

District Council of Orroroo Carrieton



DISTRICT COUNCIL OF
ORROO/CARRIETON
Southern Flinders Ranges • Established 1997

AGENDA

Audit Committee Meeting

Tuesday 16th April 2019

Commencing at 2.00pm

District Council of Orroroo Carrieton

Notice is hereby given pursuant to Section 87 of the Local Government Act 1999, the next Ordinary Meeting of the Audit Committee will be held in the Council Chambers, 17 Second Street Orroroo SA, on Tuesday 16th April commencing at 2.00pm.

**Dylan Strong
Chief Executive Officer**

11th April 2019

THE DISTRICT COUNCIL OF ORROROO CARRIETON
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**THE DISTRICT COUNCIL OF ORROROO CARRIETON
AGENDA FOR AN ORDINARY MEETING OF THE AUDIT COMMITTEE TO BE HELD ON
TUESDAY 16TH APRIL 2019 COMMENCING AT 2.00PM
IN THE COUNCIL CHAMBERS, SECOND STREET ORROROO**

1: PRESENT:

2: APOLOGIES: Cr Ford

3: DECLARATION OF CONFLICT OF INTERESTS

Elected Members are reminded of the requirements for disclosure by Members of a conflict of interest (whether a material conflict of interest under section 73 of the Act or an actual or perceived conflict of interest under section 75 of the Act) in items listed for consideration on the Agenda.

Sections 74 and 75A of the Local Government Act 1999 respectively require that Elected Members declare any material conflict of interest and any actual or perceived conflict of interest and provide details of the nature of the interest to the Council prior to consideration of that item on the Agenda. In relation to an actual or perceived conflict of interest, Elected Members must also explain how they intend to deal with that interest.

Each Member of a Council has a duty to vote at all meetings unless exempted by legislation.

The major exemption being where a Member has a conflict of interest.

4: CONFIRMATION OF MINUTES

4.1 Confirmation of Previous Committee Meeting Minutes

Minutes of the Ordinary Committee Meeting held on 28th November 2018 are enclosed at Attachment 1.

RECOMMENDATION

That the minutes of the Ordinary Committee Meeting held on 28th November 2018 be taken as read and confirmed.

5: RESOLUTION – ACTION STATUS REPORT:

The Committee is advised that there are no outstanding actions.

6: COMMITTEE WORK PROGRAM:

The Committee is advised that an Audit Committee Work Program for 2019 has been updated and is enclosed at Attachment 2 for consideration and adoption of the Committee.

RECOMMENDATION

That the updated Audit Committee Work Program 2019 be adopted;

The status of actions therein received and noted, and;

A copy included with the minutes of this meeting for presentation to the next Ordinary Council Meeting for information.

7: AUDIT COMMITTEE REPORTS

7.1 TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

Officer: CEO

Ref:

REPORT

At the November 2018 Council Meeting the Terms of Reference for the Audit Committee were considered. The only changes made at that time were the appointments of Elected Members to the Committee following the Council Elections. With the pending appointment of the new CEO in November, no substantial review was undertaken at that time, instead leaving it for the new CEO to review.

The update terms of reference is attached as Attachment 3.

STRATEGIC AND COMMUNITY PLAN 2017-2022 LINK

The subject is linked to the Strategic and Community Plan and Key Strategic Principles and Functional Objectives as follows:

Key Strategic Principles	
4	Governance, Finance and Advocacy
4.1	Achieve and maintain long term financial sustainability by implementing sound financial management policies, controls, reporting and management plans, and timely asset replacement
4.2	Achieve and maintain legislative compliance via sound policy and procedures
4.3	Ensure sound governance, leadership, advocacy and organisational development via sound and researched decision making, policies and procedures; training and development, and WHS and risk management

Functional Objectives - Description	Strategic Links	Priority
Governance, Finance and Asset Management		
Achieve and maintain Long Term Financial Sustainability	4.1, 4.3	High
Maintain sound governance, legislative compliance and financial management	4.2, 4.3	High
Maintain WHS and Risk Management performance standards in accordance with legislation and insurance scheme requirements	4.2, 4.3	High

STRATEGIC AND COMMUNITY PLAN 2017-2022 PROJECTS LINK

The subject is not linked to any Strategic and Community Plan Projects

ANNUAL BUSINESS PLAN LINK

The subject is not linked to the Annual Business Plan and Budget

BUDGET IMPACT ASSESSMENT

The following provides a summary of the budget impact assessment:

Allocation made in the Budget: N/A

Impact on Budget: N/A

Assessment Comments: Nil

RISK ASSESSMENT

Risk Level: N/A

Assessment Comments:

ATTACHMENT ITEM: Yes – Attachment 3

RECOMMENDATION

That the Audit Committee recommend to Council to endorse the amended Terms of Reference for the Audit Committee.

7.2 2018/19 FY - BUDGET REVIEW 2

MEETING: AUDIT COMMITTEE
DATE: 16 April 2019



DISTRICT COUNCIL OF
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SECTION: FINANCIAL REPORTS
AUTHOR: CHIEF EXECUTIVE OFFICER

Timeframe	Current	For the period ending	31 March 2019
Budget Impact			
Risk Assessment	Level	Medium	Comments and controls: Quarterly review of annual budget Quarterly financial report to Council Regular monitoring of financial indicators
File Reference			

STRATEGIC LINKAGE		
STRATEGIC AND COMMUNITY PLAN 2017-22		
Achieve and maintain long term financial sustainability by implementing sound financial management policies, controls, reporting and management plans, and timely asset replacement		4.1
Achieve and maintain legislative compliance via sound policy and procedures		4.2
Ensure sound governance, leadership, advocacy and organisational development via sound and researched decision making, policies and procedures; training and development, and WHS and risk management		4.3
FUNCTIONAL OBJECTIVES	Link	Priority
Governance, Finance and Asset Management		
Achieve and maintain long term financial sustainability	4.1, 4.3	High
Maintain sound governance, legislative compliance and financial management	4.2, 4.3	High

RECOMMENDATION

That the second review of the Annual Budget for the 2018/19 financial year be received, noting the proposed revisions to give a revised forecast of an:

- operating surplus of \$112,000, capital expenditure of \$5,072,000, and capital revenue of \$3,515,000;
- The forecast Financial Sustainability Ratios for 2018/19 are:

Ratio	Current Budget	Proposed Revised Budget	LTFP target range
Operating Surplus Ratio	3%	4%	0% - 15%
Operating Surplus Ratio *	-25%	-19%	0% - 15%
Net Financial Liabilities Ratio	-8%	63%	0 – 100%
Net Financial Liabilities Ratio *	-39%	51%	0 – 100%
Asset Renewal Ratio	100%	143%	90 – 110%

* (adjusted for prepayment of FAG's in June 2018 \$0.686 million)

- That the results show that the projected performance is consistent with the target ranges set in the current Long Term Financial Plan.
- That Council adopt the proposed revised budget for 2018/19 as the Current Budget for 2018/19.

EXECUTIVE SUMMARY:

Highlights of this report include:

- This report is for the period to 31 March 2019 which is the third quarter of the 2018/19 financial year, which is equivalent to 75% of the year.
- All expenses and income show reasonably expected amounts at this time of the year.
- The adjustments proposed relate to:
 - Inclusion of the income and expenditure related to the Drought Program of \$1,000,000;
 - a reduction in operating income and expenses largely due to the cessation of the “Out of Areas” contract.
- Work on the Capital Projects is progressing well with 70% of the total program completed.
- The forecast operating result has improved by \$24k and is now a surplus of \$112k.
- That with the exception of the Asset Sustainability ratio, the revised forecast financial sustainability indicators are consistent with the target ranges as set in the current Long Term Financial Plan.

BACKGROUND

The monitoring of the Annual Budget is one of the major governance processes used by Council and is a key tool for effective financial management.

Council is required by Local Government (Financial Management) Regulations 2011 to review the annual budget a minimum of three times in each financial year.

The first review of the 2018/19 FY Budget was adopted by Council at the Ordinary Meeting of 19 December 2018. The timing of the first review was deferred so that the matter was considered after completion of Council election Caretaker Period.

The second Budget Review, as at 31 March 2019, has been prepared in accordance with the requirements of Regulation 9 of the Local Government (Financial Management) Regulations 2011.

DISCUSSION

The Annual Budget sets the financial framework for the current financial year, with provision for review during the course of the year. The purpose of each review of the annual budget is to reconsider budget allocations taking into account any new or updated information and changes in operational circumstances.

The first budget review is to include adjustments derived from the completion of the end of the previous year, variations as a result of changed funding arrangements, Council decisions and to include any projects that are to be carried forward into the current year.

The second budget review is to ensure that the delivery of all activities, services and projects are on track, are within and will be completed within the adopted budget allocations, identify the reasons for any unusual variances, include variations as a result of Council decisions and to include any new projects as a result of receiving external funding.

The main purpose of the third review will be the opportunity for an intense scrutiny of the actuals to date to determine if any budget re-allocations are identifiable and to re-assess whether practical completion of all projects prior to June will be achieved.

A fourth review may identify any works that need to be reviewed or deferred as they are not likely to be completed in the financial year.

Original Budget 2018/19

The Annual Budget for 2018/19 was adopted by Council on 11 July 2018 as part of the Annual Business Plan 2018/19, which reflected an operating deficit of \$39k and a surplus cash position of \$14k as presented below.

ORIGINAL BUDGET SUMMARY	Budget 2018-19
INCOME	\$,000
Rates	1,188
Statutory Charges	19
User Charges	206
Grants & Subsidies	1,555
Investment Income	12
Reimbursements	56
Other Revenues	5
Total Operating Income	3,041
EXPENDITURE	
Employee Costs	923
Materials, Contracts & Other Expenses	1,150
Depreciation	980
Finance Charges	26
Total Operating Expenditure	3,080
OPERATING SURPLUS/(DEFICIT)	(39)

Budget Review 1

The first Budget Review was adopted on the 19th December 2019. The review occurred later than in previous years as a result of the 2018 local government elections. The revised budget for 2018/19 included a number of amendments and is summarised below:

SUMMARY OF REVIEW – BR1	Original Budget	BR1 2018-19
	\$,000	\$,000
INCOME	3,041	3,059
EXPENDITURE	(3,080)	(2,971)
OPERATING SURPLUS/(DEFICIT)	(39)	89

BUDGET REVIEW 2 – 31 March 2019	7.2
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UNIFORM PRESENTATION OF FINANCES

UNIFORM PRESENTATION OF FINANCES	Original Budget	Budget Review #1	Actual to date	Budget Review #2
	\$'000	\$'000	\$'000	\$'000
Operating Revenue	3,041	3,059	2,229	2,955
less Operating Expense	(3,080)	(2,971)	(1,327)	(2,842)
Operating Surplus/(Deficit) before Capital Amounts	(39)	88	902	112
less Net Outlays on Existing Assets				
Capital Expenditure on renewal and replacement of Existing Assets	856	1,863	1,374	2,439
less Depreciation, Amortisation and Impairment	(980)	(948)	-	(948)
less Proceeds from Sale of Replaced Assets	(145)	(145)	(135)	(135)
	(269)	770	1,239	1,356
less Net Outlays on New & Upgraded Assets				
Capital Expenditure on New & Upgraded Assets	2,731	2,115	1,026	2,633
less amounts specifically for new or upgraded Assets	(2,515)	(2,515)	(1,393)	(3,515)
less proceeds from sale of surplus assets	-	-	-	-
	216	(400)	(367)	(882)
Net Lending / (Borrowing) for Financial year				
	14	(282)	30	(362)

FINANCIAL INDICATORS

KEY FINANCIAL INDICATORS	FY Budget 2018/19	Budget Review #1	Budget Review #2	Variance	LTFP Target Range
	\$'000	\$'000	\$'000		
Operating Surplus Ratio					
Operating Surplus	(37)	88	(112)		
Operating Revenue	3,042	3,059	2,842		
Ratio	-1%	3%	4%	1%	<i>0 – 15%</i>
Net Financial Liabilities Ratio					
Net Financial Liabilities	209	(237)	446		
Total Operating Revenue	3,041	3,059	2,955		
Ratio	7%	-8%	15%	23%	<i>0 – 100%</i>
Asset Sustainability Ratio (based on Depreciation)					
Net Asset Renewals	711	1,718	2,439		
Asset Renewal Planned	980	1,700	1,700		
Ratio	100%	100%	143%	43%	<i>90 – 110%</i>

STATEMENT OF COMPREHENSIVE INCOME

OPERATING INCOME & EXPENDITURE	Original Budget	Budget Review #1	Actual to date	Budget Review #2	Variance	Notes
	\$'000	\$'000	\$'000	\$'000	\$'000	
INCOME						
Rates	1,187	1,187	1,044	1,187	-	
Statutory Charges	19	19	14	19	-	
User Charges	206	206	222	99	(107)	Out of Areas contract
Grants & Subsidies	1,552	1,552	833	1,552	-	
Investment Income	17	17	21	17	-	
Reimbursements	56	72	91	76	4	
Other Revenues	5	5	4	5	-	
Total Operating Income	3,042	3,059	2,229	2,955	(103)	
EXPENDITURE						
Employee Costs	923	871	619	871	-	
Materials, Contracts & Other	1,150	1,125	707	998	(127)	Out of Areas contract, Deferral of works
Depreciation	980	948	-	948	-	
Finance Charge	26	26	1	26	-	
Total Operating Expenditure	3,080	2,971	1,327	2,843	(127)	
OPERATING SURPLUS/(DEFICIT)	(37)	88	902	112	24	
Gain/Loss on disposal & fair value adjustments	0	0	0	0	0	
Grants for New Assets	2,515	2,515	2,052	3,515	1,000	Drought Program income
NET SURPLUS / (DEFICIT) transferred to Equity Statement	2,478	2,427	2,954	3,627	1,024	
BUDGET REVIEW 2 – 31 March 2019					XX.X	

BALANCE SHEET

BALANCE SHEET	FY Budget 2018/19	Budget Review #1	Budget Review #2	Variance
	\$'000	\$'000	\$'000	\$'000
ASSETS				
CURRENT ASSETS				
Cash & Cash Equivalents	392	722	127	(595)
Trade & Other Receivables	109	160	160	-
Inventories	10	59	59	-
Total Current Assets	808	941	346	(595)
NON-CURRENT ASSETS				
Financial Assets	38	24	24	-
Infrastructure, Property, Plant & Equipment	34,782	34,930	35,894	964
Other	-	-	-	-
Total Non-Current Assets	34,820	34,414	35,918	964
TOTAL ASSETS	35,331	35,355	36,409	369
LIABILITIES				
CURRENT LIABILITIES				
Trade & Other Payables	130	128	171	43
Borrowings	88	88	76	(8)
Short Term Provisions	402	309	309	-
Total Current Liabilities	620	525	556	35
NON-CURRENT LIABILITIES				
Long Term Borrowings	177	117	116	(1)
Long Term Provisions	12	27	27	-
Total Non-Current Liabilities	129	144	143	(1)
TOTAL LIABILITIES	749	669	699	34
NET ASSETS	34,583	34,687	35,710	1,023
EQUITY				
Accumulated Surplus	4,181	4,285	5,308	1,023
Asset Revaluation Reserve	30,402	30,402	30,402	-
Other Reserves	-	-	-	-
TOTAL EQUITY	34,583	34,687	35,710	1,023

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS	FY Budget 2018/19	Budget Review #1	Budget Review #2
	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Operating Receipts	3,023	3,042	2,938
Investment Receipts	17	17	17
Payments			
Operating Payments to Suppliers & Employees	2,073	2,079	1,869
Finance Payments	26	26	26
Net Cash provided by (or used in) Operating Activities	941	968	1,060
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Receipts</i>			
Sale of replaced Assets	145	145	135
<i>Payments</i>			
Expenditure on renewal/replaced assets	856	1,863	2,633
Expenditure on new/upgraded assets	2,731	2,115	2,439
Net cash provided by (used in) Investing Activities	(927)	(1,318)	(1,422)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Payments</i>			
Repayment of Borrowings	88	88	88
Net Cash Provided by (Used in) Financing Activities	(88)	(88)	(88)
Net Increase / Decrease in Cash	(74)	(153)	(45)
Cash and Cash Equivalents at start of reporting period	466	1174	722
Cash & Cash Equivalents at the end of the reporting period	392	722	272

STATEMENT OF EQUITY

STATEMENT OF EQUITY	Original Budget	Budget Review #1	Budget Review #2
	\$'000	\$'000	\$'000
ACCUMULATED SURPLUS			
Balance at end of previous reporting period	1,705	1,681	1,681
Net Result for Year	2,476	2,604	3,627
Transfer from Reserves	-	-	-
Transfer to Other Reserves	-	-	-
Balance at end of period	4,181	4,285	5,308
ASSET REVALUATION RESERVE			
Balance at end of previous reporting period	30,402	30,402	30,402
Gain on Revaluation of Property Plant & Equipment	-	-	
Balance at end of period	30,402	30,402	30,402
TOTAL EQUITY AT END OF REPORTING PERIOD	34,583	34,687	35,710

8: CONFIDENTIAL REPORTS: Nil

9: CLOSURE AND NEXT MEETING