same

This financial year expenditure increased as some redundancies have been paid and we have also spent money on consultants

Mr Batchelor advised when we received the listing from OLG, he was particularly interested in age of some of the RFS Vehicles and trucks etc. There are only 3 vehicles that would qualify, the replacement costs provided by OLG \$633,870, when you look at the vehicle ages, and the life remaining the estimated value of the vehicles came out to be just under \$230,000. The information received from Manuel was the materiality threshold for Balranald would be around \$350,000 which is around 2.5% of the operating expenditure. We don't believe they meet the materiality threshold.

Mr Hangar – Just to close out with RFS Assets, the Government would like to see Council controlling these assets and would like them on the Council books. Whilst there are 2 sides to that argument the Audit Office are now considering whether having them in the accounts results in a material misstatement of accounts. The Government's request was, what is value of assets. It is quite appropriate for each Council to use own depreciation accounting policy for RFS assets for the purpose of determining what is their estimated value of these assets. It is understood that RFS Assets will be included in closing report at the end of the year.

The year-end Audit is scheduled for 26 September. He commented that it is good to have the Draft Statements ready this early.

The Interim Audit in June occurred onsite. All went smoothly.

Management Letter – Outstanding Actions.

Mr Hangar has had a discussion regarding the last year's Management letter with Mr Sowiak noting that there has been some progress on some items and with some issues still remaining at the time of the visit. Audit Office, due to the change of personnel, will probably hold off issuing of this year's Management Letter until closed out the year end audit.

Audit Office – looking at the treatment of longer term Management letter issues, if they have been repeated dor over 3 years are considering to change the risk ratings.

He thanked Laurie for assistance to Auditors and assisting/guiding the finance team.

Mr Batchelor advised that a number of issues within the Management Letter had been dealt with, therefore there will be a significant reduction in the outstanding actions..

Mr Rule advised he had no issues, although he had received the statements late and Mr Sowiak's highlights summarised important issues.

The Chair pointed out – under financial Performance in the Statements, there is nothing included yet for 2022. Mr Knight advised that these are impacted by Asset Valuation, and won't impact the operating result.

Mr Rule asked for clarification, the code said that the note layout has to be in line with the Operating Plan and Delivery Plan, is this going to happen, or will it be left as it currently stands.

Mr Hangar advised that he understands Council was thinking of what this will look like, therefore he is happy with the original template and status quo until something changes.

Related Parties

The Chair enquired about Related Parties. There are none listed in the statements as yet.

Mr Sowiak advised that this included General Manager, Executive Managers, people who can sign orders and people that have delegated authority. It includes the Administrator and Consulting team.

Mr Knight advised that some of these figures relate to the Directors that were with us within the period of time for the financial statements. It does indicate that there are other transactions with KMP's and the related parties. He will ensure they make it in the final draft Financial Statements for Audit.

The Chair asked why it is half the value of 2021.

Mr Sowiak advised he will look at it and get to the bottom of those disclosing.

COMMITTEE RESOLUTION 2022/11

Moved: Mr Simon Rule

Seconded: Ms Rosanne Kava

1. That the committee receives and notes the Draft General Purpose Annual Financial Statements for 2021/2022; and
2. That the committee recommends the Draft Financial Statements be referred to audit.

CARRIED

8.2 END OF YEAR RESERVES AND UNRESTRICTED FUNDS**PURPOSE OF REPORT**

To update the Committee of the End of Year Reserves and Unrestricted Funds as at 30 June 2022.

Discussion

Mr Sowiak advised that he had sent the spreadsheet to allow members to see it more clearly. This needs to be endorsed by Council. It has been referred to Audit Committee for receiving and noting.

Mr Rule asked if there would be any alterations made to the End of Year Reserves and Unrestricted Funds prior to final Audit.

Mr Sowiak and Mr Knight advised that they were expecting no changes.

The Chair asked why the FAGS was in Internal Restrictions.

Mr Knight advised that it is restricted as we receive a proportion in advance, therefore we put it in internal restrictions to note that it's been received for a forward period.

COMMITTEE RESOLUTION 2022/12

Moved: Mr Simon Rule

Seconded: Ms Rosanne Kava

That the report be received and noted and Council approve the End of Year Reserves and Unrestricted Funds.

CARRIED

8.3 REQUIREMENTS FOR AUDIT, RISK AND IMPROVEMENT COMMITTEES MEMBERSHIP

PURPOSE OF REPORT

To update the Committee of the new Risk Management and Internal Audit framework for Councils.

The Committee agreed to discuss Items 8.3 and 8.4 together as they relate to the same requirements.

Mr Sowiak advised that both the reports are for noting and we need to have a discussion of how we are going to fill the vacancies of the committee. OLG have taken on some of the comments made through submissions and relaxed the requirements for membership of ARIC Committees.

Mr Rule commented that this is an eternal problem, getting members. Previous members being volunteers with only the Chair being paid. May have to consider paying members to be a part of the committee.

The Chair advised that she has read the circular and noted that the Mayor cannot be a non-voting member for the ARIC Meetings. She reported she contacted the OLG how this applied for Administrators as we had previously accepted him as a non-voting member. The response received was that the Administrator cannot be a non-voting member. The General Manager and Administrator can attend as observers.

The Chair asked if the Terms of Reference could reflect the correct title of the Committee and include General Manager and Administrator as attendees not as non-voting delegates.

COMMITTEE RESOLUTION 2022/13

Moved: Ms Rosanne Kava

Seconded: Mr Simon Rule

That the report be received and noted.

CARRIED

8.4 ARIC MEMBERSHIP

PURPOSE OF REPORT

To advise the Committee of the membership of Audit, Risk and Improvement Committee

COMMITTEE RESOLUTION 2022/14

Moved: Ms Rosanne Kava

Seconded: Mr Simon Rule

That the Committee consider the process of membership of the ARIC and amendments be made to the Terms of Reference to correct the title of the Committee and for the Administrator and General Manager be included attendees, not non-voting delegates.

CARRIED

9 NEXT MEETING – 17 November 2022 at 11am.

The Chair thanked all for attending

10 CLOSE

The Meeting closed at 5.55pm.

The minutes of this meeting were confirmed at the Audit Risk and Improvement Committee Meeting held on 17th November 2022.

.....
CHAIRPERSON