



**Minutes of the Finance, Risk and Audit Committee
held on Monday, 11 November 2024 at 5.00 pm
Committee Room 1, Council Administration Centre
245 Sturt Road, Sturt**

PRESENT

Ms Emma Hinchey (Chair)

Mr Josh Hubbard

Councillor Jason Veliskou (from 5.04pm)

Councillor Luke Naismith

In Attendance

Chief Executive Officer - Tony Harrison

Acting General Manager Corporate Services - Megan Bradman

Manager People and Culture – Kate McKenzie

Chief Financial Officer - Ray Barnwell

Unit Manager Governance and Council Support - Victoria Moritz

Mr Tim Muhlhausler - Galpins (online)

1 Open Meeting

The Chair opened the meeting at 5.01pm.

2 Kurna Acknowledgement

We acknowledge the Kurna people, the traditional custodians of this land and pay our respects to their elders past and present.

3 Elected Member Declaration of Interest (if any)

The Chair asked if any member wished to disclose an interest in relation to any item being considered at the meeting

- Nil interests were disclosed.

4 Confirmation of Minutes**4.1 Confirmation of Minutes of the Finance, Risk and Audit Committee Meeting held on 8 October 2024**

Report Reference

SFRAC241111R4.1

Moved Mr Hubbard

Seconded Councillor Naismith

That the minutes of the Finance, Risk and Audit Committee Meeting held on 8 October 2024 be taken as read and confirmed.

Carried Unanimously

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference SFRAC241111R5.1

Moved Councillor Naismith

Seconded Mr Hubbard

That the Finance, Risk and Audit Committee:

1. Notes the business arising statement, meeting schedule and upcoming items.

Carried Unanimously

6 Confidential Items – Nil

7 Reports for Discussion

7.1 Independence of Council's Auditors

Report Reference SFRAC241111R7.1

Moved Mr Hubbard

Seconded Councillor Naismith

That the Finance Risk and Audit Committee:

1. Notes the statement provided by Council's Auditor attesting to their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2023-2024 financial year (Attachment 2).
2. Notes that the CEO will be signing a statement that Council's external auditor Galpins maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2023-2024 financial year.
3. Endorses the Chairperson signing a statement that Council's external auditor Galpins maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2023-2024 financial year.

Carried Unanimously

7.2 Annual Financial Statements for the year ended 30 June 2024

Report Reference SFRAC241111R7.2

The Chief Finance Officer introduced the item commenting the 2023-2024 Annual Financial Statements demonstrate Councils continued strong financial position, providing a sound basis for long-term objectives set out in the Strategic Plan. The Annual Financial Statements for the year ended 30 June 2024 have been completed with Council's Auditors indicating they expect to issue an unmodified audit opinion, subject to the satisfactory completion of the following matters:

- A subsequent events review up to the date of the audit opinion
- Receipt of management's signed representation letters.

Mr Tim Muhlhausler from Galpins was present for the item.

5.07pm Councillor Veliskou entered the meeting

The following discussion was noted by the Committee:

- Auditors confirmed the accuracy of asset revaluation, though notable adjustments to depreciation are ongoing.
- Newly acquired assets worth \$23m over recent years will increase future depreciation. It was noted that Asset unit rates are also rising, which will increase future depreciation.
- The Committee discussed the impact on the operating result from the timing of grant payments, with the 2023-24 grants paid in advance in June 2023 and recorded in last year's financial statements. There was no prepayment of grants for this year, creating a \$4m gap compared to the prior year.
- The Committee noted the increase in employee expenses, with Management confirming the costs reflecting the impact of recent outdoor agreements. The cost impact was higher than anticipated, with a 10.8% increase, influenced by a CPI catch-up provision in the final year of the agreement. Although significant, it was noted the previous years were sitting at a 3% increase, with the total across the three years averaging similar costs to other Councils. It was also noted that future increases in the outdoor agreement are fixed.
- The asset renewal ratio was discussed with the Committee commenting the ratio of 91% achieved in 2023-2024 meets council's target, showing a continued improvement on the previous years. The Committee noted that although this falls within Councils target, it was still tracking at the lower end of the target. Management confirmed they are continuing to work on this, commenting the civil and capital works carryover was the lowest carryover of unspent funds over the last few years. This demonstrates better planning and appropriate spending of funds.
- The Committee discussed the debt servicing ratio included in the Long-Term Financial Plan (LTFP) which is within a low and manageable range compared to typical council benchmarks. The council's debt ratio remains at the lower end of typical local government thresholds (0-10%).
- The Committee queried when borrowings are projected to begin, with Management commenting this was expected towards the end of this financial year, with continued efforts to manage cash flow tightly until then.
- Councils reserves were discussed, with the Committee commenting that these reserves don't need to be completely backed by cash and that all available cash should be utilised to reduce borrowings whenever possible and appropriate. Management noted there is a commitment to utilise cash to minimise borrowings therefore the reserves won't be fully cash backed.
- The Committee discussed the impact of reallocations from capital to operating budgets (e.g., Cove Sports facility) for operating elements of capital projects and the importance of contingency management.

- The Committee highlighted the importance of ensuring Council are aware of the key sustainability ratios in future decision making around key projects in the Chamber.
- The Committee queried whether the operating deficit would have any impact on current planned projects. Management confirmed there would be no impact on planned projects, however depreciation will increase moving forward with the impact of revaluations and the increase in future replacement costs. This is captured in the forecasting the LTFP and may have an impact on the operating statement. Planned projects for new upgrades will increase the number of assets and also the cost to maintain / renew / replace.
- The Committee noted in the analytical review appendices that corrections are required to correctly reflect favourable and unfavourable variances.
- The Committee discussed lessons learned through the asset revaluation noting with the implementation of Assetic, the valuations rely on a structured process with refined data with a commitment to annual desktop revaluations to avoid significant adjustments. It was noted that land hadn't been valued since 2018 contributing to the adjustments made.
- The table provided in Note 1 showing the payment of untied financial assistance grants that has varied from the annual allocation was beneficial and useful for the Committee.
- The Committee queried the rationale in relation to 6.2 (aggregated assets) and sought further information on the thresholds. Management commented where the asset formed part of a significant project such as the replacement of LED lighting this would be considered and recognised as an aggregated asset.
- The lifespan of assets was discussed with the Committee querying what these were based on. Management confirmed that these were regularly reviewed in line with data from IPWEA and through our independent asset valuers.
- The Committee suggested if there was an opportunity to use consistent terminology in relation to investment securities and other financial assets this would be beneficial.
- It was noted that only references to relevant amendments from the Accounting Standards (AASB 2022-5) that had impacts on the City of Marion had been mentioned. Mr Muhlhausler confirmed amendments that have no material impact on the organisation and reaffirmed the position held by the organisation would not necessitate a material disclosure with this left to the discretion of Councils.
- The Committee discussed materials, contracts and other expenses in Note 3 and whether sundry expenses could be broken down further. Management commented they would explore how this could be shown going forward.

5.40pm Councillor Naismith left the meeting

- Note 4 in relation to Asset disposal and fair value adjustments was discussed. Management noting the sale of a parcel of land in the prior year had an impact on the comparative net disposal figure. Management further commented with the information now available in Assetic the data will be more accurate. The Committee suggested an additional note highlighting the net value at the time of disposal and identifying what this includes. There may be the

assumption that we are over valuing assets. Management agreed to add further commentary in the note itself for the final draft.

5.41pm Councillor Naismith re-entered the meeting

- The Committee queried the amount under grants and contributions against Note 8 and whether this was in relation to tied grants. Management confirmed that it relates to tied grants for example the grant received for the Glandore Community Centre being held pending the redevelopment project over the coming year.
- The Committee discussed the Southern Region Waste Resource Authority (SRWRA) Financial Statements noting their financial instruments discussed in their Note 8 had not been reviewed on a regular basis in contradiction to their statement. Management commented there is an ongoing piece of work to be undertaken which has been recognised by SRWRA's auditors and their Audit and Risk Committee.
- Note 6 in the SRWRA accounts in relation to liabilities was discussed with the Committee querying whether this was added by the auditors. Mr Muhlhausler, who is also SRWRA's auditor, confirmed they had requested additional disclosure and are confident that liability will cover likely scenarios. The Committee suggested Management continuing to apply pressure on SRWRA to quantify the required funding.
- The Committee highlighted the importance in Note 7 of splitting the disclosure of level 2 and level 3 assets. Management noted the requirements and were focussed on the accuracy of data in Assetic this year but committed to providing the appropriate disclosure next year.

Moved Councillor Naismith

Seconded Mr Hubbard

That the Finance, Risk and Audit Committee:

1. Recommends to Council that the audited Annual Financial Statements for the year ended 30 June 2024, as included at Attachments 3-4, be adopted.
2. Notes Galpin's Audit Completion Report, as included at Attachment 5.
3. Notes the comparative analysis to prior year audited Annual Financial Statements and original adopted 2023-2024 budget (Analytical Review), as included at Attachment 2.

Carried Unanimously

Following discussion on the Annual Financial Statements and while the external Auditors were present, the Committee discussed the opportunity to meet without management present in accordance with the Committee's Terms of Reference.

Moved Mr Hubbard**Seconded Councillor Veliskou**

1. Pursuant to Section 90(2) and (3)(b) of the *Local Government Act 1999*, the Committee orders that the public be excluded from attendance at that part of this meeting relating to Agenda Item 7.4 *Annual Financial Statements for the year ended 30 June 2024*, except the following person: Tim Muhlhausler from Galpins, to enable the Committee to meet with Council's External Auditors and consider the Item in confidence on the basis the Committee considers it necessary and appropriate to act in a meeting closed to the public (excepting those persons listed above) in order to receive, discuss or consider in confidence the following information or matter relating to the Item:- Commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.
2. Notes the disclosure of this information would, on balance, be contrary to the public interest because it relates to the financial affairs of the Council and information from the external auditors .
3. Determines, 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 consideration of the information or matter confidential.

Carried Unanimously

5.46pm the meeting went into confidence

6.14pm the meeting came out of confidence

6.15pm Councillor left the meeting and did not return.

Moved Mr Hubbard**Seconded Councillor Veliskou**

That the following comments be included within the minutes:

- Asset records have improved substantially – a huge improvement.
- Asset reports are easy to follow, well reconciled and well detailed.
- It was noted that the City of Marion was previously one of the most challenging audits for the auditors but is now one of the best audits.
- The auditor noted the current movement in asset valuation, noting that indexation has to happen annually going forwards.
- Noting the capital expenditure seems well balanced in the LTFP.
- Noted that some of the organisations assets useful lives are longer than some other councils.
- Discussed that Council should consider useful life values in terms of asset usability.

8 Reports for Noting

8.1 Debtors Report

Report Reference SFRAC241111R8.1

Moved Councillor Veliskou

Seconded Mr Hubbard

That the Finance and Audit Committee:

1. Note this Report.

Carried Unanimously

8.2 Annual Investment Report 2023-2024

Report Reference SFRAC241111R8.2

The Committee discussed the Annual Investment Report 2023-2024 noting that Council recorded a favourable result against the benchmark indicator. The Committee noted Council has complied with all elements of the Treasury Management Policy and sought clarification on where this function sat within the organisation.

It was noted that Council does not have an offset account as such, however the principles are the same with the aim to utilise cash and defer borrowings as much as possible. The Committee discussed the cash balance and Management commented although this is not kept at \$0 it is kept to a minimum.

Moved Mr Hubbard

Seconded Councillor Veliskou

That the Finance, Risk and Audit Committee:

1. Notes the Investment Performance Report 2023-2024.

Carried Unanimously

9 Workshop / Presentation Items - Nil

10 Other Business - Nil

11 Meeting Closure

The meeting was declared closed at 6.20pm.

CONFIRMED THIS 3 DAY OF DECEMBER 2024

CHAIRPERSON