

**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
-----------------	---------

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 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**

Nil

Presiding Member _____

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

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
63 MT BARKER ROAD STIRLING**

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
MINUTES OF MEETING
MONDAY 17 OCTOBER 2022
63 MT BARKER ROAD STIRLING**

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
MINUTES OF MEETING
MONDAY 17 OCTOBER 2022
63 MT BARKER ROAD STIRLING**

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
MINUTES OF MEETING
MONDAY 17 OCTOBER 2022
63 MT BARKER ROAD STIRLING**

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 _____

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

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.

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

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*.

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

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
MINUTES OF MEETING
MONDAY 17 OCTOBER 2022
63 MT BARKER ROAD STIRLING**

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.

Presiding Member _____

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

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
MINUTES OF MEETING
MONDAY 17 OCTOBER 2022
63 MT BARKER ROAD STIRLING**

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 _____