



MOUNT BARKER
DISTRICT COUNCIL

ANNUAL REPORT

AUDIT AND RISK COMMITTEE 2022/23

Chairperson's Comments 2022/23

In the 2022/23 financial year, the Audit and Risk Committee continued to deliberate over the many once in a generation projects associated with a growth council. It reviewed items relating to the expansion of Council's wastewater infrastructure, and the council's deliberations of the most appropriate governance arrangements for its service delivery. Over the last twelve months the committee was provided with ongoing evidence that the Council is improving its understanding and management in all areas of the wastewater service and in particular the capital expansion projects and financial modelling.

The committee's membership changed following the Council's elections in November with South Ward Councillor Richard Coombe being appointed as the Elected Council representative replacing Cr Narelle Hardingham. Unfortunately, Cr Coombe resigned in April, with Mayor David Leach filling the vacant position. While Cr Coombe's membership was short lived, he brought integral perspective to the committee's discussions. Independent members Pamela Lee and Gary Hughes terms came to an end, and I would like to take the opportunity to thank them and Cr Hardingham for their insightful contributions over their membership. New members Mark Davies and Kym Della-Torre bring to the committee extensive local government and water industry knowledge, something that will complement the already strong skills-based membership.

As with many businesses, 2022/23 saw a focus on Cybersecurity, with the risks associated being placed high on the organisation's strategic risk register. The Committee evidenced a continuing review of key improvements and risk mitigation action plans.

The committee also undertook its routine tasks reviewing the council's annual business plan and financial statements. For the 2023/24 budget the Council took the approach not to increase its rate revenue to the extent of CPI but to endorse a reduced increase, with the intention of future increases over CPI. This was to provide relief to its ratepayers in this time of high household costs and interest rate rises. While the Committee agreed with this, it did emphasise that future increases over CPI must be committed to, ensuring the Council continues with its excellent financially sustainable position.

From November 2023, amendments to the Local Government Act intended to improve local government Audit and Risk Committees will come into effect. It is worthwhile noting that a number of the changes, including majority independent members and a risk management focus—were features previously introduced by the Council a number of years ago, highlighting its prioritisation of best practice processes.

As we enter a new year, the committee looks forward to working with the elected council and continuing the relationship to ensure informed and quality decision-making for the benefit of the community. I would also like to thank all committee members for their commitment and input and council staff for the high quality of reports and assistance during the year.

Michele Bennetts
Chairperson Audit and Risk Committee

This report presents a summary of the Mount Barker District Council Audit and Risk Committee's activities undertaken and recommendations made during the 2022/23 financial year.

BACKGROUND INFORMATION ON THE AUDIT AND RISK COMMITTEE:

Membership and Meetings:

Six (6) meetings were held 18 August 2022, 20 October 2022, 16 November 2022, 23 February 2023, 3 May 2023, 22 June 2023.

Attendance

Member	Meetings Attended (of 3)
Michele Bennetts - Independent Chairperson	3
Michelle Hammond - Independent Member	3
Councillor Narelle Hardingham	3
Pamela Lee - Independent Member	3
Gary Hughes - Independent Member <i>Term expired December 2022</i>	3
	Meetings Attended (of 3)
Post November 2022 Election	
Pamela Lee - Independent Member <i>Term Expired March 2023</i>	1
Councillor Richard Coombe <i>Resigned 17 April 2023</i>	1
Councillor Narelle Hardingham	1
Kym Della-Torre - Independent Member <i>Appointed 5 June 2023</i>	1
Mark Davies - Independent Member <i>Appointed 5 June 2023</i>	1
Michele Bennetts - Independent Chairperson	3
Michelle Hammond - Independent Member	3
Mayor David Leach	1

Resolutions

Below is a list of resolutions for noting by the Committee or recommendations from the Committee to Council to adopt. All the Committee recommendations were adopted by Council.

Terms of Reference	Meeting Date	TOPIC
1.1 Financial Reporting	17-08-2023	PROCUREMENT POLICY REVISION The Audit and Risk Committee recommends to Council that the revised Procurement Policy at Attachment 1 with minor amendments proposed by the Audit and Risk Committee be adopted and a review of the operation of the policy occur 12 months following adoption and be reported to the Audit and Risk Committee.
	17-08-2023	COUNCIL INVESTMENTS AND BORROWINGS 2022/23 The Audit and Risk Committee recommends to Council that Council notes the performance of investments and status of borrowings for the 2022/23 financial year.
	03-05-2023	UPDATED ASSET ACCOUNTING POLICY The Audit and Risk Committee recommend to Council that Council adopts the updated Asset Accounting Policy as presented in attachment 1.
	03-05-2023	REPORT TITLE: UPDATED TREASURY MANAGEMENT POLICY The Audit and Risk Committee recommends to Council that: <ol style="list-style-type: none"> the Key Financial Indicators (KFIs) that are being proposed in the policy (attachment 2) are appropriate, and staff prepare a report for a future ARC meeting giving consideration to setting appropriate targets for differing periods; and Council adopts the updated Treasury Management Policy as presented in attachment 1.
1.2 Internal Controls		
1.3 Risk Management	17-08-2023	CONFIDENTIAL ITEM- STRATEGIC RISK REGISTER – ICT UPDATE
	03-05-2023	WASTEWATER SERVICE STRATEGIC RISK REGISTER REVIEW Report noted
	03-05-2023	WHS REPORT HIGH STRATEGIC RISKS EXCLUDING THE WASTEWATER SERVICE Reports noted enbloc

1.4 Public Interest Disclosure		
1.5 Internal Audit	23-02-2023	<p>PLANNING, DEVELOPMENT & INFRASTRUCTURE ACT 2016 – TRANSITION AUDIT</p> <p>The Audit and Risk Committee advises Council that the recommendations in the Internal Audit – PDI Act Transition – Actions from PDI Act Internal Audit – July 2022 (Attachment 1) have been actioned.</p>
1.6 External Audit	23-02-2023	<p>EXTERNAL AUDIT MANAGEMENT REPORT</p> <p>Report noted</p>
1.7 Review of Strategic Management and Business Plans	22-06-2023	<p>REVISED LONG TERM FINANCIAL MODEL FOR THE WASTEWATER SERVICE</p> <p>The Audit and Risk Committee recommends to Council that:</p> <ol style="list-style-type: none"> 1. After considering the key assumptions and changes (attachment 1) and implications addressed in this report, along with the key outputs (attachment 2) made to the revised long term financial model for the Wastewater Service that the agenda item and attachments be noted and that information should be presented to Council Members in a manner to seek to ensure that the information is considered and understood, potentially in a council member briefing session. 2. Council note that although all 3 key recommendations from the 23 June 2022 Audit and Risk Committee meeting have been completed <ul style="list-style-type: none"> ➤ revision of the Wastewater Service asset management plan ➤ development of a recycled water strategy ➤ establishment of the lowest cost of disposal however no outcomes from these items have been included in this iteration of the 40YRLTFM as further work is required to socialise these with the Informal Advisory Wastewater Board, ARC and Council, and for them to be formally adopted/endorsed before being included in the next iteration of the 40YRLTFM. 3. Council note that the next iteration of the 40YRLTFM will also include information to be derived from the underway dual Early Contractor Involvement (ECI) process for the Laratinga Water Recovery Plant (LWRP) and the upcoming ECI process for the trunk sewer projects and associated tenders. 4. Council note the implementation of the recommendation below from the Audit and Risk Committee meeting held on 3 May 2023 as endorsed at the Council meeting held on 15 May 2023 that:

		<p><i>The key assumptions to accompany the presentation of both the Wastewater Service Long Term Financial Model and Long Term Financial Plan shall in future include information on the extent to which it is assumed that:</i></p> <ul style="list-style-type: none"> <i>(a) forecast development in the Mount Barker growth area will be serviced by:</i> <ul style="list-style-type: none"> <i>(i) a private wastewater service operator; and</i> <i>(ii) the Council Wastewater Service;</i> <i>(b) the estimated number of lots contracted to Council that are yet to be invoiced for a wastewater infrastructure/connection fee; and</i> <i>(c) the estimated total number of lots yet to commit to a service provider (be it Council or another provider).</i> <p>5. Council recognises that the impacts on the 40YRLTFM of the additional items still to be included (as per recommendations 2 and 3) may be significant as it relates to financial outcomes.</p>
	03-05-2023	<p>REVIEW OF ASSET MANAGEMENT PLANS</p> <p>Report noted</p>
	03-05-2023	<p>CONSOLIDATED COUNCIL 2023/24 DRAFT ANNUAL BUSINESS PLAN, BUDGET AND RATING POLICY</p> <p>The Audit and Risk Committee recommend to Council that:</p> <ul style="list-style-type: none"> 1. there are no identified gaps (subject to the inclusion of the rate smoothing narrative) shortcomings or impediments to information contained in the attached 2023/24 Draft Consolidated Council Annual Business Plan and it is therefore suitable for public consultation should Council endorse it for public consultation. 2. in applying the three-year ‘General Rate Smoothing’ strategy as outlined in Council’s adopted LTFP 2023-2033 in which General Rates are proposed to be increased by less than CPI in 2023/24, full commitment to this strategy will result in increases in General Rates above CPI in 2024/25 and 2025/26 and that council faces a key risk in not fully adhering to this strategy (for the period from 2023/24 to 2025/26) as this will be a departure from Council’s adopted LTFP 2023-2033 and likely result in the reduction of Council’s financial capacity and sustainability in the medium to long term. 3. risk associated with the General Rate Smoothing strategy is to be captured on Council’s Strategic Risk Register 4. as part of the draft Annual Business Plan and Budget consultation ensure that the community is adequately informed of and consulted on the

		<p>application and implications of the ‘<i>General Rate Smoothing</i>’ strategy.</p> <p>5. the Chief Executive Officer be authorised to make any necessary changes to the draft 2023/24 Annual Business Plan document arising from this meeting, together with any editorial amendments and finalisation of the document’s formatting and graphic design.</p>
	03-05-2023	<p>WASTEWATER SERVICE 2023/24 DRAFT ANNUAL BUSINESS PLAN AND BUDGET</p> <p>The Audit and Risk Committee recommend to Council that:</p> <ol style="list-style-type: none"> 1. there are no identified gaps, shortcomings or impediments to information contained in the 2023/24 Draft Wastewater Service Annual Business Plan and it is therefore suitable for public consultation should Council endorse it for public consultation. 2. the Head of Wastewater be authorised to make any changes to the 2023/24 Draft Wastewater Service Annual Business Plan document deemed necessary arising from this meeting, together with any editorial amendments and finalisation of the document’s formatting and graphic design.
1.8 Value and Efficiency		
1.9 Major/Strategic Infrastructure Projects (RALC, CCC)	23-02-2023	CONFIDENTIAL REGIONAL AQUATIC & LEISURE CENTRE - PRUDENTIAL REPORT
1.10 Prudential Reports	07-09-2023	CONFIDENTIAL ITEM: PRUDENTIAL REPORT ON WASTEWATER TREATMENT PLANT UPGRADE STAGE 1
	07-09-2023	CONFIDENTIAL REGIONAL AQUATIC & LEISURE CENTRE UPDATED PRUDENTIAL REPORT
	17-08-2023	CONFIDENTIAL ITEM: ADDENDUM TO PRUDENTIAL REPORT ON WASTEWATER TREATMENT PLANT UPGRADE STAGE 1
	22-06-2023	<p>PRUDENTIAL REPORT – WASTEWATER TREATMENT PLANT UPGRADE STAGE 1 – NOW NAMED LARATINGA WATER RECOVERY PLANT</p> <p>The Audit and Risk Committee recommends to Council that:</p> <ol style="list-style-type: none"> 1. Having considered the attached Prudential Report on the Wastewater Treatment Plant Upgrade Stage 1 (now named the Laratinga Water Recovery Plant) prepared by Dean Newbery Consulting – 24 May

		<p>2023, the following be noted/undertaken (as applicable):</p> <ul style="list-style-type: none"> a) that all of the project information available should be presented to Council Members in a manner to seek to ensure that the information is considered and understood, in a council member briefing session to include the Audit and Risk Committee and the author of the prudential report (intended to include additional information as an addendum to the prudential report) and the Interim Advisory Waste Water Board; b) a review be undertaken, in consultation with the Audit and Risk Committee, of Council's Prudential Management Policy; c) any proposed change to the current funding basis for the Project (i.e. the portion that is to be funded as a new/upgraded asset via contributions from developers and the portion to be funded as asset renewal via the wastewater annual service charges as referenced in points 3, 4.7 and 4.8 of the attached Prudential Report) is to require consideration and decision making at a council meeting; d) the Wastewater Service Long Term Financial Model (40 years) and the Wastewater Service Long Term Financial Plan (10 years) both be reviewed, and updated as required, once the dual Early Contractor Involvement phase for the Project has concluded and more up to date information is available regarding the estimated Project capital cost; and e) Reporting on the Project, including risk management and financial information, occur at intervals of every 3 - 4 months, for consideration at Audit and Risk Committee and council meetings.
	03-05-2023	<p>ADDENDUM TO PRUDENTIAL REPORT FOR THREE WASTEWATER COLLECTION TRUNK MAINS</p> <p>DATE OF MEETING: 3 MAY 2023</p> <p>The Audit and Risk Committee recommends to Council that:</p> <ul style="list-style-type: none"> 1. The Addendum letter to the Prudential Report on the Three Wastewater Collection Trunk Mains prepared by Don Venn of Dean Newbery Consulting be considered and noted (attachment 1); 2. The Audit and Risk Committee considers the Addendum letter to be consistent with the recommendations on the Prudential Report on the Three Wastewater Collection Trunk Mains from the Audit and Risk Committee meeting held on 23 February 2023 (attachment 2) and that these recommendations can now be formally considered

		<p>by council together with the following additional recommendation;</p> <p>3. The key assumptions to accompany the presentation of both the Wastewater Service Long Term Financial Model and Long Term Financial Plan shall in future include information on the extent to which it is assumed that:</p> <p>(a) forecast development in the Mount Barker growth area will be serviced by:</p> <p>(i) a private wastewater service operator; and</p> <p>(ii) the Council Wastewater Service;</p> <p>(b) the estimated number of lots contracted to Council that are yet to be invoiced for a wastewater infrastructure/connection fee; and</p> <p>(c) the estimated total number of lots yet to commit to a service provider (be it Council or another provider).</p>
	23-02-2023	<p>THREE WASTEWATER COLLECTION MAINS - PRUDENTIAL REPORT</p> <p>The Audit and Risk Committee recommends to Council that:</p> <p>1. Having considered the attached Prudential Report on the three Wastewater Collection Trunk Mains in Mount Barker prepared by Dean Newbery Consulting - January 2023, the following be noted/undertaken (as applicable):</p> <p>a) Council (via the Wastewater Service) is considered to have adequate information on which to determine if it now wishes to proceed with procurement of the three wastewater collection mains (the Project) as planned/proposed;</p> <p>b) The Wastewater 40 Year Long Term Financial Model and the Wastewater Service Long Term Financial Plan (10 years) be reviewed by council (via the Audit and Risk Committee) on a rolling 6 monthly basis and updated if and when required (i.e. any material changes) with the review process to include the assumptions, in particular those that are growth related;</p> <p>c) Any proposed change to the current funding basis for the Project (i.e. the portion of each of the three mains that is to be funded as a new/upgraded asset via contributions from developers and the portion to be funded as asset renewal via the wastewater annual service charges as shown on page 9 in the attached</p>

		<p>Prudential Report) is to require consideration and decision making at a council meeting;</p> <p>d) Procure a comprehensive independent review (once-off) of both the Wastewater 40 Year Long Term Financial Model and the Wastewater Service Long Term Financial Plan (10 years) with the brief for the review to be informed by input from the Informal Advisory Wastewater Board and the resultant report is to be considered by the Informal Advisory Wastewater Board and council (via the Audit and Risk Committee);</p> <p>e) The Wastewater Service to provide information on the anticipated resource capacity that would be required to enable site specific infrastructure fees to be determined for each development parcel and the associated timing of same to enable consideration of that information by the Informal Advisory Wastewater Board in the first instance;</p> <p>f) Legal clarification be sought by council as to the need for a standing council meeting resolution to borrow sufficient funds to fully fund the two wastewater reserve account balances at any point in time, if that cash flow is required;</p> <p>g) The Audit and Risk Committee to review at rolling six monthly intervals the internal reconciliations (revenue and expenditure) that substantiate both the Wastewater Infrastructure Reserve and Wastewater Maintenance Reserve; and</p> <p>h) Further community engagement on the Project now be undertaken by the Wastewater Service, to occur in advance of any physical works commencing.</p> <p>2. That the Audit and Risk Committee Terms of reference be amended to reflect the above as applicable and as shown with tracking in attachment 2.</p>
1.11 Wastewater and Recycled Water Strategy	22-06-2023	<p>UPDATE ON THE IMPLEMENTATION OF THE WASTEWATER SERVICE DELIVERY STUDY RECOMMENDATIONS</p> <p>Report noted</p>
	03-05-2023	<p>UPDATE OF THE WASTEWATER SERVICE ASSET MANAGEMENT PLAN</p> <p>WASTEWATER AND RECYCLED WATER POLICIES</p>

		HAMPDEN ROAD SEWER MAIN AND INLET PUMP STATION UPDATE MOUNT BARKER WASTEWATER TREATMENT PLANT UPGRADING STAGE 1 RECYCLED WATER STRATEGY DEVELOPMENT Reports noted enbloc
1.12 Regional Subsidiaries		
2. Reporting Responsibilities	17-08-2023	REVIEW OF AUDIT AND RISK COMMITTEE 2023 WORK PLAN The Audit and Risk Committee recommends to Council that the Audit and Risk Committee Work Plan 2023 be amended as shown in attachment 1 and that an internal audit plan will be developed and provided to the Audit and Risk Committee, and that a future Audit and Risk Committee agenda item be a register of outstanding actions.
Other	17-08-2023	KERBSIDE WASTE COLLECTION AND PROCESSING TENDER Report noted
	17-08-2023	INDIRECT DEVELOPER CONTRIBUTIONS & MDPA SEPARATE RATE RELATED REVENUE Report noted
	17-08-2023	INTERNAL AUDIT PROGRAM UPDATE Report noted
	17-08-2023	STRATEGIC ASSET MANAGEMENT AND LONG TERM FINANCIAL PLAN 2024 TO 2035 WORK PLAN Report noted
	17-08-2023	INTERIM AUDIT FY2023 UPDATE Report noted
	22-06-2023	CLIMATE CHANGE ADAPTATION – PROGRESS UPDATE Report noted
	03-05-2023	KERBSIDE WASTE COLLECTION TENDER Report noted

Members of the Audit and Risk Committee also participated in and contributed to discussion at Informal Gatherings of Council Members on key strategic projects aligned with the Committee terms of reference. This included service delivery options for wastewater/recycled water, and the option of a wastewater subsidiary.

Committee meetings are open to the public and held in the Council Chambers and via electronic means to accommodate members unable to attend in person.

Committee meeting agendas and minutes are all publicly available via the Council's website, as is the Committee Terms of Reference (as revised).

The Committee adopted an annual work plan which is attached to this report.

Audit and Risk Committee Evaluation for 2022/23

The Committee undertook a self-assessment of its Terms of Reference and its own performance of these. This self-assessment was undertaken in consultation with all committee members and took account of factors such as:

- the Committee's work program;
- the Committee's operating environment;
- the stage of maturity of the Committee
- Council's strategic directions;
- Council's risk and control environment;
- Current and emerging trends and factors;
- the outcomes of previous self-assessments

The self-assessment responses are very positive. 12 of 27 self-assessment categories were all rated 'strongly agree', 14 rated 'agree' or 'strongly agree' and 1 'neutral' rating.

There are a number of constructive suggestions for improvement and these will all be considered, including, but not limited to:

- new members would benefit from an introductory sessions with Council Executives - providing an overview of their work area and associated risks.
- The Audit and Risk Committee could have more involvement in determining the work program for the internal audit function.
- There is benefit in the committee members continuing to participate with council members in informal gatherings on key topics. It would be efficient method for the administration to ensure that adequate information is available to the Council and the Committee. There is also benefit for both the Council and Committee to listen to the questions/concerns of members.
- There is effective communication from council officers out of session to keep committee members informed. This is a strength. Staff are excellent at communicating with Committee Members.
- The Audit and Risk Committee could add value in relation to the work program of the Council's internal audit function. Further, while the Committee has been substantially involved with the wastewater subsidiary, there are residual risks to the Council relating to budget targets, ownership and policy relating to wastewater that this Committee could add value. It is my view that this work is different to what you would expect an Audit and Risk Committee to the wastewater subsidiary would be expected to consider.
- Continue to add value to Wastewater discussions if the Subsidiary is formed.
- Focus on risk and financial sustainability taking growth into consideration.

AUDIT AND RISK COMMITTEE WORK PLAN FOR THE YEAR 2022/23

Audit & Risk Committee Draft Work Plan - January - December 2023		February	April	June	August	October	November
Audit & Risk Committee Meeting Dates		23/02/2023	20/04/2023	22/06/2023	17/08/2023	19/10/2023	23/11/2023
Recommendations to Council Meeting Dates		6/03/2023	1/05/2023	3/07/2023	4/09/2023	6/11/2023	4/12/2023
1.1 Financial Reporting							
1.1.1	Review Statutory Financial Statements						
1.1.1	Comparison of Actual to Budget for Year Ending 30 June 2022						
1.1.1	Developer Contributions and Separate Rates						
1.1.1	Review performance of Investments and Borrowings						
1.1.2	Outstanding Debtors (including rates)						
1.1.2	Review Consistency of Financial Policies & Procedures						
1.2 Internal Controls							
1.2.1	Internal Controls framework, processes, systems review						
1.2.1	Review of Risk Cover & Insurances						
1.3 Risk Management							
1.3.1	Review effectiveness of framework, processes and systems						
1.3.1	Work Health Safety Update						
1.3.2	High Risk Register						
1.3.2	Review Regional Risk Action Plan						
1.3.3	Climate Change Mitigation/Adaptation						
1.4 Public Interest Disclosure							
1.4.1	Review policies for public officers to confidentially raise concerns						
1.5 Internal Audit							
1.5.1	Review the Internal Audit Program						
1.5.2	Monitor and review internal audit processes in context of 1.5.1						
1.5.3	Receive and review Internal Audits with significant findings						
1.5.4	Review and comments on Internal Audit annual report						
1.6 External Audit							
1.6.1	Consider and make recommendations re appointment of external auditors						
1.6.3	Meeting with External Auditors and review findings						
1.6.4	Make recommendations on the annual external audit plan						
1.6.8	Reviewing External Audit Management report and management's response						
1.7 Review of Strategic Management and Business Plans							
1.7.1	Review Long Term Financial Plan						
1.7.1	Review Draft Annual Business Plan						
1.7.1	Review Asset Management Plans						
1.8 Value and Efficiency							
1.8	Management processes, program reviews, service delivery reviews						
1.8	Project Management Review						
1.9 Major/Strategic Infrastructure Projects (RALC, CCC)							
1.9	Regional Aquatic and Leisure Centre						
1.9	City Centre Catalyst						
1.10 Prudential Reports							
1.10	Prudential Reports						
1.11 Wastewater and Recycled Water Strategy							
1.11.1	Recycled Water Strategy						
1.11.2	Review long term financial modelling and assumptions						
1.11.1	Revised/New Wastewater and Recycled Water Policies						
1.11.1	Sewer Main and Inlet Pump Station Update						
1.11.1	Update on the Implementation of the Wastewater Service Delivery Study Recommendations						
1.11.1	Wastewater Asset Management Plan						
1.11.1	Wastewater Treatment Plant Upgrade Stage 1						
1.12 Regional Subsidiaries							
1.12.1	Regional Subsidiaries Risk Assessment (if conducted)						
2. Reporting Responsibilities							
2.1	Review annual work plan						
2.3	Audit Committee Self Assessment and annual report						

Note: Timing for some matters is not yet known and will be dependent upon other circumstances e.g. timing of receipt of prudential reports