



Rural City of
Wangaratta

Minutes

For the Audit and Risk Committee Meeting
Council Chambers Municipal Offices
62-68 Ovens Street, Wangaratta **17 September 2024**

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1. Welcome

The Chairperson acknowledged the traditional owners of the land on which we meet. We paid our respects to their Elders past, present and emerging and to Elders from other communities who may have been at the meeting.

2. Present/Absent/Apologies

Committee Members

Mr Vito Giudice (chairperson) (virtual)
Mr Wilson Tang (virtual)
Mr Matt Fagence (virtual)
Ms Jane Watson (virtual)

Councillors

Cr. Dean Rees

Auditors

Dannielle Mackenzie – External Audit (virtual)

Staff Members

Tom Coelli-Donaghy – Acting Director Corporate & Leisure
Andrew Lovett – Corporate Planning and Governance Specialist
Andrew Scoffern – Governance and Reporting Advisor
Jess Greening – Manager Finance
Yvonne Cypser – Financial Controller
Zoe Giglio – Executive Assistant Corporate and Leisure (virtual)

Apologies:

Cr. Jack Herry
Brad Ead - Internal Audit
Sarah Brindley – Director Corporate and Leisure
Brendan McGrath – Chief Executive Officer

3. Confirmation of Minutes

A motion that the Audit and Risk Committee read and confirmed the minutes of the Audit and Risk Committee of 6 August 2024 as a true and accurate record of the proceedings was moved by Independent Member Matt Fagence and Independent Member Wilson Tang and CARRIED.

Action Items

- Action Item 1: For the December 2024 meeting and onwards, in the action tracker include a column for progress ensuring all commentary and progress can be easily noted.

4. Conflict of Interest Disclosure

In accordance with sections 53 and 131 of the Local Government Act 2020 a member who has a conflict of interest in respect of a matter must disclose the conflict of interest in the manner required by the Council's Governance Rules and comply with the procedures specified in the Governance Rules.

No conflicts were disclosed.

5. Reports

5.1 Financial Statements and Performance Statement for Year Ended 30 June 2024

Management presented the Draft Financial Statements, Performance Statement and Governance and Management Checklist for the financial year ended 30 June 2024 for endorsement by the Audit and Risk Management Committee and recommended that Council approve in principle the statements prior to submission to the Victorian Auditor-General.

Subject to any suggested changes by VAGO, a motion that the Audit and Risk Committee endorse in principle the DRAFT Financial Statements, Performance Statement and Governance and Management Checklist for the financial year ended 30 June 2024 and recommended Council approve in principle the statements prior to submission to the Victorian Auditor-General was moved by Independent Member Jane Watson and Independent Member Wilson Tang and CARRIED.

Discussion

- The Finance Manager provided the following overview on the Financial Statement for the financial year ended 30 June 2024:
 - Accounting surplus of \$3.39 million had decreased from prior year of \$22.30 million.
 - Capital expenditure of \$26.47 million in 2023-2024 versus \$30.99 million from 2022/23
 - Total council income was \$96.70 million in 2023-2024 versus \$98.35 million from the prior year.
 - Noted there was an error with the rates charges - should read 2.9% increase for the financial year 2024/2025 as previously worded in 2023/2024 financial year.
 - Operating grants decreased by \$9.78 million in 2023/2024 from the previous year.
 - Capital grants decreased by \$2.9 million 2023/2024 from the previous year.
 - Income increased due to reduction in land fill rehabilitation.
 - Total expenditure increased by \$17.25 million in 2023/2024 attributed to the increase in employee costs following the completion of the Enterprise Bargaining Agreement and oncosts associated with Workcover premiums.
 - Materials increased by \$1.6 million in 2023/2024 compared to the previous year.
 - Other expenses variations related to changes in future modelling for the landfill provision.
 - In the Balance Sheet, assets had decreased by \$16.2 million in 2023 because of grant funding was received earlier than expected and was paid in the 2022/23 financial year.
- The Finance Manager advised that councillors will be notified of the breach of the Reserve Accounting Policy due to less cash than restricted statutory and discretionary reserves. Councillors will be briefed at the upcoming Unscheduled September Council meeting.
- **Cr. Dean Rees enquired the payment received of \$65,000 in lieu of rates from the solar farm, was it treated as rateable income?** The Finance Manager responded the payment received was in lieu of rates and based on the solar outputs of the farm.
- **Independent Jane Watson – asked whether the decrease in cash reserves result from receiving the grant in the previous financial year.** The Finance Manager responded that

the 2024 financial assistance grants from the federal grant were received well in advance in the 2022/2023 financial year and that council did not receive any additional cash in 2023/2024.

- Independent Member Jane Watson raised a concern and risk that given the breach of Reserves and Accounting Policy how might councillors receive this information prior to the upcoming scheduled council meeting.
- Chair Vito Guidice asked external auditor Danielle MacKenzie if this was consistent across the sector. Danielle confirmed this was consistent across other councils.
- The Finance Manager advised in relation to rate receivables of \$500,000 – there was an increase on rate payables due to financial hardship that reflects the cost of living.
- Non-current assets had a \$27 million dollar increase in 2023/2024.
- Major asset classes that were revalued totalled \$17 million.
- Both the aerodrome and artworks both had unadjusted differences.
- The Corporate Planning and Governance Specialist advised that Council would be submitting the financial statements and performance statements before the end of the week to VAGO to conclude the process.
- **Independent Member Jane Watson – asked about assets that didn't meet the criteria for capitalisation, did this highlight any processes for improvement within the assets team?** The Finance Manager responded, there were no issues in the process, but in the initial set up of projects. Officers had been meeting with the assets team to expediate capitalising assets in the future.
- Independent Member Jane Watson commented on the landfill adjustment indexing at \$10 million. The Finance Manager advised that Council's waste team had undertaken significant work to consolidate costs for rehabilitation when compared to quotes and developed position papers to both State and Federal Government to satisfy council's audit action items.
- **Independent Member Jane Watson - asked was that more of a review of how waste was being operated to adjustments or was it additional costs?** The Finance Manager responded no additional costs were spent when the review was undertaken.
- External Auditor Danielle MacKenzie commented she was comfortable on the indexing \$10 million and expected movement in the calculation based on last year. Following the recommendation on the review of the calculation released auditors are comfortable with the calculation for 2024/2025 against this time last year.
- External Auditor Danielle MacKenzie addressed the following management letter points:
 - In the closing report, revaluation on property equipment was found in two categories.
 - Found assets had the value of \$3.3 million in the current year; despite being categorised differently. It was found that some assets may have existed previously however, depending on how the valuer's subjective value process.

- Artworks - The current Reserve Accounting Policy does not provide a position for artworks on loan or on long-term loan to Council or if they should be recorded as assets and included in the artwork register.
- Following minor audit discrepancies, work was undertaken with management on refining developer contributions totalling \$378,000.
- Additional assets totalling \$1.6 million were listed as found assets even though categorised differently. \$731,000 in found assets were for artworks considered on loan to council, but it was unclear who controlled those assets.
- Infringement debtors – there was an unadjusted audit difference in the management letter listing and the trial balance. There were some differences in the general ledgers and in some of the personnel journal entries and it was unclear if infringements should be written off.

Governance Checklist

- The Corporate Planning and Governance Specialist advised through the Local Government Performance Reporting Framework (LGPRF) reporting process Council officers had extracted the data and sent to the auditors who had reviewed the LGPRF figures and audited service performance indicators. It was noted that the indicator for utilisation of aquatics listed in the management letter for 2022/2023 on the accuracy of capturing visitation had been successfully addressed with a more robust software system implemented accurately counting visitors to the centre and closes off the action in the management letter.
- **Independent Member Wilson Tang asked in relation to the scoring of 82 for the condition of roads against the actuals what is the gap here. Are there any safety gaps?** The Corporate Planning and Governance Specialist responded that in consultation with the Field Services Team, they noted that the calculation was incorrect and there had been little change in the last year. Relevant data had been updated and will be sent to Crowe to finalise.
- **Independent Member Wilson Tang queried how does the Statutory Planning service standard of 67 against the actual compare to previous years?** The Corporate Planning and Governance Specialist responded, staff resourcing and the complexity of planning matters, were the main factors behind the service standard.
- Cr. Dean Rees took the opportunity to provide his personal view on planning matters. Planning matters within the Rural City of Wangaratta take too much time to process and believe that the staff do not want to make decisions. He noted previous e-mails had been sent and discussions held with management where he suggested operational efficiencies could be made.

Action Items

- **Action Item 2:** For areas where the budget is lower than previous years, suggested to include commentary in the Performance Statement for those items to provide clear reasoning as to why it is lower.

- **Action Item 3:** In the Governance and Management Checklist include additional commentary to include when the policies are due for further review.
- **Action Item 4:** List the reappointment of the internal auditor in the Governance and Management Checklist.

6. Other Business

On behalf of the Audit and Risk Committee, the Chairperson thanked outgoing Mayor Councillor Dean Rees and Cr. Jack Herry for their services to the Audit and Risk Committee.

Outgoing Mayor Councillor Dean Rees thanked the Audit and Risk Committee and council officers for all their advice and their work in ensuring that council maintains its governance practises.

Action Items

- **Action Item 5:** The Closing Management Letter Report to be distributed to Audit and Risk Committee members once finalised.

7. Next Meeting

Thursday 05, December 2024

8. Closure of Meeting

The meeting closed at 3:41pm.