



SNOWY MONARO
REGIONAL COUNCIL

Minutes

Audit Risk And Improvement Committee Meeting

19 October 2022

**AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING
HELD IN COOMA HEAD OFFICE, 81 COMMISSIONER STREET, COOMA NSW 2630 AND
VIA MICROSOFT TEAMS**

ON WEDNESDAY 19 OCTOBER 2022

MINUTES

Notes:

1.	OPENING OF THE MEETING.....	2
2.	APOLOGIES.....	2
3.	DECLARATIONS OF PECUNIARY INTERESTS/CONFLICT OF INTEREST.....	2
	6.1 Update on the Audit Progress	3
4.	ADOPTION OF MINUTES OF PREVIOUS MEETING	3
	4.1 Audit Risk And Improvement Committee Meeting 12 September 2022	3
5.	BUSINESS ARISING.....	4
6.	PRESENTATIONS.....	4
7.	SPECIAL AGENDA ITEMS	4
	7.1 2022 Financial Statements to be referred to External Audit	4
8.	REPORTS	6
9.	GENERAL BUSINESS	6
	9.1 Last ARIC Meeting for Committee Member Miles Pearson	6
10.	NEXT MEETING.....	7

**MINUTES OF THE AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING
HELD IN COOMA HEAD OFFICE, 81 COMMISSIONER STREET, COOMA NSW 2630**

**ON WEDNESDAY, 19 OCTOBER 2022
COMMENCING AT 10.00AM**

PRESENT:

Voting Attendees: Michael Quirk, Independent Member (Chair)
Miles Pearson, Independent Member
John Barbeler, Independent Member
Andrew Cox, Independent Member
Councillor Lynda Summers, Council Member

Non-Voting Attendees: Peter Bascomb, Chief Executive Officer

Guests: David Rawlings, Chief Strategy Officer
Tracy Sligar, Chief Financial Officer
Councillor Tricia Hopkins, Council Member (Alternate)
Councillor Chris Hanna
Lawrissa Chan, Director - Financial Audit - Audit Office of NSW
Sandra McEwan, Executive Assistant (Strategy) (Secretariat)

1. OPENING OF THE MEETING

The Chair opened the meeting at 10.00AM with Acknowledgement of Country and showing respect to the elders past, present and emerging of the lands upon which the meeting took place.

2. APOLOGIES

Nil.

3. DECLARATIONS OF PECUNIARY INTERESTS/CONFLICT OF INTEREST

Nil.

Presentation 6.1 was moved to this section of the meeting.

Attendance of Director – Financial Audit and Audit Leader, Audit Office NSW

Lawrissa Chan, Director – Financial Audit joined the meeting at 10.02am.

6.1 UPDATE ON THE AUDIT PROGRESS

Lawrissa Chan gave an update on the audit progress:

- Audit in progress – the information provided was better than last year.
- RFS assets not included will result in a restricted scope – limited Audit opinion.
- Water and Sewer condition assessment of assets is a comprehensive assessment. The work will take some time. Council has requested an extension until the end of November 2022.
- Going concern assessments – will need to look at this one.

Comments from Committee members:

- Draft Financial Statements - unrestricted cash reported. Can you validate this process?
 - Lawrissa Chan – balance was negative \$5m.
 - Tracy Sligar – only restricting what we need to restrict. Better calculation frees up a lot of cash. Expect a positive \$1m-\$4m of unrestricted cash. There was never a supporting works program behind it in previous years. Report going to Council on 20 October 2022 on the Restricted Assets (Cash and Investments) Policy showing how we calculate them.
- Tight timeframe, what is the status of the timetable.
 - Lawrissa Chan – main items are the water/sewer assessment and ongoing concern. The rest of the data should be completed soon.
- Reviewed the Draft Financial Statements and note there will be changes. When the external audit is finalised the Committee will endorse them off line before Council signs them.
- Concerned about the approach to revaluation of water and sewer. Should Council have known about assessments regarding revaluing the infrastructure. Is there a standard approach so that councils know about this revaluation? As opposed to auditors saying it is not up to standard?
 - Lawrissa Chan – encourage councils to get assessments done by the interim audit. We looked at it in the final audit. Have not had this issue with other councils. Would have expected this to be done.

Lawrissa Chan left the meeting at 10.15am

4. ADOPTION OF MINUTES OF PREVIOUS MEETING

4.1 AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING 12 SEPTEMBER 2022

COMMITTEE RECOMMENDATION

ARIC41/22

THAT the minutes of the Audit Risk And Improvement Committee Meeting held on 12 September 2022 are confirmed as a true and accurate record of proceedings.

Moved Mr Quirk

Seconded Mr Pearson

CARRIED

RECOMMENDATION

THAT the minutes of the Audit Risk And Improvement Committee Meeting held on 12 September 2022 are confirmed as a true and accurate record of proceedings, pending the following amendments:

Page 16 Item 8.10 Monthly Budget Review Statement (MBRS) to 31 July 2022

Replace How much capital expenditure on hand? With:

How much capital expenditure for FY22?

Councillor Tricia Hopkins arrived at the meeting during discussion on Item 4.1 at 10.20am.

5. BUSINESS ARISING

Nil.

6. PRESENTATIONS

6.1 was moved to another section of the meeting.

7. SPECIAL AGENDA ITEMS

7.1 2022 FINANCIAL STATEMENTS TO BE REFERRED TO EXTERNAL AUDIT

Record No: I22/741

OFFICER'S RECOMMENDATION

That Council

- A. Authorise the Mayor and a Councillor to sign the Statement by Councillors and Management for the Snowy Monaro Regional Council 2022 General Purpose Financial Statements
- B. Authorise the Mayor and a Councillor to sign the Statement by Councillors and Management for the Snowy Monaro Regional Council 2022 Special Purpose Financial Statements for the following business activities:
 - Water Supply
 - Sewerage
 - Waste Management
 - Residential Aged Care
- C. Authorise the referral of the 2022 Annual Financial Statements to the external auditor
- D. Authorise the Chief Executive Officer to lodge the 2022 Financial Statements upon receiving the external auditor's report, with the Office of Local Government.

Tracy Sligar:

- Deficit – still undergoing the audit. Less than was budgeted.
- Transactions more accurately accounted for.
- Unrestricted cash \$4.5m – keeps changing. Calculated differently now with links back to a works program. What is internally restricted and what is externally restricted. Reserve balances on future works programs will free up some cash.
- Want to get the Restricted Assets (Cash & Investments) Policy out there for immediate budget control.
 - Michael Quirk – expect the Policy to come back to ARIC in 12 months' time for a review.

Financial Statements:

- All classes of assets have increased in value due to our asset revaluations and indexation. Will have an impact.
- Benchmarks – operating revenue will improve position.
- Known source revenue, below benchmark due to grants. Ratios – bring in with more commentary.

Comments by Committee Members:

- Asset maintenance and renewal?
- Tracy Sligar:
 - Finalised this now. Work to be done on our assets data – now we are getting better data and figures. Cleanse all the existing data so that it is reliable.
 - As part of the whole process which is complicated and difficult – not much work has been done during the year. Look at reconciliations, linking income to expenditure. Auditors will pick up more things. Develop our priority list.
 - Put together an implementation plan, improved reports to council. Auditors will assist us.
- Want to see good project plans to go and completed on time during the year. So frustrated as a committee with previous hand written timetable and work not done. Project planning and management is important. Best set of Financial Statements since being on this committee. Standard has improved.
 - Tracy Sligar - Will pass on the good comments – thank you. Pat Dunn and I have approached auditors before errors are found. How we are going to improve going forward – staff need some training, implementing simple processes and monthly meetings with managers, improved reports for expenditure and income adjustments, realistic time lines through to ARIC then council.
- Project management planning across the organisation and budget management improvement.
- Revaluations next year ending June 2023 should start in November 2022 and finish by March 2023. Critical. This year started too late.
- Request explicit risk assessment be provided to ARIC. Controls needed to pick up errors.
- Cash flows – how is it tracking? Good to see advances made. Concern going forward that we will have structural deficit – have to look at increasing revenue with an SRV. ARIC to consider how to suggest to council as a forward strategy. Timing for IPART EOI for an SRV?
 - Tracy Sligar – LTFP will come into play. Track cash flow through that. Will show what we need to raise in revenue.
 - Peter Bascomb – provided we get the AEC report on time, an EOI for an SRV report will go to council in November 2022 for a decision. Tight timeframe for getting the complete updated LTFP out to the community and consultation completed. Council to decide if we lodge an SRV by February 2023.
- Residential rates went up. Why the magnitude?
 - Tracy Sligar – accruals missed in the previous year. Included the accruals and now checking those monthly.
- Landfill revenue?
 - Tracy Sligar – one landfill at Adaminaby removed as already completed. Rocky Plain costs reduced following information from EPA. Left provision of \$150k if needed. Discussed the amount of provision with the auditors.
- Net gains from disposal of assets?
 - Tracy Sligar – renewal program replaces assets that might have a value on the asset register but are sold for ‘no value’ i.e. not sold but sent to the tip.
- Unrestricted cash?
 - Tracy Sligar – auditors waiting on my going concern report. We are expecting unrestricted cash turning in the right direction. Council can approve unrestricted cash with a resolution to identify which reserve the funding should come out of.

- Staff not taking leave?
 - Tracy Sligar – actively managing leave balances.
 - Peter Bascomb – complication with staff taking leave with our current vacancies resulting in a shortage of staff.
- RFS assets – acceptability by State Government. What are the consequences of not including them?
 - Peter Bascomb – accounting standards can't take them on. Consequence is a scope limitation of the audit. Two resolutions of council were supportive of not recording the RFS assets in our Financial Statements.
- Developer contributions - increased activity?
 - David Rawlings – increasing the value with more substantial housing in Jindabyne, Berridale and Cooma. An upturn in investment with small residential areas outside the towns.
- Benchmarks. Operating performance ratio – landfill provision needs to be mentioned.
- Aged care - costing more?
 - David Rawlings – divestment in progress with another provider. Harder to get staffing, have put on Agency staff which is expensive. Used to break even, but now we don't have full occupancy due to 'ageing at home' resulting in fewer people coming into the aged care facilities.
- Michael Quirk - challenging time for all classes of assets. Once audited – ARIC will have an 'out of session' review. No recommendation at this stage. Referred to external audit.

COMMITTEE RECOMMENDATION

ARIC42/22

The Audit, Risk and Improvement Committee:

- A. Reviewed the Draft Financial Statements. No significant matters were identified. Noted improvements in the presentation and reporting of the Draft Financial Statements.
- B. Refer the Draft Financial Statements to external audit. The finalised Financial Statements, detailing the outcome of the audit, to be presented to ARIC for endorsement to Council.

Moved Mr Barbeler

Seconded Mr Pearson

CARRIED

Peter Bascomb arrived at the meeting during discussion on Item 7.1 at 10.28am.

Councillor Chris Hanna arrived at the meeting during discussion on Item 7.1 at 10.40am.

8. REPORTS

Nil.

9. GENERAL BUSINESS

9.1 LAST ARIC MEETING FOR COMMITTEE MEMBER MILES PEARSON

Michael Quirk:

Announced that this is the last meeting for Miles Pearson. Would like to emphasise the appreciation of the existing ARIC members for the work Miles has undertaken for the Council. Getting people of this calibre, with good audit and risk background is essential. A six year term, is quite a journey. Miles has put ARIC in a good position to move forward. On behalf of the committee thank you for your commitment.

Councillor Lynda Summers:

As the Councillor representative I would like to offer a vote of thanks to Miles, on behalf of the governance body of Council for his excellent input and commitment over the years. I have only known Miles for this year but it is clear that his dedication has been most valuable. Thankyou on behalf of the Council proper.

10. NEXT MEETING

Monday, 12 December 2022 commencing at 10.00am in the Committee Room and via Microsoft Teams.

There being no further business the Chair declared the meeting closed at 12.05pm

CHAIRPERSON

The above minutes of the Audit Risk And Improvement Committee Meeting of Snowy Monaro Regional Council held on 19 October 2022 were confirmed by Committee at a duly convened meeting on 12 December 2022 at which meeting the signature hereon was subscribed.