

Winton Shire Council
Audit & Risk
Committee Meeting
Held in the Winton Shire Council Board
Room on
Friday, 20 October 2023
at 2pm

1 MEMBERS PRESENT

Cr Tina Elliott (Chair), Ms Helen Thomson, Cr Shane Mann, Leia Mitchell (on line), Peter Gogsch (Winton Shire Council Accountant – on line), Gordon Payne (William Buck Auditors and representing Queensland Audit Office – on line) Dirk Dowling (WSC CEO), Warren McEwan (WSC Finance Manager), Kristi Minehan (WSC Governance Coordinator/ Secretariat), Brenton Hall (WSC Acting Director of Works)

2 APOLOGIES

Teoni Stockham (community member), Cr Gavin Baskett (Mayor)

3 CONFLICT OF INTEREST

Nil

The Meeting opened at 2:00pm and closed at 3:15pm.

4 REPORT

1. Business arising out of previous meeting (8 September 2023)

Nil

2. Confirmation of Advisory Committee structure and reporting changes

Reference was made to the Advisory Committee Policy and Terms of Reference and that, for this Committee, there have been no changes. There will still be four meetings a year including a planning meeting. The planning meeting will be the next meeting held early next year.

Community member positions will be readvertised next year and it was hoped that current members would re-apply. This is a normal process in relation to Advisory / Committees / Panels.

3. Queensland Audit Report

Key insights – movement from year to year and the over look for materiality.

Found four in efficiencies – there were no new ones raised on the final that hadn't already been raised in the Interim Report.

They are all considered low risk with no significant deficiencies. No new findings. Some deficiencies which we know are a work in progress. There were a few mis-statements that were reported – small value. One of the deficiencies was downgraded, other than that, no change from the interim to the final.

Finance Manager and Chief Executive Office gave an overview of the matters previously reported.

1. Insufficient finance system controls over purchase orders

This is about zero amount purchase orders – a frequency of purchasing where a number of items are needed on an ad hoc basis for monthly accounts – for example, hardware, groceries, etc. Technically a deficiency however there are controls in place.

2. Audit logs for the Practical Computer System not reviewed for unauthorised changes by an officer independent of those changes

Rectified – now printing and signing all of the audit logs

3. Terminated employees still listed as active

Rectified

4. Contract assets and liabilities not included in monthly reporting to council control environment. Frequency of reporting

There was discussion on the frequency of reporting – agreement that not required monthly – now agreed quarterly or six monthly, not yet settled, however has been determined with the auditors that monthly reporting is not necessary given the low

frequency of changes.

5. Quarry assets register

Resolved

6. Neighbourhood Centre payroll issue

Not resolved – still a work in progress.

A letter has been written to the 51 people affected. The tender will then be enacted to complete that review of WSC records – very close to progressing this matter.

This has taken some time to get to this point as it requires good risk management and ensuring the matter is settled correctly for all concerned particularly around methodology, for example, averaging Vs a full analysis – Industrial Relations specialist recommended full analysis.

Every timesheet over a 5-6 year period. Timesheets are not that detailed, so some assumptions will need to be made. Timesheets are manual – would like to move out of the paper but the previous timesheets did not appear to be that detailed. There is a responsibility on the employee and also the supervisors to ensure they are accurate.

The matter was discovered by the previous Director of Community Services and Economic Development around 18 months ago. The IR specialist has not advised any requirements regarding the timeframe in which this needs to be completed.

7. Procurement cycle deficiencies

Primarily around the timing of Purchase Orders, that is, being written out after the fact. The Director of Works is working with Finance around. Now being regularly reviewed by the Works area to understand all the issues and educate staff to reduce the incidence of this occurring.

8. Centralisation of laws and regulation requirements

Resolved as it went to the October Council meeting. Public Consultation not yet commenced – it will be advertised shortly. Out for consultation for 28 days. Will commence at the beginning of next week in consultation with the advertising agencies. All about local laws – some open and targeted residents. The current local laws are still the basis on the new ones. It is important that we hold the sessions where the changes can be explained and questions answered.

Misstatements – just a difference between what was reported as current and non-current.

Lisa Fraser from the Queensland Audit Office called during the meeting and advised she was comfortable that William Buck are attending and that she is also has no issues with the report and is sure that William Buck as they are representing the Queensland Audit Office will raise any matters with her if needs be.

4. Financial Statements (new agenda item)



Overview provided by the Winton Shire Council Accountant.

Total revenue has reduced – main driver reduction of about \$4.5m in capital grants. Reflective of some of the workflow – predominantly flood damage work which has reduced in the current year.

Operating income – increase of about \$2m – key driver small drop in recoverable works, significant increase in grant revenue. This figures is skewed due to a prepayment by the government – belongs in last year but technically in the 2024 year.

Increases in amount of interest received on savings.

Expenses / operating costs increase to \$26.9m – employee benefits about a \$700k increase and recognition of costs to Council for community grants underpayment.

Materials and services – net increase of \$600-700k – no major items. A full breakdown is on page 11.

Administration about \$160k increase, Community services small decrease year on year, Plant operating and production reflecting a reduction of around \$200k.

Tourism – increase with a small increase in the Waltzing Matilda Centre costs.

Balance Sheet – page 2 – sizeable increase in Council's cash balance. Skewed with some of the pre-payments around \$600-700k due to that. About \$1m cash received in the bank that the Council has already committed. About a \$2m net increase over the year.

Contract assets – Council is owed money for specific functions – minor increase.

Contract liabilities – have increased by a little over \$1m.

Other liabilities – there is a notable increase in payables from \$2.5m to \$4.1m which is a timing issue in payment.

Cash Flow on page 4. Net inflow \$8m + which is a big increase – increase in cash balances.

Total capital spending of \$10.98m – offset by capital grants with a net outflow of investing of about \$4.6m. Council on target to pay out their loans in 4 to 5 years.

Question on the borrowings – CEO – the borrowings of \$1.1m is incredibly small.

Borrowings are not high – one for the pool and one for the workshop. Early 2026 and early 2028 they will be paid out. Have the ability to borrow is required.

Sustainability metrics on the last page. Council achieved an operating surplus. Not forecast to happen again in the 10 year forecast. Not sustainable if it's not positive. Big issue is for the last years for the past 6 to 8 years the majority of Council's infrastructure has been renewed using capital grants. Metrics includes depreciation – to account for infrastructure renewal , perhaps not needed given that government grants will continue. On face value it is negative it's not positive.

There will be new benchmarks and sustainability measures coming in next year.

1.96% surplus.

LGAQ conference with an Audit Office representative and depreciation was brought up and some discussion included whether some items could be excluded given that they

could only be renewed with third party money. There was a lot of discussion in the room and there appeared to be agreement from the Audit Office in principal.

Some Councils that are currently unsustainable may become so if this was brought in and the new sustainability measures being broadened will also make a difference with the different perspectives this will provide for considering sustainability.

Asset sustainability ratio – Council has been doubling – invested well and reflective of replenishment.

Net financial liabilities – Benchmark 60% - Council is negative which is good – Council has substantially more current assets than current liabilities – Council could survive for 98% of the year based on its current assets – very positive.

You shouldn't be able to be sustainable for too long – than perhaps we shouldn't be charging rates. There is a sweet spot – 3 to 6 months.

As per the Queensland Audit Office – the grey lines on the graph are the generally accepted. For a local government – they are taking rates and funding from multiple levels of government. Council should not be charging residents massive amounts of rates just to put it in the bank, especially if we increase the rates.

The ratios are to assist with risk management. Further conversation about the holding of cash versus raising rates every year.

Thanks for the excellent report.

Fine for the Mayor and Chief Executive Officer to sign off.

5. Internal Audit Report

Pacifica report into inventory – items flagged as high.

4.1 – unrestricted access to the stores – now resolved

Fuel storage and access is still a work in progress

Key register is budgeted – currently reviewing it with a report soon to go to the Senior Leadership Team and will be implemented before the end of the financial year.

Misalignment of working hours – change in arrangements with appropriate staff now having access to get into store to assist other people. This is about work crews starting before the stores and procurement personnel start time.

Surplus materials – working through the to determine what stores are in surplus – may be for sale and / or disposal depending on their usable timeline and value – there will be a public tender.

Separation of stores from items and other materials – almost complete in terms of stores

Labeling stores item – nothing done yet – plumbers shed needs work.

Emulsion tanks – access into the crusher yard where the bulk storage is kept – should be locked – process to be understood particularly with booking in / out. Needs more work. The emulsion tank has had a failure and this needs to be investigated particularly cost of repairs.

Fuel management – made a start on this – looking at fuel and fuel cards, etc. Minor improvements – very manual process – need to review practices and will make recommendations based on previous experience.

Bulk fuel purchases – purchasing from Ampol, etc. is a medium category and just trying to determine the current process and work with legislative requirements.

Some reasonably simple fixes, education and letting staff know why it's important – cultural change needed in a number of areas.

Small and attractive portable items and the checks and balances required for these. Amount of effort for the actual / net gain – prioritizing those with potential for high gain.

Cr Mann offered to assist by providing some documentation to be used as a draft.

6. Procurement Policy

Council has adopted a new Procurement Policy and Procedure. A lot of Council's procurement has to align with State legislation / guidelines – policy hasn't changed from a legislative view.

More important document is the procedure and how we are going to implement procedure. Cultural change will come from education, that is documents aren't going to change practice – culture will, so we need to roll it out. Conflict of interest in their personal life must not influence purchases made by Council

Weighting for local supply has changed from 10% to 15% to assist local purchases. – shop local. Train up on it – staff meetings need to be raised in those staff meetings.

A long time in the making but in a much better place than we were.

5 NEXT MEETING DATE

Next meeting date to be advised