



MINUTES

Audit & Risk Improvement Committee (ARIC)

held at

Council Administration Centre
Committee Room
180 Mort Street, Lithgow

on

Tuesday 13 December 2022

at 2:00 PM

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1. Acknowledgement of Country

The Chair acknowledged the traditional custodians of this land we are on here today, and paid respect to their elders both past, present and emerging.

2. Present

Present: Neil Maltby, Ron Gillard, Mayor Maree Statham.

Officers: Jonathon Reid, Craig Butler, Ross Gurney, Trinity Newton (minutes).

3. Apologies

Apologies: Councillor Cassandra Coleman, Karen Taylor (Audit Office), Gabriel Faponle (Crowe)

4. Declaration of Interest

The Chair called for any declarations of interest.

There were no conflicts of interest declared.

Confirmation of Minutes

Ron Gillard did not recall moving point two in item 5.9 on the business paper of 6 July 2022 meeting. The minutes of 4 July 2022 will be amended as follows:

THAT the Committee note the financial management report and the findings of the Our Place Our Future Rating Review Technical Paper.

RECOMMENDATION / ACTION

The amended Minutes of the Audit Risk Improvement Committee held on the 6 July 2022 were taken as read and confirmed.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

5. Staff Reports

5.1. Business Arising from Previous Minutes

Item 5.1 Fraud Risk Improvement – the CFIO advised that the Fraud Risk Assessment had been thoroughly reviewed by the Committee in 2021 and in the recent review, the residual fraud risk was confirmed as accepted. The CFIO's response was accepted by R Gillard.

Item 5.13 Review of Volunteer Procedure – CFIO to provide the revised Volunteer Procedure to the next meeting.

Action target dates need to be updated for the next report.

Customer service benchmarking – Council has registered to participate in the 2022 national customer service benchmarking. This will depend on the number of registrations received to proceed.

Ron Gillard queried the recommendation for Item 5.2 of the 6 July minutes regarding Neil Maltby's appointment as Chair of the Committee. The CFIO confirmed that Council has approved the appointment at the Ordinary Meeting of Council held 25 July 2022. This is a 12 month appointment. The CFIO confirmed that Council accepts the deferral of assurance reporting.

Item 5.4. Extracts from PULSE – those which are flagged as no longer required etc are requested to be removed from the system (update / data cleansing required).

Item 5.7 Internal controls – the CFIO confirmed that delegations were reviewed within 12 months of the election and Council endorsed the review at the 28 November meeting.

ACTION / RECOMMENDATION

THAT the Committee note the update on Committee recommendations from prior meetings.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

5.2. 2022/23 Quarter One Budget Review

The Committee reviewed the report. The CFIO advised that Council's projected financial position at 30 June 2023 will be satisfactory compared with the original budget.

The Committee noted that there is a projected surplus of \$6.4M at 30/6/23 which substantively relates to the extraordinary extent of road repairs following multiple natural disasters.

With natural disaster income and expenses budgets excluded, the 2022/23 original budget consolidated operating result (before capital) would have been a deficit of approx. (\$3.4M), rather than a surplus of \$3.6M.

The CFIO advised that there are sufficient funds for internal and external restrictions.

Unrestricted cash is at \$80K at 30/9/23. At the end of June, Council took up the \$3.5M short term loan facility and at the end of September has utilised most of this. Actions have now been taken to slow down natural disaster works to catch up on claims.

The loan facility has review dates each three months, where the facility is able to be reduced. If reduced, the original loan amount cannot be reinstated. The CFIO will consider reducing the loan amount at 31 March 2023. The review will take into account the large program of grant funded works as well. Looking to reduce the loan to \$2M at March or June 2023.

ACTION / RECOMMENDATION

THAT the Audit Risk and Improvement Committee note the Quarterly Budget Review Report for the period 1 July 2022 to 30 September 2022.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

5.3. 2021/22 Interim Audit Management Letter

The Committee noted that there had only been one unverified supplier payment occur. Management will ensure that the EftSure system is fully implemented by the 30 June 2023 due date for the action.

The Rural Fire Fighting assets items has been taken off the final management letter which has been provided in draft form today.

Excessive leave is being addressed as an ongoing matter..

ACTION / RECOMMENDATION

THAT the 2021/22 interim audit management letter be noted by the Audit Risk and Improvement Committee.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

5.4. Application for a Special Rate Variation

At the Ordinary Meeting of Council held on 28 November, Council approved to apply for the SRV. The SRV application needs to be lodged in February with a minute from a January 2023 meeting.

The Committee were informed that discussions regarding a future fund are ongoing.

Capacity and willingness to pay an SRV has been addressed by the CFIO in the LTFP. Morrison and Low have been engaged to conduct in-depth analysis on capacity to pay. Other councils have applied for rate increases from 50 - 80%.

According to the survey carried out by Council, 85% of residents were aware of the proposal.

The post-consultation LTFP update had all key assumptions tested. \$1M can be put into to transitions management to build a fund at a faster pace.

The General Manager spoke of the importance of advocacy moving forward - 5 pillars are being acted upon as Council cannot rely solely on increased rating revenue for financial sustainability.

ACTION / RECOMMENDATION

THAT the Audit Risk and Improvement Committee provide in principle support of Council's action to proceed with a Special Rate Variation and note the information provided in the report.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED: Unanimously

5.5. Financial Statements for the Year Ended 30 June 2022

The Committee reviewed the 2021/22 financial statements.

Council achieved the key Office of Local Government (OLG) financial performance measure of a surplus operating result (before capital grants). However, if extraordinary operating grants are excluded, Council's operating result (before capital grants) would have been (\$3.67M) deficit rather than \$451K surplus.

Ron Gillard queried the Special Schedule Report on Infrastructure Assets as at 30 June 2022. The CFIO stated that the figures in the report were not subject to audit and would be thoroughly reviewed in future.

ACTION / RECOMMENDATION

THAT the Committee receive and note the draft 2021/22 financial statements.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

6. General Business

The Committee raised the matter of Directors and Officer insurance to cover the Committee Members. StateWide may be able to confirm cover via a note.

The Committee acknowledged the resignation of Phil Ross since the last meeting and wished him well for the future. The Committee were informed that the Joint Organisation had not been able to assist with filling the third independent member position on the Committee. The CFIO will consider recruitment action early in 2023.

7. Meeting Close

Next Meeting: Tuesday 14 March 2023 at 2 pm.

There being no further business the Chairperson declared the meeting closed at 4pm.