



WAGAIT SHIRE COUNCIL

**DRAFT MINUTES
AUDIT COMMITTEE MEETING**

**COUNCIL CHAMBERS
LOT 62, WAGAIT TOWER ROAD 9.30AM**

Tuesday 30 August 2022

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1. Present

Committee members:

Chair Clare Milikins
Member Shelley Hewitt
Maureen Newman
President Neil White
Cr Michael Vaughan

Council staff:

CEO, Renita Glencross
Policy Officer, Fiona Carter

2. Opening of Meeting

The Chair declares the meeting open at 9.35am and welcomes all to the meeting.

The Chair advises that the meeting will be audio taped for minute taking purposes as authorised by the Chief Executive Officer.

2.1. Apologies

The Chair advises that there are no apologies for this meeting.

3. Conflict of Interest

The Chair advises there are no new conflicts of interest.

4. Movement of In Camera Items

New regulations require In Camera items be declared at this point and moved either in or out of In Camera.

The Chair asks if there are items on the Agenda to move into In Camera? Nil.

The Chair asks if there are In Camera items to move to the general Agenda? Nil.

Chair suggests that draft financial statements are treated as confidential items in future. Current draft financial statements can be kept public for this meeting as nothing contentious. The Chair advises that the Management letter should also be a confidential item at an ordinary meeting as this deals with issues of risk, which should not be made public.

5. In Camera Items - Nil

The Chair asks if there are any In Camera items? Nil.

6. Confirmation of Previous Minutes for the Audit Committee

The draft Minutes of the Audit Committee Meeting held Tuesday 7 June 2022 are included as an attachment to the agenda.

Resolution No. 2022/133

That the Minutes of the Audit Committee Meeting of Tuesday 7 June 2022 be confirmed by Committee Members as a true and correct record.

Moved: Maureen Newman

Seconded: Shelley Hewitt

Vote: AIF

7. Matters Arising from the Previous Minutes - Nil

8. Action Sheet

Audit Committee Resolution Ref		Resolution	Meeting Date	Status
1	None	Half-Yearly Budget Report. The committee requested: a) Future Operating Statement financial report be segregated into Operational and Grant funding streams to enable members to assess the real position of Council operations separate from tied the commitments relating to grants; and b) A report on current grants and their status at its next meeting.	22/01/2020	Action created.
			8/09/2020	Refer Agenda Item 9. Quarterly Financial Report to be separated into into Operational and Grant funding streams. CEO and Chair to work together to refine the reporting and to bring back a more useful report to the next Committee Meeting.
			10/11/2020	Refer Agenda Item 9. Financial Reporting has been separated into Operational and Special Grants Inc/Exp as well as a separate report of Unexpended Special Grants.
			01/02/2021	Refer Agenda Item 8.4 a draft half yearly report has been prepared for consideration.
			06/05/2021	Refer Agenda Item 8.4 Three-Qtr Financial report was prepared and tabled at the Community Meeting on 24 April and the Council Meeting on 27 April 2021.
			01/02/2022	A new Business Snapshot Report generated for quarterly and half-yearly financial tracking was tabled and discussed. An amended report with greater detail will be presented back to the committee at the next meeting.
			07/06/2022	The Business Snapshot has been updated within the capacity of the software program. Council may need to seek alternative app or design options. Chair suggested several add-on programs to Xero which would allow more flexibility in reporting. These include Calxa (highly recommended), Spotlight Reporting, Futrli, and Fathom.
			24/08/2022	Finance Officer is reviewing options suggested by the committee and will provide advice back to CEO.
2.	None	Change to Meeting Structure In-Camera Items	07/06/2022	The new Act requires a decision to be made by committee members at the beginning of the meeting as to whether there are Agenda items to be moved into or out of In Camera; follow up with LG Unit in DCMC regarding LG Act reference. Also refer other council minutes for wording.

3.	2022/100	Ongoing Policy Development	07/06/2022	Policy amendments noted and highlighted at 8.1 of minutes.
			24/08/2022	Policy amendments finalised and presented to council at meeting in August; all passed by resolution 2022/
4.	None	Annual Shire Plan and Budget	07/06/2022	Request that Nexia provide their calculations to bring vehicle out of leases and into capital; references across the document need to be checked and make sure they match.
			24/08/2022	Annual Shire Plan and Budget approved by council resolution 2022/
5.	None	Monthly Reporting	07/06/2022	Place advance grants payment in liabilities prior to EoFY and ensure the grant is clearly tagged to expenditure in next year (eg. salaries); draw this grant down monthly.
			24/08/2022	Action completed. New monthly report shows approved budget, however budget will be reviewed and reforecast after Q1 reports.
6.	2022/135	Draft Financial Statement	30/08/2022	<p>Follow up with auditor required for:</p> <ul style="list-style-type: none"> • Missing grant (International Women’s Day) \$1500 • Draft document to be clearly marked as DRAFT (watermark) • Surplus has been queried and we need to make sure we understand what the surplus relates to; and if related to capitalisation of assets, that council consider moving some of the surplus to the asset replacement reserve by council resolution. • Ensure that no prepaid grants are showing in income (are instead on the balance sheet as a liability). If any prepaid grants have been included as income they be moved to a specially tagged reserve. • Make sure we are compliant around the general regulation re: disclosing CEO remuneration (note 13)

Resolution No. 2022/134

That the Audit Committee accept the Action Sheet.

Moved: President Neil White

Seconded: Maureen Newman

Vote: AIF

9. Agenda Items

9.1. Draft Financial Statement for Review

The committee noted the following, with several actions (see action sheet) for consideration.

- A special purpose grant for International Women's Day is not showing in the financial statement. The grant of \$1,500 has been expended.
- The prepayment of FAA Roads & Communities grant is on the balance sheet for 2022/23 and is not included in the surplus for 2021/22.
- A large amount of grant funds were spent on roads, which has been capitalised so impacting on the level of surplus. The amount relating to capitalised assets should be moved from the P&L to the asset replacement reserve. This will reduce the surplus.
- Key management remuneration (Note 13) covers the detail of the CEO's remuneration for 2021/22. CEO is checking that this is accurate.
- Reserves have not been presented in line with council policy. This will be discussed later in the agenda. Tied grant funds will be put into a new bank account.
- Other contract liabilities have been separated out from unexpended grants.
- There has been a significant drop in the interest rates on term-deposits (reserves).
- Accrued interest (p7) shows cash flow (interest that has been physically received during the year), while the full year's interest (p2) includes accrued interest as at 30 June (owing but has not been paid yet).

Resolution No. 2022/135

That the Audit Committee note the draft financial statement:

Moved: Shelley Hewitt

Seconded: Cr Michael Vaughan

Vote: AIF

9.2. Review of Reserves & Priority Projects 2022-2023

At the ordinary meeting on 16 August 2022 by resolution 2022/130, council agreed:

- a) to consider the use of reserves for special projects at the council meeting in September; and
- b) to consider identification of funds for a specific reserve for road upgrades from within the existing reserves available.

The meeting brief attached outlines the reserve structure in line with council policy P16 Cash Reserves, including an amount identified as a Leave Accrual Reserve (as noted in the financial reports to committee meeting minutes from 7 June), and sets out the special projects identified in the council Strategic Plan 2020-25 and the Annual Business Plan 2022-23.

Contrary to the brief, it is now understood that leave accruals are a liability and cannot be allocated as a reserve. The budget should include leave accruals in the expenditure. The leave accruals are currently being accounted for monthly in the financials.

Council has requested a new reserve be set as a road replacement reserve. This would fit with moving the previous year's capitalised assets, which were mostly roads, to a specific roads replacement reserve.

Currently, the balance sheet shows \$500,000 is in reserves for general asset replacement and a proportion of this could also be added to the new road replacement reserve.

There is no restriction on the amount of surplus that can be moved into reserves in a given year, provided retained earnings don't go into deficit. The current policy reads as if council is restricted to the amount of the surplus, however the restriction should be dictated by retained earnings.

The meeting brief identifies a list of projects that align with council's strategic planning that require research or planning documents to be created and there is no available funding to do this. Some of council's reserves will need to be allocated towards these in order to get them done as they are critical documents that relate to future asset replacement.

If money is expended from reserves it will show as a deficit for that year.

Resolution No. 2022/136

That the Audit Committee note the information provided and makes the following recommendations:

- a) Council to update the policy in regard to its reserves as long as it keeps its working capital intact and doesn't put itself into a deficit equity position.**
- b) Council should consider moving newly capitalised assets into a renewal replacement reserve, particularly in regard to specially funded assets. Council can decide the best use of these reserves.**

Moved: Maureen Newman

Seconded: President Neil White

Vote: AIF

10. Financial Reports

10.1. June 2022 Reports

- Accrual Income and Expenditure Report for June 2022
- Balance Sheet including Financial Report and Notes for June 2022
- Statement of Cash Flows for June 2022
- Special Purpose Grants Report for June 2022
- Business Snapshot

10.2. July 2022 Reports

- Accrual Income and Expenditure Report for July 2022
- Balance Sheet including Financial Report and Notes for July 2022
- Statement of Cash Flows for July 2022
- Special Purpose Grants Report for July 2022
- Capital Expenditure Grants Report for July 2022

The Committee notes:

- July report is still being impacted upon by the finalisation of the 2021/22 financial statement and do not contain a lot of information to make comparisons.
- A new capital expenditure actual vs budget report has been prepared, as required by the new Act & Guidelines. The Right of Use vehicle has been included however it would be better to include the year's total value on the asset to be reported in the annual financial statement.

- Table 2 of the report shows actual v budget of new assets over \$100,000, however there are no current projects of this value.
- The level of financial reporting has improved greatly in recent times, along with the quality of the information being presented.

Resolution No: 2022/137

That the Audit Committee notes the Financial Reports provided for June and July 2022.

Moved: Cr Michael Vaughan

Seconded: President Neil White

Vote: AIF

11. General Business

11.1. Risk Management Workshop

At the Audit Committee meeting in May, the committee recommended that council members and staff undertake a risk workshop, provided by JLT. Suitable dates are being confirmed.

11.2. Schedule of Financial Statutory Responsibilities

The schedule of Local Government compliance responsibilities is provided below. Council has commenced working with the auditors, Nexia Edwards Marshall, for the 2021-22 financial year.

Item	Audit Committee	Council Meeting	NTG Due Date
2022 Financial Audit - Draft	August	September	-
2022 Annual Report - Draft	September	September	-
Adopt 2022 Financial Audit	October	October	15 November
Adopt 2022 Annual Report	October	October	15 November

11.3. Current Tenders and Procurement Update

Since February 2021 Council has published procurement requests for Tender/Quote (RFT/RFQ) on the Local Buy portal and on the Council website as well as directly to known contractors. Procurement assessment panels are formed as soon as practicable after closing to facilitate a transparent selection process, which may include Audit Committee members.

Item	Funding	RFQ/RFT Dates	Status	Value
Waste management services 2022-23	Operational	May-June 2022	Awarded	\$ 85,000
Repurpose existing caretaker compound into a centre for recycling, second-hand goods and community trade.	WaRM-2(NTG)	Oct-Dec 2022	In progress	\$ 75,000

12. Closure of Meeting

The next meeting of the Wagait Shire Council Audit Committee will be held in the Wagait Shire Council Chambers at 9.30am, Tuesday 11 October 2022.

The Chair declared the meeting closed at 10.30 am.

DRAFT