



AUDIT COMMITTEE

NOTICE OF MEETING

To: **Presiding Member** Cr Malcolm Herrmann

Members

David Moffatt
Peter Brass
Natalie Johnston
Cr Melanie Selwood

Notice is hereby given pursuant to the provisions under Section 87 of the *Local Government Act 1999* that the next meeting of the Audit Committee will be held on:

Monday 12 December 2022
6.30pm
63 Mt Barker Road, Stirling

A copy of the Agenda for this meeting is supplied under Section 87 of the Act.

Committee meetings are open to the public and members of the community are welcome to attend. Meetings will be conducted in accordance with the applicable COVID-19 social distancing guidelines and may result in Members participating electronically in accordance with the provisions of the Committee's Terms of Reference.

A Public notice of the Agenda for this meeting is supplied under Section 88 of the Act.

David Waters
Chief Executive Officer



AUDIT COMMITTEE

AGENDA FOR MEETING
Monday 12 December 2022
6.30pm
63 Mt Barker Road, Stirling

ORDER OF BUSINESS

1. COMMENCEMENT

1.1. Acknowledgement of Country

Council acknowledges that we meet on the traditional lands and waters of the Peramangk and Kurna people. We pay our respects to Elders past, present and emerging as the Custodians of this ancient and beautiful land. Together we will care for this country for the generations to come.

2. APOLOGIES/LEAVE OF ABSENCE

2.1. Apology

2.2. Leave of Absence

2.3. Absent

3. MINUTES OF PREVIOUS MEETINGS

3.1. Audit Committee Minutes – 17 October 2022

Recommendation

That the minutes of the Audit Committee meeting held on 17 October 2022, as supplied, be confirmed as an accurate record of the proceedings of that meeting.

4. PRESIDING MEMBER'S OPENING REMARKS

5. DELEGATION OF AUTHORITY

The Audit Committee operates in accordance with the relevant sections of the Local Government Act 1999, and its Terms of Reference.

6. DECLARATION OF CONFLICT OF INTEREST BY MEMBERS OF THE COMMITTEE

7. PRESENTATIONS, ACTION REPORT & WORKPLAN

7.1. Risk Presentation
Nil

7.2. Action Report and Work Plan Update
1. That the report be received and noted.
2. That the status of the Action Report and Work Plan be noted.
3. That the Draft Audit Committee Work Plan 2023 be adopted.

8. OFFICER REPORTS

8.1. Audit Committee Meeting Dates 2023
1. That the report be received and noted.
2. To approve the Audit Committee meeting schedule, timings and locations for 2023 as follows:

Commencement	6.30pm
Meeting Dates and Locations	20 February 2023, 63 Mt Barker Road, Stirling
	17 April 2023, 63 Mt Barker Road, Stirling
	15 May 2023, 63 Mt Barker Road, Stirling
	21 August 2023, 63 Mt Barker Road, Stirling
	16 October 2023, 63 Mt Barker Road, Stirling
	20 November 2023, 63 Mt Barker Road, Stirling

8.2. Budget Review 1

1. That the report be received and noted.
2. To recommend to Council the proposed budget adjustments presented in Budget Review 1 which result in:
 - a. An increase in the Operating Surplus from \$676k to \$830k for the 2022-23 financial year.
 - b. Changes to Capital Works, reducing capital income by \$926k and increasing capital expenditure by \$580k for the 2022-23 financial year resulting in a revised capital expenditure budget for 2022-23 of \$27.369m.
 - c. An increase in Council's current Net Borrowing Result from \$6.934m to \$8.342m for the 2022-23 financial year as a result of the proposed operating and capital adjustments.

9. QUESTIONS WITHOUT NOTICE

10. CONFIDENTIAL ITEMS

10.1. External Audit Tender

11. NEXT MEETING

The next Audit Committee meeting will be held at 6.30pm at a time to be advised at 63 Mount Barker Road, Stirling.

12. CLOSE MEETING

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 17 OCTOBER 2022
63 MT BARKER ROAD STIRLING**

In Attendance

Members:

Cr Malcolm Herrmann	Presiding Member
Peter Brass	Independent Member
David Moffatt	Independent Member
Natalie Johnston	Independent Member
Cr Leith Mudge	Council Member

In Attendance:

David Waters	Chief Executive Officer
Terry Crackett	Director Corporate Services
Lachlan Miller	Executive Manager Governance & Performance
Mike Carey	Manager Financial Services
David Collins	Manager Strategic Assets
Kira-marie Laverty	Corporate Planning & Performance Coordinator
Steven Watson	Governance and Risk Coordinator Minute Taker

Guests in Attendance:

Tim Muhlhausler	Galpins
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1. COMMENCEMENT

The meeting commenced at 6.30pm.

1.1. Acknowledgement of Country

Council acknowledges that we meet on the traditional lands and waters of the Peramangk and Kaurna people. We pay our respects to Elders past, present and emerging as the Custodians of this ancient and beautiful land. Together we will care for this country for the generations to come.

2. APOLOGIES/LEAVE OF ABSENCE

2.1. Apology

Nil

Presiding Member _____

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2.2. Leave of Absence

Nil

2.3. Absent

Nil

3. MINUTES OF PREVIOUS MEETINGS

3.1. Audit Committee Meeting – 15 August 2022

Moved Natalie Johnston
S/- Cr Leith Mudge

AC39/22

That the minutes of the Audit Committee meeting held on 15 August 2022 as supplied,
be confirmed as an accurate record of the proceedings of that meeting.

Carried Unanimously

4. PRESIDING MEMBER'S OPENING REMARKS

The Presiding Member advised that the Council Member appointment to Audit Committee will occur on 29 November 2022 after the 2022 Council elections.

5. DELEGATION OF AUTHORITY

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers.

6. DECLARATION OF CONFLICT OF INTEREST BY MEMBERS OF AUDIT COMMITTEE

Nil

7. PRESENTATIONS, ACTION REPORT & WORKPLAN

7.1. Risk Presentation

Nil

Presiding Member _____

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 17 OCTOBER 2022
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7.2. Action Report and Work Plan Update

**Moved Peter Brass
S/- David Moffatt**

AC40/22

1. That the report be received and noted as amended.
2. That the status of the Action Report and Work Plan be noted.

Carried Unanimously

8. OFFICER REPORTS – DECISION ITEMS

8.1. 2021-22 General Purpose Financial Statements

The Audit Committee met with the Auditor, Tim Muhlhausler, without management present, to discuss the External Auditor's report and any issues arising from the audit.

**Moved Peter Brass
S/- David Moffatt**

AC41/22

The Audit Committee resolves:

1. That the report be received and noted
2. That in accordance with Section 126(4)(a) of the *Local Government (Financial Management) Regulations 1999*, the Audit Committee advises Council that it has reviewed:
 - a. the General Purpose Financial Statements of the Council for the financial year ended 30 June 2022 as contained in Appendix 1, and
 - b. the External Auditor Galpins' Audit Clearance Report as contained in Appendix 2,

and is satisfied that the 2021-22 financial statements present fairly the state of affairs of the Council.
3. To recommend that the Adelaide Hills Council 2021-22 General Purpose Financial Statements, contained in Appendix 1, may be certified by the Acting Chief Executive Officer and the Mayor.
4. To note the confirmation of Galpins Auditor Independence Statement provided at Appendix 3.

Presiding Member _____

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
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5. To recommend that the Certification of Auditor Independence statement contained in Appendix 4 may be certified by the Acting Chief Executive Officer and the Presiding Member of the Audit Committee in accordance with the requirements of Regulation 22(3) of the Local Government (Financial Management) Regulations 2011.
6. The Audit Committee acknowledges and thanks Galpins, in particular Tim Muhlhausler and Juliano Fretias for providing audit services for the past five years.

Carried Unanimously

8.2. 2021-22 End of Year Financial Report

Moved Peter Brass
S/- Cr Leith Mudge

AC42/22

The Audit Committee resolves:

1. That the report be received and noted
2. To recommend to Council that the Audited 2021-22 Financial Results compared to Budget contained within this report have been appropriately considered.

Carried Unanimously

8.3. Audit Committee Self-Assessment 2022

Moved Cr Leith Mudge
S/- Natalie Johnston

AC43/22

The Audit Committee resolves that the report be received and noted.

Carried

Presiding Member _____

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
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8.4. Quarterly Council Performance Report – Q1 2022-23

Moved David Moffatt

S/- Peter Brass

AC44/22

The Audit Committee resolves the Quarterly Council Performance Report – Q1 2022-23 be received and noted.

Carried Unanimously

8.5. Audit Committee Presiding Member's Report 2022

Moved Cr Malcolm Herrmann

S/- Natalie Johnston

AC45/22

The Audit Committee resolves that the report be received and noted.

Carried Unanimously

8.5.1. Audit Committee Presiding Member's Report 2022

INTRODUCTION

As outlined in Clause 8.1.2 of the Terms of Reference for the Audit Committee, the Presiding Member will attend a meeting of the Council at least once per annum to present a report on the activities of the Committee. This report provides an overview of the Adelaide Hills Council's Audit Committee operations for the 2022 calendar year leading up to the November 2022 Local Government election. It is anticipated that there will be a meeting in December 2022 with the newly appointed Audit Committee, although this report is for the period up to and including October 2022.

This report includes:

- A summary of the work the Committee performed during the year aligned to the Committee's Terms of Reference;
- Details of meetings, including the number of meetings held during the period, and the number of meetings attended by each member; and

The report is intended to invite comment from the Council on all of the above.

Presiding Member _____

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
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SUMMARY OF WORK PERFORMED AGAINST THE TERMS OF REFERENCE

For 2022, as in previous years, the Audit Committee had established a robust framework for the provision of information to meet the objectives established within the Terms of Reference. As a consequence some 37 reports were considered by the Committee for consideration over five meetings (including this one), and where appropriate, recommendations subsequently provided to Council.

The following sections of this report provide a brief summary of the work undertaken by the specific function of the Committee as set out in the Terms of Reference.

Financial Reporting and Prudential Requirements

Strategic Management Planning

In relation to Council's suite of Strategic Management Plans (SMP), the Committee reviewed the assumptions underpinning the *Long Term Financial Plan* (LTFP) at its February meeting prior to recommending its approval for public consultation to Council.

Throughout the year, the Committee received regular reports on the progress of the asset management system implementation and considered the draft Community Wastewater Management Scheme (CWMS) Asset Management Plan for recommendation to Council at its August meeting.

Annual Business Planning

In April, the Committee reviewed the draft *2022-23 Annual Business Plan and Budget* (ABP) in terms of its alignment with the strategic management plans and the adequacy of the plans in the context of maintaining financial sustainability. The Committee recommended the draft ABP to Council for approval for public consultation. The Committee subsequently considered the revised ABP at its May meeting and reaffirmed its consistency with the Strategic Management Plans and maintenance of financial sustainability.

Budget Reviews

The Audit Committee reviewed the 2021-22 second (BR2) and third (BR3) budget reviews and the End of Year Financial Report 2021-22. The Committee reviewed the 2022-23 first (BR1) budget review prior to these reports going to Council.

Financial Statements and Annual Reports

At the October 2022 meeting, the Committee had an in depth discussion around the draft Annual Financial Statements that had been presented. The Committee was satisfied that the Statements present fairly the state of affairs of Council in accordance with the *Local Government Act 1999*, the *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards

Due to the November 2022 Local Government election, the Committee was not able to receive and consider the draft 2021-22 Annual Report.

Presiding Member _____

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Quarterly Performance Reporting

Commencing in the 2019-20 financial year, the Committee receives quarterly performance reports on the achievement of strategic plan objectives and priorities, key projects, customer and other performance targets, capital works program implementation and financial performance.

These reports continued in the 2022 calendar year with the Quarter 2, 3 and 4 2021-22 reports and the Quarter 1 2022-23 report being considered at each of its quarterly meetings.

Internal Controls and Risk Management Systems

Internal Controls

From the start of the 2015-16 financial year, Adelaide Hills Council has had additional obligations regarding the development and maintenance of a system of internal financial controls, consistent with the requirements of the *Local Government (Financial Management) Regulations 2011*. This has required Council's external auditors to provide an opinion on internal financial controls in accordance with s129(3)(b) of the Act.

Monitoring against the key risks and controls has been generated from a system called 'Control Track'. This system tracks the recognised 'core' controls and the agreed treatment plans by responsible officers. These have been provided to the Audit Committee on a bi-annual basis.

At its May meeting, the Audit Committee received report on the IT Entity Controls Review undertaken as part of the Financial Statements Audit process. The Committee will continue to maintain an active interest in the mitigations arising from this audit.

Risk Management

Throughout the year, the Audit Committee has reviewed quarterly updates on the organisation's strategic risks and mitigation actions. The strategic risks are managed in the SkyTrust risk management platform. The Committee has received briefings on the development of the SkyTrust product in relation to its corporate risk management capabilities and will continue to monitor these.

Steady progress was noted in the implementation of mitigations with a number of new mitigations identified throughout the period as the risk and control environments have evolved.

In February, the Committee received a report on the Transferable Risk Profile of the Adelaide Hills Council. The report identified opportunities for minor enhancement in the insurance placement program which were implemented in the 2022-23 placement.

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At its August meeting, the Committee received a report on the placement of Council's insurance portfolio and the enhanced elements of Council placement and claims management arrangements in conjunction with the insurers. The Committee noted that the insurance market has been hardening over the last 12 months (particularly as a result of the increasing frequency of extreme weather events) and this is resulting on super-normal contribution increases.

Debtors

Biannual reporting of debtors continued to the Committee which demonstrated the ongoing improvement in the management of historic rate debtors as a result of the development and application of a *Debt Recovery Policy*.

Cyber Security

In May 2022 the Committee was provided with a presentation on the progress of the Cyber Security Framework and limited information can be provided at this time due to the matter remaining in confidence.

Policy Reviews

The Committee plays an important role in reviewing all financial and internal control related policies and making recommendations as appropriate to Council. During 2022, the Committee reviewed the following:

- *Internal Audit Policy*
- *Prudential Management Policy*
- *Risk Management Policy*
- *Procurement Policy*
- *Disposal of Assets Policy*

Internal Audit

The Committee received quarterly reports on the implementation of the Strategic Internal Audit Plan 2018-19 – 2022-23. Progress against the Plan has been behind schedule due to competing resource priorities including boundary reform and legislative reform implementation. The Committee has noted a number of projects have been scoped and prepared for procurement for delivery in late 2022/early 2023.

At its August meeting, the Committee received an audit report on the AHC's Recruitment and Retention arrangements. The audit identified and documented a number of elements of good practice, it identified five (5) findings for recommendations for control improvements and three (3) other improvement opportunities. The auditors concluded that the control environment for Recruitment and Retention is marginal as assessed utilising the Council's *Corporate Risk Management Guide*.

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At the same meeting, the Committee reviewed the Economic Development Plan Implementation audit report. The audit identified and documented a number of elements of good practice, it identified three (3) findings for recommendations for control improvements and five (5) other improvement opportunities. The auditors concluded that the control environment for Economic Development Plan Implementation is marginal as assessed utilising the Council's Corporate Risk Management Guide.

All agreed actions from internal and external audits are captured within the Committee's Audit Actions Implementation Register and reported to the Committee on a bi-annual basis to ensure that appropriate actions are being undertaken.

External Audit

At its February meeting, the Committee considered the External Auditor's *Engagement Letter and Audit Plan* for the Annual Financial Statement and Internal Financial Control audits. The Committee considered the matter of auditor independence.

At the May meeting, the Committee considered the results of the Interim Audit and advised that the work to date was indicating unqualified audit reports. A number of recommendations were made by Galpins regarding potential improvements to the suite of internal financial controls and management responses and agreed actions adopted.

The Audit Committee met with Galpins in the absence of management at the October meeting. The auditors advised that the financial management and reporting of council activities was of a very good standard.

Other Matters

At its February 2022 meeting, the Committee received a report on the incoming legislative changes which will impact on the Audit Committee's functions. The Committee noted the enhanced external audit rotation, internal audit provision and Audit Committee scope changes that will be implemented by June 2023.

The Committee considered a report on the incoming 'Rates Oversight Scheme' which will be overseen by the Essential Services Commission of South Australia (ESCOSA). The Committee noted that Adelaide Hills Council will be in the first round of councils that will be reviewed with the resultant assessment report being provided to Council in early 2023.

In March 2022, the Service Review Framework was operationalised with the conduct of the Civil Service Maintenance Function service review. The review found a high-achieving, positive culture and opportunities to enhance the levels of automation to plan and manage workload effectiveness and efficiency. Recommendations from the Service Review that are adopted in the Action Plan will be monitored in Council's Audit Action Register and will be reported on a biannual basis to Audit Committee and Council.

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
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The Committee also assessed the External Auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services. The Committee is satisfied that for the 2021-22 financial year, there were no relationships between the External Auditor and the Council that compromise audit independence, and this was also confirmed in writing by the external auditor.

In their audit of the Council's Annual Financial Statements, the External Auditors (Galpins) have issued an unqualified audit opinion in the *2021-22 Audit Completion Report* providing the following statement:

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2022, and its financial performance and its cash flow for the year then ended in accordance with the Australia Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

In auditing the internal financial controls, Council's External Auditors have issued an unqualified audit opinion in the *2021-22 Audit Completion Report* providing the following statement:

In our opinion, Adelaide Hills Council has complied, in all material respects, with Section 125 of the Local Government Act 1999 in relation to internal controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2021 to 30 June 2022.

COMMITTEE SELF-ASSESSMENT

At its October meeting, the Committee considered the results of its annual Self-Assessment process. The feedback received is that the Committee is performing in relation to its rule and functions under the Committee's Terms of Reference.

DETAILS OF MEETINGS

During 2022, a total of five (5) Audit Committee meetings were held being:

- 14 February 2022
- 20 April 2022
- 23 May 2022
- 15 August 2022
- 17 October 2022
- NB: November / December 2022 - Local Government Election. Meeting(s) to be determined by incoming Council/Audit Committee.

The above meeting cycle is consistent with the requirements of the Committee's Terms of Reference which requires at least four meetings per year to be held.

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
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The Audit Committee member attendance at meetings during the year was as follows:

Name	Attendance	Comments
Cr Malcolm Herrmann	5/5	Presiding Member
Peter Brass	5/5	Independent Member
David Moffatt	4/5	Independent Member
Natalie Johnston	5/5	Independent Member
Cr Leith Mudge	4/5	Committee Member

Committee Membership is renewed in a staggered manner to provide continuity of knowledge. Current Membership terms are as follows:

Role	Name	From	To
Presiding Member	Cr Malcolm Herrmann	27 November 2021	November 2022
Independent Member	Peter Brass	14 December 2021	30 November 2023
Independent Member	David Moffatt	14 December 2021	30 November 2023
Independent Member	Natalie Johnston	01 December 2020	30 April 2023
Committee Member	Cr Leith Mudge	27 November 2021	November 2022

Presiding Member _____

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
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FUTURE WORK PROGRAM PROPOSAL

The incoming Council/Committee will determine its Work Plan for 2022/2023, once Council Membership is appointed. The Work Plan will ensure that the Committee continues to undertake its principal functions as set out in the *Local Government Act 1999*.

The *Statutes Amendment (Local Government Review) Act 2021* (the “Amendment Act”) was assented to by the Governor on 17 June 2021. There are a number of provisions in the Amendment Act relating to audit committees which will result in changes to nomenclature, functions, membership, internal and external audit arrangements. The majority of these new provisions are not due to commence until 30 November 2023 however the AHC Audit Committee is well-placed as many of these good governance arrangements have been in effect for a number of years.

CONCLUSION

The body of work undertaken by the Committee is continuing to develop over time and the Committee is striving to ensure that its work is useful in the context of contributing to Adelaide Hills Council strategic objectives.

Finally, I would like to thank the other members of the Committee for their ongoing efforts in ensuring that the work undertaken is done so at both a highly professional and robust level. I would also like to thank those staff involved in preparing the reports and responding to questions at meetings, as their involvement has significantly aided in the review and decisions of the Committee.

Cr Malcolm Herrmann

Presiding Member, Adelaide Hills Council Audit Committee
17 October 2022

9. QUESTIONS WITHOUT NOTICE

Nil

10. CONFIDENTIAL ITEMS

Nil

11. NEXT MEETING

The next ordinary meeting of the Audit Committee will be at a time and date to be advised at 63 Mt Barker Road, Stirling.

12. CLOSE MEETING

The meeting closed at 8.40pm.

Presiding Member _____

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 December 2022
AGENDA BUSINESS ITEM**

Item: 7.2

Responsible Officer: Steven Watson
Governance and Risk Coordinator
Office of the Chief Executive

Subject: Action Report and Work Plan Update

For: Decision

SUMMARY

A formal Audit Committee Action Report is maintained to record the items requiring 'actioning' that result from each of the Audit Committee meetings.

The Audit Committee Work Plan assists the Committee members and staff in scheduling both discussion and reports to ensure appropriate coverage of the Committee functions over the 12-month period.

The Audit Committee 2022 Work Plan (**Appendix 2**) has NIL (0) suggested amendments for this meeting.

A Draft Audit Committee Work Plan 2023 (**Appendix 3**) is attached for consideration.

RECOMMENDATION

The Audit Committee resolves:

1. That the report be received and noted.
 2. That the status of the *2022 Action Report and Work Plan* be noted.
 3. That the Draft Audit Committee *Work Plan 2023* be adopted.
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1. BACKGROUND

Action Report

The Action List tracks the implementation of resolutions of the Audit Committee.

Work Plan

The functions of the Audit Committee are set out in part 7 (Role) of the Committee Terms of Reference.

Work Plan Amendment

A Work Plan has been developed to assist the Committee members and staff in scheduling discussion and reports to ensure appropriate coverage of the functions over the 12-month period. The Audit Committee adopted an updated Work Plan at its 15 November 2021 meeting and a Draft Audit Committee Work Plan 2023 is attached for the Committee consideration.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5	A Progressive Organisation
Objective O4	We actively represent our community
Priority O4.3	Attract and develop a diverse and capable elected body that represents, promotes and reflects the composition of the community
Priority O4.3	Advocate to, and exert influence with, our stakeholders on behalf of our community to promote the needs and ambitions of the region
Objective O5	We are accountable, informed, and make decisions in the best interests of the whole community
Priority O5.1	Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations
Priority O5.2	Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action.

➤ Legal Implications

Section 126 of the *Local Government Act 1999* sets out the functions of an audit committee. Management of Committee's action items and work plan facilitates the achievement of these functions.

➤ Risk Management Implications

The management of action items and the work plan will assist in mitigating the risk of:

Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Low (3E)	Low (3E)

The Audit Committee Action Report and Work Plan are current controls and therefore the Committee's approval of this item will not impact the Residual or Target Risk ratings.

Note that there are many other controls that assist in mitigating this risk.

➤ **Financial and Resource Implications**

Council's current budget contains provision for the costs associated with the notification and conduct of audit Committee meetings

➤ **Customer Service and Community/Cultural Implications**

The timing and location of Audit Committee meetings should be considerate of the desire for community members to attend.

➤ **Sustainability Implications**

Not applicable.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

<i>Council Committees:</i>	Not Applicable
<i>Council Workshops:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>External Agencies:</i>	Not Applicable
<i>Community:</i>	Not Applicable

➤ **Additional Analysis**

The review by the Audit Committee of the Action Report and Work Plan is an important element of Council's commitment to open and transparent decision making which facilitates public accountability.

Action Report

There are two (2) completed items and one (1) outstanding item on the Audit Committee Action Report (**Appendix 1**) arising from previous Committee meetings. Commentary against the item is provided for the Committee's information.

Work Plan and Reporting Schedule

As per the *2022 Audit Committee Work Plan and Reporting Schedule (Appendix 2)*, the following items are detailed below are included in this meeting:

Item	Commentary	Month Scheduled
Financial Reporting		
Long Term Financial Plan (LTFP)		February
Annual Business Plan		April
Budget Review 1		November
Budget Review 2		February
Budget Review 3		May
End of Year Financial Report		November
End of financial year reporting timetable		May
End of financial year update		August
Final Annual Financial Statements (incl management representation letter)		October
Internal Control and Risk Management		
Placement of Council's insurance portfolio (for noting)		August
Internal Financial Controls update		May
Risk Management Plan update		February/May/ August/November
Results of LGRS Risk Management Review	N/A	February (Biennial)
LGRS Risk Evaluation - Action Plan Review		May/November
Internal Audit		
Internal Audit quarterly update		February/May/ August/November
Internal audit reports		As Required
Implementation of internal audit actions progress report		February/August
Internal Audit Plan review		May
External Audit		
External audit interim letter		April
Implementation of external audit actions progress report		February/August
External Audit Plan review		February
Meeting attendance by external auditors		February/October
Review of auditor independence and legislative compliance		October
Audit Committee Completion Report		October/November

Public Interest Disclosure		
Public Interest Disclosure Policy review (replaces Whistle-blowers)		April 2024
Public Interest Disclosure Arrangements and Compliance	Nil reports made to date	May 2024
Other Business		
Audit Committee self-assessment review		November
Presiding Member's Report		November
Work Plan and Reporting Schedule		November
Audit Committee Meeting Dates		November
Debtors Report		February/August
Annual Report		November
Action Report & Work Plan Update	Included in this meeting	All Meetings
Audit Committee Terms of Reference		August
Directors Presentation		February/May/August/November
Other Reports	As required	As Required

2022 Work Plan

There are no suggested changes to *2022 Audit Committee Work Plan (Appendix 2)*.

2023 Work Plan Draft

A *Draft Audit Committee Work Plan 2023* is included for the Committee's consideration (**Appendix 3**).

The External Audit arrangements are currently being tendered and there may be a need to adjust timeframes in the Work Plan once a provider is appointed.

3. OPTIONS

The Audit Committee has the following options:

- I. To note the status of the Action Report at **Appendix 1** and Audit Committee Work Plan 2022 at **Appendix 2** and adopt the Audit Committee Work Plan 2023 at **Appendix 3** (Recommended).
- II. To alter or substitute elements of the Action Report or Work Plan (Not Recommended).

4. APPENDICES

1. Audit Committee Action Report
2. Audit Committee Work Plan 2022 (v1.0)
3. Draft Audit Committee Work Plan 2023 (v1.0)

Appendix 1

Audit Committee Action Report

Audit Commitee Action Report December 2022

Meeting Date	Meeting	Res No.	Item Name	Previously Declared COI	Action Required (Council Resolution)	Responsible Director	Responsible Officer	Status	Date of Update	Due Date	Status (for Council reporting)
24/05/2021	Audit Committee	AC33/21	Cyber Security Report - Period of Confidentiality	None declared	That the report, related attachments and the minutes of the Audit Committee and the discussion and considerations of the subject matter be retained in confidence until the control deficiencies are mitigated but no longer than 30 June 2023.	Terry Crackett	James Sinden	In Progress	13/10/2022	30/06/2023	The Local Government Cyber Security Framework (LGCSF) that was grant funded by the LGA and LGITSA (Local Government Information Technology South Australia) has been formally released and available to Councils for implementation. Work progresses with Councils Cyber Security Plan working with consultants implementing the ISMS (Information Security Management System) aligned with the LGCSF. An update was also provided to the Audit Committee in May 2022 of the implementation progression status.
17/10/2022	Audit Committee	AC41/22	2021-22 General Purpose Financial Statements	Nil	<div>1. That the report be received and noted</div> <div>2. That in accordance with Section 126(4)(a) of the <i>Local Government (Financial Management) Regulations 1999</i>, the Audit Committee advises Council that it has reviewed: the General Purpose Financial Statements of the Council for the financial year ended 30 June 2022 as contained in Appendix 1, and the External Auditor Galpins' Audit Clearance Report as contained in Appendix 2,</div> <div>and is satisfied that the 2021-22 financial statements present fairly the state of affairs of the Council.</div> <div>3. To recommend that the Adelaide Hills Council 2021-22 General Purpose Financial Statements, contained in Appendix 1, may be certified by the Acting Chief Executive Officer and the Mayor.</div> <div>4. To note the confirmation of Galpins Auditor Independence Statement provided at Appendix 3.</div> <div>5. To recommend that the Certification of Auditor Independence statement contained in Appendix 4 may be certified by the Acting Chief Executive Officer and the Presiding Member of the Audit Committee in accordance with the requirements of Regulation 22(3) of the Local Government (Financial Management) Regulations 2011.</div> <div>6. The Audit Committee acknowledges and thanks Galpins, in particular Tim Muhlihauser and Juliano Fretias for providing audit services for the past five years.</div>	Terry Crackett	Mike Carey	Completed	18/10/2022	19/10/2022	Annual Financial Statements presented and adopted by Council at 25 October 2022 Council Meeting and subsequently signed by all relevant parties on 1 November 2022
17/10/2022	Audit Committee	AC42/22	2021-22 End of Year Financial Report	Nil	<div>That the report be received and noted</div> <div>To recommend to Council that the Audited 2021-22 Financial Results compared to Budget contained within this report have been appropriately considered.</div>	Terry Crackett	Mike Carey	Completed	18/10/2022	19/10/2022	2021-22 End of Year Financial Report presented to Council at the Council Meeting on 25 October 2022

Appendix 2

Audit Committee Work Plan 2022

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE

2022 Work Plan and Reporting Schedule

Terms of Reference		
Financial Reporting & Prudential Requirements	Long Term Financial Plan (LTFP)	Annual
	Annual Business Plan	Annual
	Budget Review 1	Annual
	Budget Review 2	Annual
	Budget Review 3	Annual
	End of Year Financial Report	Annual
	End of financial year reporting timetable	Annual
	End of financial year update	Annual
	Final Annual Financial Statements (incl management representation letter)	Annual
Internal Control and Risk Management	Placement of Council's insurance portfolio (for noting)	Annual
	Internal Financial Controls update	Annual
	Risk Management Plan Update	Quarterly
	LGRS Risk Evaluation - Results	Biennial
	LGRS Risk Evaluation - Action Plan Review	Bi-annual
Internal Audit	Internal Audit quarterly update	Quarterly
	Internal audit reports	As required
	Implementation of internal audit actions progress report	Bi-annual
	Internal Audit Plan review	Annual
External Audit	External audit interim letter	Bi-annual
	Implementation of external audit actions progress report	Bi-annual
	External Audit Plan review	Annual
	Meeting attendance by external auditors	Annual
	Review of auditor independence and legislative compliance	Annual
	Audit Completion Report	Annual
Public Interest Disclosure	Public Interest Disclosure Policy review (replaces Whistleblowers)	Triennial
	Public Interest Disclosure Arrangements and Compliance	Annual
Other Business	Audit Committee self assessment review	Annual
	Presiding Member's Report	Annual
	Work Plan and Reporting Schedule	Annual
	Audit Committee Meeting Dates	Annual
	Debtors Report	Bi-annual
	Council's Annual Report	Annual
	Action Report & Work Plan Update	All Mtgs
	Audit Committee's Terms of Reference	Annual
	Climate Change Adaptation Governance Assessment Report - July 2019	Bi-annual
	Quarterly Performance Report	Quarterly
	Directorate Risk Profile Presentation	Quarterly
	Other Reports	As required

Version Control:	V1.0 - Adpoted 15 November 2021
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2022					
Feb	April	May	Aug	Oct	Nov
	Draft				
					2022-2023
2021-22					
		2021-22			
					2021-22
		2021-22			
			2021-22		
				2021-22	

[illegible]

		verbal	letter		
				in camera	
				draft	final

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Appendix 3

Draft Audit Committee Work Plan 2023

2023 Work Plan and Reporting Schedule

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**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 December 2022
AGENDA BUSINESS ITEM**

Item: 8.1

Responsible Officer: Steven Watson
Governance and Risk Coordinator
Office of the Chief Executive

Subject: Audit Committee Meeting Dates 2023

For: Decision

SUMMARY

One of the fundamental principles of local government is that council and council committee, wherever possible, should be open to the public and document documents made available.

The setting and publication of the meeting times and locations of Audit Committee meetings is required to enable public notices to be given under the *Local Government Act 1999*. The report contains the proposed Audit Committee 2023 meeting schedule for approval.

RECOMMENDATION

The Audit Committee resolves:

1. That the report be received and noted.
2. To approve the Audit Committee meeting schedule, timings and locations for 2023 as follows:

Commencement	6.30pm
Meeting Dates and Locations	20 February 2023, 63 Mt Barker Road, Stirling
	17 April 2023, 63 Mt Barker Road, Stirling
	15 May 2023, 63 Mt Barker Road, Stirling
	21 August 2023, 63 Mt Barker Road, Stirling
	16 October 2023, 63 Mt Barker Road, Stirling
	20 November 2023, 63 Mt Barker Road, Stirling

1. BACKGROUND

Council has set the meeting schedule for 2023 Council meetings, which was resolved as Council meetings being held on the 2nd and 4th Tuesday of each month.

Clause 11.1 of the *Audit Committee Terms of Reference* provides that the Committee shall meet at least four times a year at appropriate times and places as determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5	A Progressive Organisation
Objective O4	We actively represent our community
Priority O4.3	Attract and develop a diverse and capable elected body that represents, promotes and reflects the composition of the community
Priority O4.3	Advocate to, and exert influence with, our stakeholders on behalf of our community to promote the needs and ambitions of the region
Objective O5	We are accountable, informed, and make decisions in the best interests of the whole community
Priority O5.1	Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations
Priority O5.2	Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action.

➤ Legal Implications

Section 87(8) of the *Local Government Act 1999* requires that the notice an ordinary meeting of the committee must be given to members at least three (3) clear days before the date of the meeting.

Section 88(2) states that notice must be given as soon as practicable after the time that notice is given to the members of the committee

➤ Risk Management Implications

The setting of a schedule of ordinary meetings for the Audit Committee will assist in mitigating the risk of:

Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Low (3E)	Low (3E)

Note that there are many other controls that assist in mitigating this risk.

➤ Financial and Resource Implications

Council's current budget contains provision for the costs associated with the notification and conduct of audit Committee meetings

➤ **Customer Service and Community/Cultural Implications**

The timing and location of Audit Committee meetings should be considerate of the desire for community members to attend.

➤ **Sustainability Implications**

Not applicable.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

Council Committees: Not Applicable
Council Workshops: Not Applicable
Advisory Groups: Not Applicable
External Agencies: Not Applicable
Community: Not Applicable

➤ **Additional Analysis**

During 2022 the Audit Committee generally met on the third Monday of the nominated months. On this basis, the following schedule is proposed for the Audit Committee in 2023 which will allow recommendations from the Audit Committee to be considered by the Council in that same month.

Commencement	6.30pm
Meeting Dates and Locations	20 February 2023, 63 Mt Barker Road, Stirling
	17 April 2023, 63 Mt Barker Road, Stirling
	15 May 2023, 63 Mt Barker Road, Stirling
	21 August 2023, 63 Mt Barker Road, Stirling
	16 October 2023, 63 Mt Barker Road, Stirling
	20 November 2023, 63 Mt Barker Road, Stirling

3. OPTIONS

The Committee has the following options:

- I. To resolve to adopt the recommendations regarding the schedule, timing, and locations of Audit Committee meetings (Recommended); or
- II. To amend any/all aspect(s) of the recommendations regarding the schedule, timing, and locations of Audit Committee meetings (Not Recommended).

4. APPENDICES

Nil

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 December 2022
AGENDA BUSINESS ITEM**

Item: 8.2

Responsible Officer: Mike Carey
Manager, Financial Services
Corporate Services

Subject: 2022-23 Budget Review 1

For: Decision

SUMMARY

The *Local Government (Financial Management) Regulations 2011* (the Regulations) requires Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require or offer opportunities for changes to the budget during the year.

This report presents the first Budget Review (BR1) of the 2022-23 financial year to the Audit Committee for review. BR1 will be submitted to Council for consideration on 20 December 2022.

The proposed budget variations increase Council's Operating Surplus by \$154k from \$676k to \$830k. BR1 also proposes reductions of \$926k to Capital Income and increases of \$580k to Capital Expenditure.

As a result of the proposed operating and capital adjustments, Council's Net Borrowing Result for the year is increased from \$6.934m to \$8.342m.

It is also noted that Council's underlying Operating Surplus has been calculated at \$698k.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted.**
 - 2. To recommend to Council the proposed budget adjustments presented in Budget Review 1 which result in:**
 - a. An increase in the Operating Surplus from \$676k to \$830k for the 2022-23 financial year.**
 - b. Changes to Capital Works, reducing capital income by \$926k and increasing capital expenditure by \$580k for the 2022-23 financial year resulting in a revised capital expenditure budget for 2022-23 of \$27.369m.**
 - c. An increase in Council's current Net Borrowing Result from \$6.934m to \$8.342m for the 2022-23 financial year as a result of the proposed operating and capital adjustments.**
-

1. BACKGROUND

At the Council meeting held on the 28 June 2022, Council adopted the original 2022-23 *Annual Business Plan and Budget*, reflecting a Budgeted Operating Surplus before Capital Revenue of \$1.361m and an estimated Net Borrowing Result for the financial year of \$2.401m.

Subsequent to that meeting, Council, in consideration of the 2021-22 Preliminary End of Year Financial Report and Carry Forwards Report adopted on 23 August 2022 has approved a number of the 2022-23 Budget changes as detailed in the budget reconciliation included as part of this report as **Appendix 3**.

As a result of these changes endorsed by Council prior to this first formal budget review, Council's budgeted Operating Result was adjusted to an Operating Surplus of \$676k and the Net Borrowing Result has increased to \$6.934m.

The Regulations require Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require, or offer opportunities for changes to, the budget during the year. This report presents the first Budget Review (BR1) of the 2022-23 financial year.

Where possible Council's customary practice is to include Budget Reviews as an agenda item at Audit Committee meetings prior to consideration of Council.

Budget Review Presentation

As a result of changes to the Regulations, the Budget Review information has been simplified for the First and Third Budget Review for the year whereby it is now required to produce under Section 9(1)(a):

"a report showing a revised forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances"

In accordance with the Regulations the Uniform Presentation of Finances showing the movements in the current and proposed budgets is provided as **Appendix 1** to this report.

2. ANALYSIS

➤ **Strategic Management Plan/Council Policy**

Strategic Plan 2020-24 – A brighter future

Goal 5 A Progressive Organisation

Objective O3 Our organisation is financially sustainable for both current and future generations

Priority O3.1 Ensure the delivery of agreed strategic plan requirements whilst meeting endorsed long term targets for a sustainable operating surplus and level of debt

Objective O5	We are accountable, informed, and make decisions in the best interests of the whole community
Priority O5.1	Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations
Priority O5.3	Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community

A key aspect of Council's formal budget reviews is to review and monitor Council's Annual Budget with reference to its overall financial position and its *Long Term Financial Plan* (LTFP) to ensure Council continues to be financially sustainable.

➤ **Legal Implications**

The undertaking of formal budget reviews is a requirement of the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

➤ **Risk Management Implications**

Conducting the budget review process as required by Regulations will assist in mitigating the risk of:

Failure to conduct the budget review process as required by Regulations results in inaccurate budgets and unforecasted deficits leading to inadequate resourcing for current and future activities.

Inherent Risk	Residual Risk	Target Risk
Medium (4D)	Low (2E)	Low (2E)

It ensures that financial resources are deployed in areas that align with Council's Strategic Management Plans, are affordable and support Council's *Long Term Financial Plan*.

➤ **Financial and Resource Implications**

The proposed BR1 budget changes increase Council's Operating Surplus by \$154k from \$676k to \$830k.

In terms of capital, it is proposed to reduce Capital Income by \$926k and increase Capital Expenditure by \$580k.

As a result of the proposed operating and capital adjustments, Council's Net Borrowing Result for the year is increased from \$6.934m to \$8.342m.

It should be noted that the figures in this report and supporting appendices have been rounded and consequently individual sub-totals, whilst being correct, may differ slightly from the sum of the rounded amounts.

➤ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate financial governance processes in place including the review of the budget periodically.

➤ **Sustainability Implications**

Not applicable.

➤ **Engagement/Consultation conducted in the development of the report**

Council Committees: Not Applicable
Council Workshops: Not Applicable
Advisory Groups: Not Applicable
External Agencies: Not Applicable
Community: Not Applicable

➤ **Additional Analysis**

Given the timing of BR1, the focus of this first budget review for the year was largely on ensuring that Council's operating budget base factored in appropriate adjustments to assist in the development of the 2023-24 Long Term Financial Plan (LTFP) as well as obtaining expenditure approval for any significant items or when a budget adjustment was required to enable timeliness of delivery and projects related to grant funded opportunities.

Budget Review 1 Proposed Adjustments

\$000s	2022-23 Current Budget	Proposed BR1 Adjustments	Transfer between Capital & Operating	Revised Budget after BR1
Operating Income	52,963	327		53,290
Operating Expenditure	52,287	173	20	52,460
Operating Surplus	676	154		830
Depreciation	10,502	(56)	-	10,446
Capital income	8,676	(926)	-	7,750
Capital Expenditure	(26,788)	(600)	20	(27,369)
Net Borrowing Position	(6,934)	(1,408)	-	(8,342)

Operating:

Operating Income - \$327k increase

- rates revenue has exceeded forecasts by \$180k largely as a result of the finalisation of growth from new developments across the council area in the last week of June before adoption and a reduction in the amount required for the Revaluation Relief Rebate once eligibility was assessed
- CWMS additional \$16k Income generated, noting this is largely offset by additional SA Water expenditure charges for effluent discharge

- Additional Planning Income of \$38k reflecting an increase in development activity within the council area, noting that this is offset by an increase in the planning levy budget of \$42k
- An increase in grant funding represented by:
 - \$54k increase in the Financial Assistance Grant income as per Local Government Grants Commission advice received in October 2022
 - \$28k increase in Biodiversity grants income offset by associated expenditure requirements
 - reduction of \$45k in Fabrik grant income representing a duplication of grant income and expenditure across years
- Additional \$10k Cemeteries income above budget relating to Scott Creek Internment Rights
- \$26k Additional Bin Income reflecting increased take-up of bins across the Council area

Operating Expenditure - \$173k increase

- In August 2022 Council were advised of the likelihood of the need to increase waste and recycling costs in the order of \$285k. These increases were predominantly due to increased recycling processing costs of \$154k and diesel fuel costs for collection vehicles of \$131k. This outcome has now been confirmed and therefore included as part of Budget Review 1. To minimise the impact of these additional costs, waste budgets were critically examined and savings in the order of \$48k were identified to partly offset this amount. These savings were predominantly from an increase in budgeted income for additional bins discussed above and a reduction in the forecast Solid Waste Levy. In addition, a further \$100k was offset by a reduction in a CPI contingency held to cover those contracts that were aligned to the higher June 2022 CPI increase.
- a net increase of \$10k in insurance representing an increase of \$36k in asset related insurance costs due to a hardening of the market and updated asset values offset by reduction in Personal Income Protection, Workers Compensation and Public Liability totalling \$26k as highlighted in the Councils Insurance Portfolio Placement Report presented to the Audit Committee at its August 2022 meeting
- additional SA Water expenditure charges of \$23k for effluent discharge largely covered by additional CWMS income referenced above
- a \$17k decrease in grant expenditure requirements associated with grant income adjustments for Biodiversity and Fabrik discussed above
- a reduction in IT scanning and property contractor costs of \$70k as a result of reviewing operational requirements in those areas.
- a transfer of \$20k relating to a Climate Change initiative previously allocated to Capex as it is considered the expenditure is more operational in nature

In addition there were a number of zero bottom line adjustments to individual functions budgets including a transfer between employee costs and depreciation for the Community and Recreation Facilities Framework once updated costs for that implementation were determined.

Annual Financial Assistance Grant Budget

It should be noted that Council's 2022-2023 Operating Result may be impacted by the Federal Government decision to advance three (3) quarters of Council's 2022-2023 Financial Assistance Grant in 2021-22. While this decision implies that the Council may only receive one (1) quarter of the Financial Assistance Grant in 2022-2023, these Financial Assistance Grant payments have been regularly advanced for a number of years.

The Adopted Budget has been prepared on the assumption that the equivalent of four (4) quarterly payments will be received as it is considered that this best provides the community and other stakeholders with a more consistent representation of Council's Operating Surplus with reference to ongoing financial sustainability. However, if the past practice of advancing Financial Assistance Grants does not continue, Council's reported Operating Result will be significantly less than budgeted. Council's calculation of the Underlying Surplus reflects the full 2022-23 Financial Assistance Grant allocation and is not impacted by the timing of the grant cash payments.

Capital Items:

\$000s	2022-23 Current Budget	Proposed BR1 Adjustments	Proposed BR1 Budget
Capital income	8,676	(926)	7,750
Capital - Renewal Expenditure	(12,902)	(505)	(13,407)
Capital - New Capital Expenditure	(13,887)	(75)	(13,962)
Total Capital Expenditure	(26,788)	580	(27,369)
Net Capital Position	(18,113)	(1,506)	(19,619)

For BR1 there are a small number of variations in the capital budget spread across asset categories. Proposed changes in the capital works program reduce capital income by \$926k and increase capital expenditure by \$580k with specific details including the budgetary impact by project provided as per **Appendix 2**.

It is noted that the reduction in capital income largely reflects the carrying forward of sale proceeds relating to the Old Woollen Mill Divestment to 2023-24 given the requirement for rectification of the culvert prior to sale offset by accounting for the Special Local Roads capital grant for Tiers Roads approved under that program earlier this financial year.

As a result of the Special Local Road Funding, this has also resulted in the restaging of the Tiers Rd works resulting in a net budget request of \$260k for capital expenditure as part of BR1.

Whilst the proposed changes to the capital expenditure budget show an increase of \$580k on a very large capital spend for this financial year, it is anticipated that the total 2022-23 capital expenditure budget will be reduced by a reasonable amount in subsequent reviews to reflect the timing of project delivery. At the time of this report relatively few projects had advanced significantly enough to readily identify the specific projects that will be at risk of being delivered on a timely basis within budget. This will be revisited in Budget Review 2 and 3 once further progression of the overall capital expenditure has occurred.

As a result of this consideration and in line with Council's position taken in the adoption of Council's 2022-23 Long Term Financial Plan, an adjustment, in this case of \$5m to the Capital Program and associated funding has been made to ensure that Council's forecast borrowing position more accurately reflects Council's funding requirements at 30 June whilst still maintaining the full capital budget allocation.

Movements in Budgeted Borrowings

As a result of:

- updating Council's statutory statements for the 30 June 2022 financial position as per the 2021-22 audited financial statements adopted in October 2022
- factoring in the estimated \$5m carry forward
- proposed BR1 changes

it is forecast that there will be new borrowings of \$5.3m for the 2022-23 financial year. This results in Borrowings excluding leases of \$19.2m at 30 June 2023 with the borrowing movements for the year shown below.

Borrowings excluding Leases \$000s	Opening July 2021	New Borrowings	Repayments	Forecast June 2022
CAD (Short Term Drawdown)	9,206		(19)	9,187
Current Other Borrowings	-	5,300	(271)	5,029
Fixed Term Borrowings	5,000		-	5,000
Borrowings (excluding leases)	\$14,206	\$5,300	(290)	\$19,216

This is reflected in the Financing transaction detail as shown at the bottom of Council's *Uniform Presentation of Finance Appendix 1*.

The financing result for the financial year also includes budgeted payments relating to the landfill remediation provision, principal repayments and other working capital movements impacting on Council's overall borrowing position.

Summary

The proposed budget changes increase Council's Operating Surplus by \$154k from \$676k to \$830k. BR1 also proposes reductions of \$926k to Capital Income and increases of \$580k to Capital Expenditure.

As a result of the proposed operating and capital adjustments, Council's Net Borrowing Result for the year is increased from \$6.934m to \$8.342m.

\$000s	\$
BR0 Adopted Budget Net Lending (Borrowings) Result	(6,934)
Impact of Operating Budget Adjustments for BR1	154
Change in Depreciation	(56)
Impact of Capital income and Expenditure Adjustments for BR1	(1,506)
BR1 Revised Net Lending (Borrowing) Result	(\$8,342)
2022-23 Underlying Operating Surplus	\$698

In the last couple of years, Councils operating surplus has been impacted by a significant number of one-off budget items together with a large amount of grant funding received with associated expenditure commitments often accounted for in different years.

It has therefore been agreed that Administration would provide details of Council's 'underlying' Operating Surplus as part of financial reporting performance and Budget Reviews to assist in the assessment of Council's ongoing financial sustainability and long term financial planning.

As noted in Appendix 3, which shows the budget reconciliation of 2022-23 Budget changes from BR1 and other movements since Council Original Budget was adopted, the proposed BR1 operating budget adjustments are largely ongoing and as a result Council's underlying Operating Surplus will increase from \$523k to \$698k.

Quarterly Finance Performance Results

At its 19 June 2018 meeting, Council adopted (Res 128/18) the *Corporate Planning & Performance Framework*, of which a key element was the establishment of a suite of Corporate Business Performance Indicators which are aligned with Adelaide Hills Council's Strategic Plan goals and will enable the tracking of performance over time.

As a result Quarterly Council Performance Reports were prepared showing the performance against the Corporate Performance indicators, strategic initiatives and key activities of the Council's *Annual Business Plan*.

To reflect the alignment to the Strategic Plan 2020-24 – A brighter future the format of the Quarterly Council Performance Report is formatted to show Council's performance against the 5 strategic goals with the report also includes the Customer Service Standards, Capital Works performance, and Quarterly Financial Performance.

As a result of a change in the timing of reporting, the Quarterly Performance Reports are now provided to Council and the Audit Committee at the meeting directly following the end of the quarter.

As the financial performance information contained in that report is only preliminary at that meeting it was agreed for completeness to include the final quarterly financial performance as part of each Budget Review. As a result this information is shown as **Appendix 4**.

3. OPTIONS

The Committee has the following options:

- I. To receive and note this report and recommend to Council the proposed budget adjustments presented in Budget Review 1 as prepared (Recommended).
- II. To make additional comments or suggestions to Administration to consider prior to finalising Budget Review 1.

4. APPENDICES

- (1) 2022-23 Budgeted Uniform Presentation of Finances
- (2) Capital Works Budget Review 1 Proposed Changes
- (3) 2022-23 Budget Adjustments subsequent to Original Budget Adoption
- (4) Financial Performance Report for Quarter Ended 30 September 2022

Appendix 1

2022-23 Budgeted Uniform Presentation of Finances

Adelaide Hills Council
BUDGETED UNIFORM PRESENTATION OF FINANCES
2022-23 Annual Budget

2021-22 Actuals		2022-23 Current Budget	BR1 Changes	2022-23 Revised Budget
\$'000		\$'000	\$'000	\$'000
INCOME				
41,504	Rates	44,143	196	44,339
1,430	Statutory charges	1,318	42	1,360
884	User charges	837	51	888
7,667	Grants, subsidies and contributions	6,164	34	6,198
59	Investment income	5		5
197	Reimbursements	184	2	186
583	Other income	212	2	214
133	Net gain - equity accounted Council businesses	100		100
52,457	Total Income	52,963	327	53,290
EXPENSES				
19,608	Employee Costs	20,800	59	20,859
21,515	Materials, contracts & other expenses	20,391	170	20,561
9,820	Depreciation, amortisation & impairment	10,502	(56)	10,446
306	Finance costs	594		594
66	Net loss - equity accounted Council businesses	-		0
51,315	Total Expenses	52,287	173	52,460
1,142	NET BUDGETED SURPLUS / (DEFICIT) BEFORE CAPITAL AMOUNTS	676	154	830
Net Outlays on Existing Assets				
(12,337)	Capital Expenditure on Renewal and Replacement of Existing Assets	(12,902)	(505)	(13,407)
756	Proceeds from Sale of Replaced Assets	636		636
9,820	Depreciation	10,502	(56)	10,446
(1,761)	NET OUTLAYS ON EXISTING ASSETS	(1,764)	(561)	(2,325)
Net Outlays on New and Upgraded Assets				
(4,839)	Capital Expenditure on New and Upgraded Assets & Remediation costs	(13,887)	(75)	(13,962)
2,552	Capital Grants & Monetary Contributions - New & Upgraded Assets	5,311	310	5,621
9	Proceeds from Sale of Surplus Assets	2,730	(1,236)	1,494
(2,278)	NET OUTLAYS ON NEW AND UPGRADED ASSETS	(5,847)	(1,001)	(6,848)
(2,897)	NET LENDING/ (BORROWING) RESULT FOR FINANCIAL YEAR	(6,934)	(1,408)	(8,342)
(20,311)	Net Financial Liabilities at Beginning of Year	(24,426)	411	(24,015)
(740)	Decrease / (increase) in Other	(429)	5,000	4,571
(67)	Non Cash Equity Movement	(100)		(100)
(24,015)	Net Financial Liabilities at End of Year	(31,889)	4,003	(27,886)

In a year, the financing transactions identified below are associated with either applying surplus funds stemming from a net lending result or accommodating the funding requirement stemming from a net borrowing result

Financing Transactions

(2,897)	NET LENDING/ (BORROWING) RESULT FOR FINANCIAL YEAR	(6,934)	(1,408)	(8,342)
(76)	Proceeds from Bonds & Aged Care Facilities deposits	-	670	670
4,006	Increase/(Decrease) in Short Term Draw Down	22	(41)	(19)
(2,578)	(Increase)/Decrease in Cash & Investments	-	2,700	2,700
	Estimate of Capital Carry Forward to be transferred to next Year		5,000	5,000
1,488	(Increase)/Decrease in Other Working Capital	-		0
629	Increase/(Decrease) in Grants Received in Advance	(2,922)		(2,922)
-	Principal Repayments on Borrowings	(515)	244	(271)
(400)	Repayment of Lease Liabilities	(429)		(429)
(105)	Reinstatement/Restoration Provision Payment	(1,032)	629	(403)
	Debenture Payment	(590)	(594)	(1,184)
(67)	Non Cash Equity Movement	(100)		(100)
0	REDUCTION IN BORROWINGS/(NEW BORROWINGS) FOR FINANCIAL YEAR	(12,500)	7,200	(5,300)

It should be noted that the figures in this appendix have been rounded and consequently individual sub-totals, whilst being correct, may differ slightly from the sum of the rounded amounts.

Appendix 2

Capital Works Budget Review 1 Proposed Changes

2022-23 CAPITAL BUDGET REVIEW 1						
Proj #	Project Name	Type	Current Budget	Change FAV / (UNFAV)	Revised Budget	Comment
CAPITAL EXPENDITURE						
BUILDINGS						
NEW	Mount Torrens Coach House Public Toilets	New	\$0	(55,000)	\$55,000	This is a new project/budget initiative for a Council funded accessible public toilet as external funding was not received as previously sought.
NEW	Lobethal Centennial Hall	Renewal	\$0	(49,500)	\$49,500	Structural repairs to both the walls and the ceiling prior to the hall being painted by the Centennial Hall Committee.
		Total	\$0	(104,500)	\$104,500	
CWMS						
NEW	CWMS Audit	Renewal	\$0	(60,000)	\$60,000	Increase to progress condition data collection as per audit recommendation.
4004	Woodlot Management	Renewal	\$40,000	30,000	\$10,000	Investigation and design in 22-23 - physical works in 23-24
		Total	\$40,000	(30,000)	\$70,000	
FOOTPATHS						
3826	New Footpath Program	New	\$250,000	(40,000)	\$290,000	Council will build a new footpath along Glen Stuart Rd, Woodforde, adjacent the college as part of the approved 2022-23 new footpath program. These additional funds would allow for this new footpath to extend and connect to the nearby Hamilton Hill development.
		Total	\$250,000	(40,000)	\$290,000	
OTHER						
3746	Climate Change Adaptation Plan Projects - All Hazards Emergency Management	New	\$20,000	20,000	\$0	Move capital budget to be operating expenditure
		Total	\$20,000	20,000	\$0	
ROADS						
4012	Tiers Road - Vickers Road to Kumnick Hill Road	Renewal	\$0	(660,000)	\$660,000	Offset by \$ 330,000 SLRF Income.
4069	Tiers Road - Baldocks to Woodroffe Roads	Renewal	\$400,000	400,000	\$0	Rebid in 2023-24 and will be subject to a Special Local Road Application (Stage 2 of Tiers Road)
4013	Pavement Investigations	Renewal	\$92,000	(70,000)	\$162,000	Increase to progress road condition data collection as per audit recommendation.
NEW	Mount Bold Road Bradbury - Road Rehabilitation	Renewal	\$0	(90,000)	\$90,000	450m section of Mount Bold Road south from Terara Lane has rapidly deteriorated beyond maintenance intervention following the extended wet weather. There are extensive pavement failures with the majority of the road section showing pavement fatigue that will quickly develop into additional failures. The road is currently under speed restrictions to ensure safety of motorists. The most cost effective treatment is to undertake rehabilitation of the road base utilising Council's internal resources and recycled concrete from the Heathfield stockpile.
		Total	\$492,000	(420,000)	\$912,000	
ICT						
4059	Council Members Devices	Renewal	\$30,000	(5,235)	\$35,235	Renewal of Council Member devices after quoting indicated an increase in renewal costs required for implementation.
		Total	\$30,000	(5,235)	\$35,235	
Total Expenditure Change				(579,735)		

Capital Expenditure Changes

Split as follows:

Renewal
New/Upgrade

(504,735)

(75,000)

(579,735)

2022-23 CAPITAL BUDGET REVIEW 1						
Proj #	Project Name	Type	Current Budget	Change FAV / (UNFAV)	Revised Budget	Comment
CAPITAL INCOME						
149182164	Tiers Road - Vickers Road to Kumnick Hill Road #4012 Capital Grant		\$0	330,000	\$330,000	Special Local Roads Funding (SLRF) Program
149182074	Gumeracha WIN Capital Grant		\$232,000	(20,000)	\$211,000	\$20,000 already accounted for as Income in 2021-22
149280331	Retirement Villages Sale of Assets	Cost of sale	\$1,421,000	(5,500)	\$1,415,500	Cost for valuation relating to the Bridgewater retirement village sale
149004331	Old Woollen Mill Divestment - Sale of Surplus Assets		\$1,230,000	(1,230,000)	\$0	Sale of the final portion of the site now proposed to be carried forward to 2023-24 as sale process still requires works to rectify drainage culvert to be completed and agreement to purchase the land from the tenant
Total Income Change			2,883,000	(925,500)	1,956,500	

Appendix 3

*2022-23 Budget Adjustments subsequent to Original
Budget Adoption*

ADELAIDE HILLS COUNCIL
2022-23 BUDGET ADJUSTMENTS SUBSEQUENT TO BUDGET ADOPTION

Description	Operating Income	Operating Expenses	Net Operating Result	Capital Expenditure	Capital Income	Depreciation	Net Borrowing Result Impact	2022-23 Underlying Surplus
Published 2022-23 Annual Budget Plan	53,295	51,934	1,361	22,339	8,074	10,502	(2,401)	578
Operating Initiatives Carry Forwards from 2021-21		144	(144)				(144)	(55)
Operating Grants Carry Forwards from 2021-22	385	145	240				240	
Capital Carry Forwards from 2021-22			0	4,450	602		(3,848)	
2022-23 Additional Budget Requests Grants	64	64	0					
2022-23 Budget Changes LRCIP Phase 3	(781)		(781)				(781)	
Sub total Budget Adjustments since Annual Business Plan Adoption	(332)	353	(685)	4,450	602		(4,533)	(55)
AHC Proposed Budget for 23 August 2022 Council Meeting	52,963	52,287	676	26,789	8,676	10,502	(6,934)	523
One-off budget changes	(19)	(18)	(1)	600	(926)	(56)	(1,583)	
On-going budget changes	346	171	175				175	175
Transfer from Capex to Opex		20	(20)	(20)				
Budget Review 1 Adjustments	327	173	154	580	(926)	(56)	(1,408)	175
AHC Proposed Budget for 20 December 2022 Council Meeting	53,290	52,460	830	27,369	7,750	10,446	(8,342)	698

Appendix 4

*Financial Performance Report for Quarter Ended 30
September 2022*

Financial Performance

Overall Funding Statement

as at September 2022

	YTD Actual	YTD Budget	YTD Variance	Revised Budget
	\$'000	\$'000	\$'000	\$'000
<i>Total Operating Income</i>	46,372	46,088	284	52,914
<i>Total Operating Expenditure</i>	10,329	10,566	237	52,238
Funding surplus before Capital	36,043	35,521	522	676
<i>Capital Expenditure</i>	2,260	2,850	590	26,788
<i>Capital Income</i>	2,732	2,626	106	8,677
Net expenditure - Capital projects	(473)	224	697	18,111
Net Lending / (Borrowing) Result for Year	36,516	35,297	1,218	(6,934)

Adelaide Hills Council Operating Summary By Directorate as at September 2022				
	YTD Actuals \$'000s	YTD Budget \$'000s	YTD Var fav / (unfav) \$'000s	Revised Budget \$'000s
Income				
Community Capacity	817	806	11	2,581
Corporate Services	42,677	42,478	199	44,309
Development & Regulatory Services	676	631	45	1,317
Infrastructure & Operations	2,202	2,172	29	4,707
Income Total	46,372	46,088	284	52,914
Expenditure				
Community Capacity	1,835	2,005	170	8,624
Corporate Services	3,391	3,356	(35)	10,902
Development & Regulatory Services	992	1,011	19	3,939
Infrastructure & Operations	4,111	4,194	84	28,774
Expenditure Total	10,329	10,566	237	52,238
Operating Surplus (Deficit)	36,043	35,521	522	676

Adelaide Hills Council Monthly Financial Performance									
as at September 2022	Income by Function				Expenditure by Function				Net Position
	YTD Actuals \$'000s	YTD Budget \$'000s	YTD Var fav/(unfav) \$'000s	Annual Revised Budget \$'000s	YTD Actuals \$'000s	YTD Budget \$'000s	YTD Var fav/(unfav) \$'000s	Annual Revised Budget \$'000s	Variance \$'000s
CC Director's Office	6	6	-	6	94	88	(6)	339	(6)
Customer Experience	-	-	-	-	12	28	16	155	16
Communications, Engagement & Events	2	-	2	-	122	159	37	789	38
Economic Development	95	95	-	125	170	199	30	603	30
FABRIK	39	41	(2)	59	78	78	-	369	(2)
Community Development	55	43	12	103	284	291	7	1,181	19
Community Resilience	340	340	-	690	36	123	87	690	87
Positive Ageing (Home and Social Support)	229	222	7	1,106	283	281	(3)	1,158	5
Positive Ageing Project (Collaborative)	19	23	(4)	86	23	20	(3)	88	(7)
Community Centres	9	13	(4)	53	107	96	(11)	386	(15)
Library & Customer Services	23	23	0	354	626	642	16	2,867	16
Community Capacity	817	806	11	2,581	1,835	2,005	170	8,624	181
CS Director's Office	1	-	1	3	77	71	(6)	289	(5)
Financial Services	42,490	42,320	170	43,521	797	793	(4)	1,456	166
Governance & CEO Office	-	-	-	34	661	665	4	2,484	4
Information Services	-	-	-	-	835	806	(28)	2,648	(28)
OD & WHS	-	-	-	1	214	233	19	848	19
Old Woollen Mill Precinct Lobethal	71	65	6	318	50	39	(11)	230	(5)
Cemeteries	61	46	14	311	50	51	2	177	16
Property Management	42	32	10	71	563	538	(25)	1,702	(15)
Retirement Villages	12	15	(2)	40	12	7	(5)	24	(7)
Sport & Recreation	-	-	-	11	132	152	20	1,044	20
Corporate Services	42,677	42,478	199	44,309	3,391	3,356	(35)	10,902	164
DRS Director's Office	-	-	-	-	115	122	6	492	6
Development Assessment & Compliance	198	149	49	613	539	560	20	2,170	69
Environmental Health	27	31	(4)	161	121	121	-	537	(4)
Regulatory Services	451	451	1	544	217	208	(8)	739	(7)
Development & Regulatory Services	676	631	45	1,317	992	1,011	19	3,939	64
IO Director's Office	-	-	-	-	89	88	(1)	409	(1)
Civil Services	389	391	(2)	2,858	1,238	1,286	48	5,129	46
Open Space - Biodiversity	20	13	7	15	169	169	0	796	7
Open Space Operations	2	-	2	-	1,219	1,304	85	5,510	87
Community Wastewater Management System	1,694	1,678	16	1,704	121	129	8	1,056	24
Strategic Assets	-	-	-	-	137	134	(3)	10,398	(3)
Sustainability	-	-	-	-	85	85	0	292	0
Emergency Management	-	-	-	-	8	11	3	84	3
Waste	97	90	7	130	1,044	987	(57)	5,099	(50)
Infrastructure & Operations	2,202	2,172	29	4,707	4,111	4,194	84	28,774	113
Total	46,372	46,088	284	52,914	10,329	10,566	238	52,238	522

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 December 2022
CONFIDENTIAL AGENDA BUSINESS ITEM**

Item: 10.1

Responsible Officer: Lachlan Miller
Executive Manager Governance & Performance
Office of the Chief Executive

Subject: External Audit Tender

For: Decision

1. External Audit Tender – Exclusion of the Public

Pursuant to section 90(2) of the *Local Government Act 1999* the Audit Committee (the Committee) orders that all members of the public, except:

- A/CEO, David Waters
- Director Corporate Services, Terry Crackett
- Executive Manager Governance & Performance, Lachlan Miller
- Manager Financial Services, Mike Carey
- Governance & Risk Coordinator and Minute Secretary, Steven Watson

be excluded from attendance at the meeting for Agenda Item 10.1: (External Audit Tender) in confidence.

The Committee is satisfied that it is necessary that the public, with the exception of Council staff in attendance as specified in (a) above, be excluded to enable the Committee to consider the report at the meeting on the following grounds:

Section 90(3)(d) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this Agenda Item is commercial information of a confidential nature (not being a trade secret) that would, on balance, be contrary to the public interest, the disclosure of which could reasonably be expected to prejudice the commercial position of the business which supplied the information and to confer a commercial advantage on a third party.

Accordingly, on this basis the principle that meetings of the Committee should be conducted in a place open to the public has been outweighed by the need to keep the information and discussion confidential.

3. External Audit Tender – Duration of Confidentiality

Subject to the CEO, or his delegate, disclosing information or any document (in whole or in part) for the purpose of implementing Council's decision(s) in this matter in the performance of the duties and responsibilities of office, Council, having considered Agenda Item 10.1 in confidence under sections 90(2) and 90(3)(d) of the *Local Government Act 1999*, resolves that an order be made under the provisions of sections 91(7) and (9) of the *Local Government Act 1999* to retain the Items in confidence as detailed in the Duration of Confidentiality Table below:

Item	Duration of Confidentiality NB: Item to be reviewed every 12 months if not released
Report	31 December 2024
Related Attachments	31 December 2024
Minutes	Until Council has appointed an External Auditor for the 30 June 2023 financial year.
Other (presentation, documents, or similar)	NIL

Pursuant to section 91(9)(c) of the *Local Government Act 1999*, the Council delegates the power to revoke the confidentiality order either partially or in full to the Chief Executive Officer.