Minutes

Audit and Governance Advisory Committee

Minutes of the meeting of the Audit and Governance Advisory Committee held in the Council Chamber, 172 Montacute Road, Rostrevor, on

Thursday 27 April 2017
Minutes - Audit & Governance Advisory Committee

Chairperson: Mr Leigh Hall

Members Present: Cr Neville Grigg
Cr Matthew Noble
Mr Roberto Bria Arrived 6.14 pm
Ms Amanda Harfield

Council Staff Present: General Manager Corporate & Community Services
Manager Finance
Manager Planning Services

Meeting Commenced: 6.00 pm Meeting Concluded: 7.57 pm

1. Apologies

Nil.

2. Minutes

Ms Harfield moved and Cr Grigg seconded that the minutes of the meeting of the Audit and Governance Advisory Committee held on Thursday 6 April 2017 as printed and circulated be taken as read and confirmed.

Carried

3. Table of Actions

Time commenced: 6.01 pm

• The Committee reviewed the Table of Actions.

4. Chief Executive Officer’s Report

4.1 Internal Audit - Dog Registration and Infringement Process

TRIM Reference: B731

Time commenced: 6.01 pm

• Ms Hammond explained that all internal audit items come to the AGAC under their Terms of Reference.

• The Committee commented that the report was excellent.
• Comment that there were a number of recommendations made. Mr Litchfield explained that both processes are very complex. A number of the recommendations are constructive ideas for improvements. Some are straightforward and can be dealt with quite quickly.

• Resources – should we get a resource to undertake the recommendations faster? A certain skill level is required to undertake the majority of the recommendations so it may not be easy to buy that in.

• Is there a process to pick up dogs that have moved in to the area or have never been registered. Council identify unregistered dogs if they are caught wandering at large but other than that there is no formal audit program to identify unregistered dogs. Mr Litchfield also advised that the Dog and Cat Management Board are moving to a state based central registration system that may assist.

• Lifetime Registration – this seemed like a good suggestion. Staff have committed to raising this when the legislation is next reviewed. Members suggest sending a letter to the LGA and the Dog and Cat Management Board proposing lifetime dog registration for consideration when appropriate.

The time being 6.14 pm Mr Bria entered the meeting.

Cr Grigg moved and Mr Bria seconded that:

1. the internal audit undertaken on the Dog Registration and Infringement Processes be received and that a further report be prepared for the Audit & Governance Advisory Committee by December 2017 providing an update on the recommended actions, and

2. it be a recommendation to Council that Staff write to the Local Government Association and the Dog and Cat Management Board proposing lifetime dog registration for consideration when appropriate.

Carried

4.2 External Interim Audit 2016/2017

TRIM Reference: B8

Time commenced: 6.17 pm

• Mr Zbierski outlined the audit findings from the interim audit undertaken in February 2017. The Auditors have sent a letter to the Local Government Minister advising that Council has not complied with Section 122 of the Local Government Act 1999 as it has not adopted revised Infrastructure and Asset Management Plans within 2 years of the Election. The Chief Executive Officer has since written to the Minister advising that Council has in fact complied with the Act as the plans have been reviewed which is what the Act requires. They are yet to be adopted by Council however the feedback from the community consultation will be considered shortly meaning that they will be adopted by Council in the near future. Both letters will be provided to the AGAC in a report once the Asset Management Plans have been adopted.
- Comment that the Management responses should include timeframes for completion in future.
- An internal audit on procurement processes will be undertaken shortly which will address item 2 of the Audit Management Report.
- Retrospective Adjustment – Prior Year Depreciation and Grants Income – Both financials and budgets have been adjusted to take the new information into account. Staff explained the building revaluation issue with the change in useful lives.
- Page 51 – Related Party Transactions - Total remuneration would be from the Council. Staff will provide further information on this new Accounting Standard to relevant Members as it comes to light.

Mr Bria moved and Cr Noble seconded that the February 2017 External Audit Management Report from Dean Newbery and Partners be received and that a further report be prepared for this Committee once the Infrastructure and Asset Management Plans have been adopted by Council.

_Carried_

### 4.3 Useful Life for Building Asset Components

TRIM Reference: B3510

Time commenced: 6.43 pm

Mr Bria moved and Cr Grigg seconded that the report regarding the useful life of the building fabric asset component be received and that Appendix 1 of the Depreciation Policy be amended to reflect that the Building Fabric has a useful life of 30 years.

_Carried_

### 4.4 Draft 2017/2018 Annual Business Plan and Budget

TRIM Reference: B3452

Time commenced: 6.44 pm

- Council adopted the LTFP (Long Term Financial Plan) in April as well as the projects to be included in the Draft 2017/2018 Annual Business Plan and Budget. The Budget is projecting a $3.5 million surplus for 2017/2018 which is largely due to the Campbelltown Memorial Oval redevelopment grant. The draft budget operating surplus is approximately $350,000 better than the LTFP due to a reallocation of employee costs from operating to capital expenditure. This is a one off anomaly and expenditure allocations should return to normal the following year.
- The Committee confirmed that for consistency the December LGPI (Local Government Price Index) figure should be used for development of the Annual Business Plan and Budget. This will be specified in the Budget Preparation Policy.
- Public Meeting will be held on 25 May at the REZZ Hotel.
- Staff outlined how the change in project selection criteria worked. Staff advised that it worked reasonably well and subsequently some projects that did not reach the appropriate ranking were added back in by Council when they considered the projects for the Draft Budget.
- Note that Council decided not to proceed with a differential rate.
- SA Planning Portal – Staff advised that this is an annual contribution of $36,000.
- $355,000 increase in operating surplus than forecast in the LTJP – can we increase services or reduce rates. The LTJP Model requires the rate increase to meet all financial targets across the life of the Plan. It is required this year or next year. Members noted that the additional surplus could be diverted to additional one-off services or projects in the 2017/2018 year. Members questioned how $355,000 can be diverted to capital with no effect on services, and if there is in fact no effect on services then that level of service should be able to be continued in following years, meaning the $355,000 should not need to be returned to the operating budget. The Chief Executive Officer will provide a response on this.
- Page 63 – paragraph 3 is hard to read.
- Page 64 – What is the payback on the $655,000 for the Solar PV System for the ARC? The electricity savings will be built in to the 2018/2019 budget once they are known, or at a budget review if the panels are installed earlier. Members assume that the payback would be less than 10 years and hence savings of over $65,000 per annum (before due consideration of environmental issues)
  - RTLP shared path – funding has been brought forward so that Council can access State Government funding to assist with this project
  - Operating Surplus Ratio – why so high? This is explained further in the document – perhaps put a note on this page.
- Page 77 – 5 ratios but only report against 3. Why include the 5? Staff to consider whether to remove the extra 2 targets, report against all 5, or leave as is.
- Page 79 – what did the modelling look like if rates were increased by LGPI only? This model provided large operating deficits in future years. The additional 1% rate increase above LGPI could be delayed until 2018/2019 and still achieve the LTJP ratios over the 10 years. This would mean that a rate increase of above LGPI would be required in 2018/2019.
- Page 91 – provide information on how the pie chart is developed (outside of meeting).
- Page 119 – this is the overhead and plant hire recovery area. Negative expenses indicated costs transferred to capital expenditure.
- Page 130 – Changes in Revaluation Property, Plant & Equipment – LTJP includes a revaluation increase in value of assets which then drives depreciation for future years. This is not included in the Draft Budget. Can the LTJP figure be put in for comparative purposes? Staff will investigate what other Councils do in this statement. Staff may add some appropriate wording in.
• Page 142 – Stormwater harvesting – nothing is built in to the budget in future years for water savings at this stage. This could be modelled and included in the future.

• Page 160 – the ARC – Solar PV System – Depreciation – this will be charged against The ARC.

• Page 163 – Miniature Railway – operational costs have not been built in to the budget other than depreciation. All other costs are to be met by the miniature railway group.

Cr Grigg moved and Cr Noble seconded that the Audit and Governance Advisory Committee support the draft 2017/2018 Annual Business Plan and Budget, as amended, for presentation to Council for the purpose of public consultation.

Carried

4.5 Appointment of Chairperson

TRIM Reference: B731

Time commenced: 7.52 pm

• Mr Zbierski called for nominations for the position of Chairperson and advised that the Chairperson must be an Independent Member.

• Mr Bria indicated that he would be happy to nominate for the position.

Mr L Hall moved and Ms Harfield seconded that Mr Roberto Bria be appointed to the position of Chairperson of the Audit & Governance Advisory Committee for the period 1 May 2017 to 30 April 2018.

Carried

Ms Hammond thanked Mr L Hall for his dedication and commitment during his several terms of Chairing the Committee and acknowledged the excellent working relationship that the Committee and Staff have had.

5. General Business

Time commenced: 7.57 pm

• Nil
6. Next Meeting

Next Meeting: Thursday 15 June 2017 at 6.00 pm

Certified a true record .............................................CHAIRPERSON
Mr L Hall

Taken as read and confirmed this day of .............................................CHAIRPERSON
Mr L Hall