



**MINUTES OF AUDIT COMMITTEE MEETING HELD IN COMMITTEE ROOMS, 12  
JAMES STREET, SALISBURY ON**

**9 APRIL 2019**

**MEMBERS PRESENT**

Cr G Reynolds (Chairman)  
Cr L Braun (Deputy Chairman)  
Mr N Ediriweera  
Mr C Johnson  
Ms K Verrall

**OBSERVERS**

Cr Woodman (attendance 6.56pm)

**STAFF**

Chief Executive Officer, Mr J Harry  
General Manager Business Excellence, Mr C Mansueto  
Manager Governance, Mr M Petrovski  
Risk and Governance Program Manager, Ms J Crook  
Internal Audit & Risk Coordinator, Mr R Constance  
Financial Services Manager, Mrs K George  
Manager Business Systems and Solutions, Mr D Bevan

The meeting commenced at 6.33 pm.

The Chairman welcomed the members, staff and the gallery to the meeting.

**APOLOGIES**

Nil

**LEAVE OF ABSENCE**

Nil

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## PRESENTATION OF MINUTES

Moved Cr L Braun  
Seconded Mr C Johnson

The Minutes of the Audit Committee Meeting held on 12 February 2019,  
be taken and read as confirmed.

**CARRIED**

## REPORTS

### *Administration*

#### **4.0.1 Future Reports for the Audit Committee of Council**

Moved Ms K Verrall  
Seconded Mr C Johnson

1. The information be received.

**CARRIED**

#### **4.0.2 Actions List**

Moved Cr L Braun  
Seconded Mr C Johnson

1. The information be noted.

**CARRIED**

### *Reports*

#### **4.2.1 Update on the use of generic administration accounts within business systems and solutions**

Moved Ms K Verrall  
Seconded Cr L Braun

1. That the information be received by the Audit Committee.
2. That the Audit Committee note that the one generic administration account identified as part of the audit has been removed from the relevant business area. This closes out this aspect of the recommendation.
3. That the Audit Committee notes:
  - a. Three generic administration accounts have been removed from the same solution, which were only in use within Business Systems and Solutions, and replaced with named user accounts.

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- b. Information Technology Services, which is part of Business Systems and Solutions, will complete a review of information technology infrastructure solutions and technical administration accounts within business systems and solutions by June 2019.
  - c. Business Systems and Solutions will work with functional administrators of business systems and solutions to understand whether generic administration accounts are within use in these functional areas.

**CARRIED**

**4.2.2 Strategic Risk Register: Update on work to address specific aspects of risk #10 - Lack of alignment and integrity of IT systems and business processes to support business needs**

Moved Ms K Verrall

Seconded Mr C Johnson

1. That the information be received.
2. That the Audit Committee note various activities relating to recommendations from the program review of the former Information Services and the audit of the information technology areas of Business Systems and Solutions have been completed or are in progress to mitigate specific aspects of risk #10 in the strategic risk register relating to the lack of alignment of IT systems to support business needs.
3. That the Audit Committee note that the proposed governance approach of the Smart Salisbury Advisory Board and the Smart Technology committee, which are important control measures to mitigate the risk of lack of alignment of IT systems to support business needs, is a reasonable and contemporary approach.

**CARRIED**

**PRESENTATIONS**

**PRES1 Long Term Financial Plan Presentation**

The Manager Financial Services provided a presentation to the Committee on Council's Long-Term Financial Plan.

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**REPORTS ... (cont'd)****4.2.3 Draft 2019/20 Annual Plan and Budget**

Moved Cr L Braun

Seconded Ms K Verrall

1. The information be received.
2. It be noted that the Audit Committee has reviewed the Council's Annual Plan and Long Term Financial Plan in accordance with s126(4)(ab) of the Local Government Act 1999 and makes the following comments for Council consideration when setting its rating level for the 2019/2020 budget:
  - a) Recognising that the City of Salisbury is in a strong financial position, the rate scenario that enables Council to operate within Council endorsed targeted ranges for long term financial sustainability, retains Council's capacity to respond to emerging community needs and external impacts, and provides ongoing financial sustainability applying a conservative and prudent approach is a Rate increase of CPI+0.6% over the 10 years.
  - b) It is the assessment of the Audit Committee that adopting the following rate scenario of a rate increase of CPI+0.6% over the 10 years, with a one-off increase of only 2% in 2019/20, resulting in \$6.7M lower surplus over the life of the plan, falls outside of Council's endorsed targeted operating range, however could still be considered acceptable noting the lower surplus over the life of the plan and that Council would need to consider the risk to future new budget spending. The Audit Committee also notes that the risks as listed in para 2.c below also apply to this rates scenario, albeit to a lesser extent.
  - c) It is the assessment of the Audit Committee that the risks of adopting any of the following rate scenarios:
    - Rate increase of CPI+0.6% over the 10 years, with an increase of only 2% in years 1 and 2 (2019/20 and 2020/21), resulting in \$18.3M lower surplus over the life of the plan;
    - Rate increase of CPI+0.6% over the 10 years, with an increase of only 2% in years 1, 2 and 3 (2019/20, 2020/21 and 2021/22), resulting in \$30.0M lower surplus over the life of the plan; and
    - Rate increases at or below CPI over the 10 years, are significant, and include:

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- The compounding effect of lower income over the life of the long term financial plan;
  - Increased financial uncertainty created by State Government's policy and continued intention to introduce Council rate capping for future years;
  - The uncertainty surrounding State Government policy direction for funding infrastructure, and the implications for councils;
  - A one-off low increase at or below CPI makes it likely that at a point during the 10 year Long Term Financial Plan, Council will have to run a deficit budget;
  - Placing the burden of restoring financial stability on future Councils, this may involve higher rate increases, and/or reductions in services or service standards; and
  - Negatively impact on Council's ability to invest in infrastructure.

**CARRIED**

#### **4.2.4 Update on Risk Management and Internal Controls Activities**

Moved Ms K Verrall

Seconded Mr C Johnson

1. The information be received.
2. The Update on Risk Management and Internal Controls Activities, as set out in Attachment 1 to this report (Item 4.2.4, Audit Committee, 9/04/2019) be endorsed for approval by Council.
3. The Audit Committee notes the update on outstanding actions from completed Internal Audits, as set out in Attachment 2 to this report (Item 4.2.4, Audit Committee, 9/04/2019).

**CARRIED**

**4.2.5 Update on Internal Audit Plan**

The Committee was informed that the proposed Complaint Handling Procedure Audit would be deferred pending the outcomes and implementation of the Customer Service Framework review currently being undertaken.

The Committee discussed and provided suggested project topics to be considered for incorporation into the three year rolling Internal Audit Plan. A draft 3 year Internal Audit Plan will be provided to the Audit Committee at the 9<sup>th</sup> July 2019 meeting.

Moved Cr L Braun  
Seconded Mr C Johnson

That the updates made to the 2017-2019 Internal Audit Plan as set out in Attachment 1 to this report, noting the deferral Complaint Handling Procedure Audit, be endorsed and forwarded to Council for adoption.

**CARRIED**

**OTHER BUSINESS**

Nil

The meeting closed at 8.32 pm.

CHAIRMAN.....

DATE.....