



**MINUTES OF THE HINDMARSH SHIRE AUDIT & RISK COMMITTEE MEETING
HELD VIA MICROSOFT TEAMS, WEDNESDAY 11 JUNE 2025, COMMENCING AT
10:00AM.**

PRESENT:

Mr A Roberts (Chairperson), Mr S Coutts (Member), Mr R Gersch (Member), Cr R Barker (Councillor Delegate, items 1-15 and 17-21), Cr J Barry (Councillor Delegate), Ms Monica Revell (CEO), Ms P Croot (Director Corporate and Community Services), Mr R Upadhyaya (Director Infrastructure Services), Ms H Boyd (Manager Finance), Mr P Harrison (Internal Auditor), Ms C Gravenall (External Auditor, items 8 - 21), Ms G Makone (External Auditor), Ms A Veitch (Coordinator People and Safety, item 18).

1. Audit Committee Members, Internal Auditors and External Auditors
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10:00am – 10:15am

Audit and Risk Committee Members, External and Internal Auditors to meet without Management present.

2. Welcome and Acknowledgement of Country
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Welcome and Acknowledgement of Country by the Chairperson.

Hindmarsh Shire Council acknowledges the Wotjobaluk, Jaadwa, Jadawadjali, Wergaia and Jupagalk Nations as Traditional Owners of Country.

We recognise the important ongoing role that Indigenous people have in our community and pay our respects to their Elders, past and present.

3. Apologies

Janelle Reichelt – Manager People and Performance
Brooke Parish – External Member

4. Declaration of Interests

Committee Members to declare any known interests in relation to any item published on the agenda for this meeting, either:

- Material; or
- General.

Declaration of material or general interest must also be advised by Committee Members at the commencement of discussion of the specific item.

Cr Barker – Item 16, Material Conflict of Interest declared due to travel expenses relating to her.

5. Internal & External Auditor Assurance

Assurance from the Internal and External Auditors that there have been no obstructions to work undertaken.

No obstructions disclosed.

6. Confirmation of Minutes of Previous Meeting

Attachment Number: 6.1 ARC Meeting Minutes 19 March 2025

MOVED: R BARKER/J BARRY

That the Minutes of the Audit & Risk Committee meeting held on Wednesday 19 March 2025 via Teams, as circulated to members, be taken as read and confirmed.

CARRIED

Refer attachment 6.1

7. Election of Chairperson

At the meeting held on 19 March 2025, it was carried that Ashley Roberts be appointed Chairperson until June 2025.

The incumbent chairperson will call for nominations for Committee Chairperson.

Nominee: Ashley Roberts

Nominated by: Simon Coutts

Accepted: Ashley Roberts

MOVED: S COUTTS/R GERSCH

That the Audit & Risk Committee appoints Ashley Roberts as the Chairperson of the Audit & Risk Committee until September 2025.

CARRIED

Ashley Roberts continued chairing the meeting.

8. VAGO Audit Update

Responsible Officer: Manager Finance

Attachment Number: 8.1 Interim Management Letter

8.2 Local Government Status Report – May 2025

Verbal report to be given during the meeting by the attending VAGO representative/s on the Interim Management Letter, Local Government Status Report and 2024/2025 EOFY Audit Plan.

Cassandra Gravenall joined at 10:32am.

MOVED: R BARKER/S COUTTS

That the Audit & Risk Committee receives the VAGO audit update.

CARRIED

Refer attachment 8.1 - 8.2.

9. Accounting Issues and Changes Report

Responsible Officer: Manager Finance

Executive Summary

The purpose of this report is to update the Audit and Risk Committee on new accounting issues and inform the Committee of current accounting treatments including management assumptions, measurements, and recognition.

Discussion:

Annual Financial Statements

Council's Annual Financial Statements are prepared to comply with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, *the Local Government Act 2020*, and the *Local Government (Planning and Reporting) Regulations 2020 (the regulations)*. The regulations require the financial statements be prepared in accordance with the

Local Government Model Financial Report (LGMFR). Changes to the LGMFR, and new and amended accounting standards, are considered as part of Council's shell accounts when prepared.

Local Government Model Financial Report (LGMFR)

The key changes to the LGMFR for 2024-25 include:

- AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants makes changes to AASB 101 Presentation of Financial Statements that apply for the 2024/2025 reporting period. The changes focus on the application of AASB 101.69(d) whereby an entity classifies a liability as current when it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. Council does not hold any interest-bearing liabilities. Staff provisions are prepared in conjunction with auditing requirements.
- The superannuation contribution rate has been updated to 11.5 per cent.

Streamlining of the Financial Report

The Victorian Auditor General's Office recommends councils streamline their financial reports. This is supported by Local Government Victoria's model financial report which allows councils to remove disclosures relating to immaterial balances. Over the years, financial reports have become longer and more complex and as a result, readers often struggle to find the information they are looking for.

Streamlining is particularly important in the local government sector, due to the broad range of primary users of the financial reports. These include ratepayers, recipients of goods and services, and creditors. Some of these users will not have financial accounting knowledge, so it is essential that financial reports are presented in a simple and comprehensible format, with a specific focus on material information.

For the year ended 30 June 2024, Council removed notes in relation to Amortisation – intangible assets, Depreciation – right of use assets, Borrowing costs, Finance costs – leases and Leases. These notes will not be reinstated for 2024/2025 due to not being relevant.

New Accounting Standards

There were no new accounting standards issued by the Australian Accounting Standards Board (AASB) expected to impact Council for the 2025 year.

However, AASB undertook a special project in relation to Fair Value for Public and Not for Profit sectors and released clarifications and additional Australian Guidance to AASB13 Fair Value Measurement in December 2022 with a commencement date of 1 July 2024. Officers have reviewed the clarifications and guidance against Council's processes and made the following determinations:

Topic	Issue	Response
Depreciation Calculation	AASB notes each part of the asset should be depreciated separately.	Partially Compliant Council has undertaken a full valuation of Land and Buildings in 2024/2025 to ensure compliance with this standard. Road infrastructure will be revalued in 2025/2026. A register of assets will

		be maintained in Assetic software to enable Council to depreciate each component separately.
Depreciation Calculation	Straight line depreciation should be calculated (Carrying Amount – Residual Value)/(Remaining Useful Life).	Compliant Council currently calculates straight line depreciation as (Current Replacement Cost)/(Useful Life).
Depreciation Calculation	Where appropriate, depreciation should be calculated following the pattern of consumption.	Compliant Council does not hold any assets where depreciation can be calculated on pattern of consumption. Council maintains transfer stations rather than landfill sites where consumption can be assessed. Roads are depreciated on a straight line basis.
Componentisation of Assts and Useful Life/Long Life Short Life Assets	To properly determine the carrying amount of an asset to enable the calculation of depreciation expense, it is required that the asset be disaggregated into different parts with a different remaining useful life. This is so that the carrying amount of the different parts can be depreciated to its residual value over its remaining useful life.	Partially Compliant Council has undertaken a full revaluation of Land and Building assets which has brought into account the componentisation of each of the assets. Roads and other infrastructure assets will be revalued in coming financial years.
Replacement Cost	Replacement cost should be calculated using the gross replacement cost, identifying the modern equivalent asset rate. Guidance added to AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities includes the following in Replacement Cost: - Costs to restore third-party assets - Other disruption costs (e.g. costs associated with redirecting traffic) - Site preparation costs Council is not required to go above and beyond to ascertain the replacement cost data, per AASB 2022-10 (F6), for the purposes of determining the fair value, exhaustive efforts need not be undertaken to assess whether market data is reasonably available.	Compliant Council currently includes these costs in calculations for replacement cost.
Highest and Best Use	AASB 2022 – 10 includes the specific amendments to AASB 13: Current Use is presumed to be highest and best use, unless the asset is classified as held for sale or it is highly probable the asset will be used for an alternative purpose to its current use.	Compliant
Restricted Land	AASB 13 and 116 state Council must only take into consideration the restrictions that would pass from a hypothetical seller to a hypothetical buyer, not whether you could ever sell it.	Partially Compliant As Council undertakes valuations of different classes of assets, discounted land values will be applied based on restrictions

		placed on that land (e.g. use of land under roads).
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Disaggregation of Assets

To properly determine the carrying amount of an asset to enable the calculation of depreciation expense, it is required that the asset be disaggregated into different parts with a different remaining useful life. This is so that the carrying amount of the different parts can be depreciated to its residual value over its Remaining Useful Life (RUL).

Council is currently upgrading the asset management register to ensure both the asset management and financial asset registers agree. For example, for asset management purposes, each road is split into three components to enable modelling for renewal and to reflect the differing materials and useful lives of these components.

For valuation and depreciation purposes, AASB 13 requires the asset to be split into components. When revaluation was undertaken on Land and Buildings in 2024/2025 this standard was considered. This will also be a requirement when Roads and other infrastructure assets are undertaken in future years.

If the financial asset register mirrors the asset management register and records assets at the component level, a weighted average RUL can be calculated from the short and long-life parts of any asset to ensure depreciation is calculated correctly.

For Hindmarsh Shire Council, buildings are split into complex and simple categories. Complex buildings are split into the following components:

- Structure
- Roof
- Fit Out
- Services

Each of these components has different renewal options, such as replacing the roof cladding or carpet or may be subject to a full replacement such as reconstructing the entire roof or refurbishing the fit out. A portion of structures are typically renewed, rather than a full replacement. For example, you will restump a building rather than replace the whole structure.

Modern replacement practices of some assets are also creating a short and long-life component. For example, rather than fully replacing a drainage pipe, the pipe may be relined creating a short life component (the lining) and a long-life component (the concrete pipe).

Council is proposing to review each complex, recyclable infrastructure asset to determine the short life and long-life components of each asset and its relevant useful life and determine a weighted useful life for the overall asset using the below methodology:

Asset Revaluation Schedule

Land and Buildings have been completed in 2024/2025 by an external consultant. In 2025/2026 Road revaluations will be undertaken.

Asset Indexation

Asset classes not revalued in 2024/2025 will be assessed to determine if they are being carried at fair value. If fair value has moved by more than 10%, a desktop indexation and revaluation will be carried out.

Assets with \$0 Written Down Value (WDV)

Council has undertaken an audit of all assets with \$0 WDV and these assets may be removed from the asset registers.

AASB 137 Provisions, Contingent Liabilities and Contingent Assets – Employee Entitlements

Long Service Leave Provision

- Management use the Department of Treasury and Finance 2008 Long Service Leave model to calculate the long service leave provision.

Nominal values of long service leave are calculated from the leave balances stored in Authority.

- Nominal values are indexed and discounted by long term government bond rates. The indexation rate is 3%, being the current rate cap, this is used as most recent EA increases have been tied to the rate cap.
- Relevant on-costs are applied.
- History of officers becoming entitled to LSL is used to determine the probability current ineligible (due to length of service) employees will reach length of service to be vested.

Annual Leave Provision

- Management use an in-house model to calculate the annual leave provision.
- Nominal values of annual leave are calculated from the leave balances stored in Authority.
- Nominal values are indexed and discounted by long term government bond rates. The indexation rate is 3%, being the current rate cap, this is used as most recent EA increases have been tied to the rate cap.
- Relevant on-costs are applied.
- History of annual leave paid on termination is used to determine the value subject to on-costs.

AASB 9 Financial Instruments - for the impairment of Trade Receivables and Other Debtors

The simplified approach is used. Debtors are appropriately grouped into rates and trade debtors. Rates are grouped with a provision for doubtful debts applied where the valuation of the land is less than the outstanding rates and charges. A review of trade debtors is made to determine if a provision is required.

Income Transactions

Accounting standards used to recognise income include:

- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 1058 Income of Not-for-Profit Entities

As part of identifying and registering the contracts and agreements Council enters, a register is maintained which is updated upon the execution of the contracts and agreements. The register distinguishes between revenue/income recognised under AASB15 and AASB1058.

AASB 15 Revenue from Contracts with Customers

Contracts/agreements are in the scope of AASB 15 if all the following are met:

- Contract is enforceable.
- Promise to transfer goods/services to an external party (performance obligation)
- Performance obligation (promise) is sufficiently specific.

AASB 1058 applies if there is an agreement which:

- Is not enforceable.
- Does not contain a requirement to transfer goods or services to an external party (i.e. Council maintains control of good/service)
 - Does not provide sufficiently specificity around the promised goods or services.
- Where funding agreements are project based, the new commitment to deliver a good or services is listed on the monthly Council Report for Project Budget Adjustments and Cash Reserves Transfer Table.
- This standard's principle of recognition of income based on the delivery of performance obligations is applied by Council, with income received in advance of the delivery of these obligations held in the balance sheet until performance obligations are met.
- A full earned value assessment is not done on all income until year end.

AASB 16 Leases

- AASB 16 requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months. The right-of-use asset represents Council's right to use the underlying leased asset and the lease liability represents Council's obligation to make lease payments.
- The right-of-use assets are amortised via the income statement and the lease liability reduces as lease payments are made.

Found Assets

Found assets are existing assets that are not recorded in Council's Asset Management System, but they meet the asset definition and recognition criteria.

Assets may be found by;

- Inspections, revaluations or audits
- clarification of ownership
- means to be able to reliably measure assets previously unable to be reliably measured or
- changes to interpretation of accounting standards

Found assets are recorded at their fair value, based on current replacement rates. Note, if a material amount of assets were to be found, officers would classify as a prior period error.

Financial Implications:

The Accounting Issues and Changes Paper ensures Council can meet the requirement to provide accurate and timely financial reports demonstrating that Council has been fiscally responsible for the management of resources provided.

Relevant legislation:

Local Government Act 2020

Local Government (Planning and Reporting) Regulations 2020

Australian Accounting Standards

Conflict of Interest:

Under section 130(2) of the *Local Government Act 2020*, officers providing advice to Council must disclose any conflict of interest, including the type of interest.

Author and Officer Responsible – Heather Boyd, Manager of Finance

In providing this advice as the Author and Officer Responsible, I have no disclosable interests in this report.

MOVED: R BARKER/S COUTTS

That the Audit and Risk Management Committee receives the update on new accounting issues and information on current accounting treatments including management assumptions, measurement and recognition.

CARRIED

10. Annual Financial Reporting Process

Responsible Officer: Manager Finance

Attachment Number: 10.1 Annual Financial Reporting Timeline 2025

Executive Summary

As part of the 2023/2024 Financial Year reporting, the Victorian Auditor General's Office (VAGO) outlined a summary of findings from all the reports it received from Local Governments in Victoria. VAGO has made recommendations on actions that councils are required to undertake.

In relation to the 2024/2025 Annual Financial Reporting process VAGO has recommended that all councils:

- Arrange for training or briefing sessions to be held with key internal stakeholders to enhance their understanding of the financial reporting process and their legislative obligations
- Assess the adequacy of their financial reporting plan given their legislative obligations, namely:
 - Task allocation and timelines
 - The nature and timing of liaison with other business units
 - Quality assurance processes
- Critically assess whether they have the resources and expertise to fulfil their financial reporting obligations throughout the year and, if not, that they consider engaging an external party.

Discussion:

Council prepares the End of Year Financial Report in-house. At the start of the financial year, the infrastructure department undertakes to have a revaluation on at least one class of asset, which in 2024/2025 was land and buildings held by Council. The valuation was received from the valuer, Modelve, in April 2025, alongside their methodology for the valuations. An additional report has been prepared providing information on this methodology and the outcome of this valuation.

Council is also currently implementing Assetic Software which will assist in the management and recording of all property, plant and equipment. Assetic is in the process of being implemented and will incorporate previous years' financial data. Once the information contained balances back to the previous year, information from the revaluation will be able to be incorporated. This will allow Council to run depreciation reports and valuation reports, the values of which will be brought to account in Council's financial software, Altitude.

All other aspects of the end of financial year reporting process are reflected in the timeline attached, including the financial data and notes on the financial data. This process will commence in late June once the income has been closed and will continue until the start of September when the Audited Financial Statements are due back from VAGO. These will be presented to the Audit and Risk Management Committee at their meeting on 17 September 2025 and will be provided to Council for adoption at their meeting on 24 September 2025.

A plan has been completed with due dates as an attachment to this report. The plan ensures that all elements of the annual financial report process are undertaken in a timely manner.

Link to Council Plan:

Theme Four: Good Governance and Financial Sustainability

Long-term financial sustainability

Financial Implications:

The annual financial reporting process plan has been undertaken to ensure that Council is able to meet the requirement to provide accurate and timely financial reports demonstrating that Council has been fiscally responsible for the management of resources provided.

Risk Management Implications:

The preparation of the Annual Financial Report is a statutory requirement which demonstrates that Council has been fiscally responsible in the management of scarce resources.

Relevant legislation:

Local Government Act 2020

Local Government (Planning and Reporting) Regulations 2020

Conflict of Interest:

Under section 130(2) of the *Local Government Act 2020*, officers providing advice to Council must disclose any conflict of interest, including the type of interest.

Officer Responsible – Petra Croot, Director Corporate and Community Services
In providing this advice as the Officer Responsible, I have no disclosable interests in this report.

Author – Heather Boyd, Manager of Finance
In providing this advice as the Author, I have no disclosable interests in this report.

MOVED: R GERSCH/J BARRY

That Audit and Risk Management Committee note the Annual Financial Reporting Process as presented.

CARRIED

Refer attachment 10.1.

11. Valuation and Asset Management

Responsible Officer: Director Infrastructure Services

Attachment Number: 11.1 Buildings Valuation Methodology Report

Executive Summary:

Asset management forms a significant part of Council's service delivery and accounts for a significant portion of Council's budget in the form of renewal, replacement and maintenance costs, as well as depreciation. The effective management of Council's assets, including retention, valuation, maintenance and disposal, are critical to long-term financial sustainability and the effective delivery of services, spaces and surfaces that can be safely and efficiently utilised by our community and visitors.

This report intends to detail the cyclic asset valuation and condition assessment process as well as valuation methodology utilised for valuation of building assets. Council aims to undertake asset condition assessments and revaluation on a four yearly cycle subject to budget availability. Council's building assets were valued in 2025 using Level 3 valuation inputs using the Cost Approach method.

Discussion:

Cyclic condition assessments and valuations are key components of asset management. Hindmarsh Shire Council aims to undertake detailed condition assessments on a 4-year cycle subject to funding. The table below shows the past and proposed asset condition assessment and valuations.

Asset Class	Valuation Year
Bridges	2022/23
Footpath	2024/25
Kerb and channel	2024/25
Open space (park furniture, shelters, play equipment, street furniture)	2024/25
Buildings	2024/25
Roads	2025/26
Bridges	2026/27

Council engages specialist consultants to undertake assessments and valuations. Modelve was engaged to undertake condition assessments for building assets in the 2024/2025 financial year. The valuation was undertaken in accordance with the Accounting Standards using level 3 valuation inputs using the Cost Approach method. The Cost Approach method has been applied to this valuation as there is no open and liquid market for the assets considered within this valuation.

The development of replacement costs and unit rates for this valuation have relied upon, where available, local projects and local knowledge. These unit rates have been verified with first principal calculations and data sources which include published reference rates from the Rawlinson's Construction Handbook. All replacement costs have been developed with the use of the "greenfield" assumptions.

Due to difference in life cycle and deterioration patterns, the buildings are further subdivided into 13 different components. Each of these assets are assessed, valued and depreciated individually. The valuation for all components is added to achieve the valuation of the entire building. The depreciation method applied to this valuation is 'straight-line' as it is expected that the assets detailed in this valuation will be financially consumed consistently across the useful life of the asset.

The summary of valuation resulted from 2024/2025 assessment is provided in the table below.

Unaudited financials for Buildings - Revaluation 01/07/2025						
Financial Class	Asset Type	Replacement Cost (\$)	Fair Value (\$)	Annual Depreciation (\$)	Depreciation Rate	Remaining Service Potential (%)
Buildings (Specialised & Heritage)	Buildings & Other Structures	\$109,381,747.71	\$82,286,277.35	\$1,914,305.71	1.75%	75.23%

There has been a significant increase in total replacement costs as well as the fair value. This is due to the comprehensive nature of the assessment where every building was inspected by suitable qualified professionals and any additional buildings not included in the register were added to it. 92 new buildings were added to the register valued at \$17.254m.

The asset database will be updated to reflect most the additional asset data and relevant valuation. As a part of asset assessment, a detailed condition report as well as defect report at the component level was provided. Each of the defects were further provided with the priority ranking. This will allow officers to prioritise and

bundle similar works in numerous buildings to better repair rates from the contractors. This will result in better asset management practices. An allocation of \$250K has been made in the draft capital works program to tackle high priority maintenance works. Officers are also continuously identifying surplus assets for disposal.

Relevant legislation:

Local Government Act 2020

Conflict of Interest:

Under section 130(2) of the *Local Government Act 2020*, officers providing advice to Council must disclose any conflict of interest, including the type of interest.

Author and Officer Responsible – Ram Upadhyaya, Director of Infrastructure Services

In providing this advice as the Author and Officer Responsible, I have no disclosable interests in this report.

MOVED: R GERSCH/J BARRY

That the Audit and Risk Committee notes the valuation methodology for building assets.

CARRIED

Refer attachment 11.1

12. Draft Budget 2025/2026 (Incorporating Revenue and Rating Plan and Long-Term Financial Plan)
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Responsible Officer: Director Corporate and Community Services

Attachment Number: 12.1 Draft Annual Budget 2025/2026

Introduction:

This report presents the 2025/2026 Hindmarsh Shire Council Budget, incorporating the Long-Term Financial Plan and Revenue and Rating Plan, in accordance with the *Local Government Act 2020*.

Discussion:

Council is required under Section 94 of the *Local Government Act 2020* to prepare a budget for each financial year and the subsequent 3 financial years by 30 June each year or any other date fixed by the Minister by notice published in the Government Gazette.

The draft 2025/2026 Annual Budget has been prepared in accordance with relevant statutory requirements, including the *Local Government Act 2020* (the Act) and Local Government (Planning and Reporting) Regulations 2020.

A requirement of the Act is that all Victorian Local Governments adopted a Revenue and Rating Plan by 30 June 2021. The Revenue and Rating Plan was developed and adopted on 23 June 2021 and has been revised in conjunction with preparation of the 2025/2026 Budget. The updated draft Revenue and Rating Plan was developed

to retain the current differentials for farm and commercial/industrial properties (10 percent discount), recreational properties (50 percent discount) and non-farm vacant land (100 percent penalty).

When revising the plan consideration was given to the capacity for each class of ratepayers to pay rates and benchmarking against similar councils was undertaken.

The draft 2025/2026 Annual Budget has been developed to balance the retention of existing community service levels and maintenance and renewal of assets, as well as new initiatives to improve amenity and make Hindmarsh a better place to live. It replicates the format of the four Key Results Areas used in the 2021-2025 Council Plan, namely:

- Our Community;
- Built and Natural Environment;
- Competitive and Innovative Economy; and
- Good Governance and Financial Sustainability

The draft budget has been prepared based on available information to inform forecasts and assumptions.

Rates and Charges

The rates and charges calculated for 2025/2026 are based on revaluation figures as at 1 January 2025. The valuations provided by the Valuer-General in May 2025 differed from the preliminary valuations, so an amendment to the draft Budget with the updated figures was noted by Council at the meeting held on 28 May 2025, and the consultation period extended to 10 June 2025.

The Victorian State Government rate cap for 2025/2026 has been set at 3%. The rate cap, in line with the Essential Services Commission (ESC) calculation method, applies to the average rates payable per assessment.

The total amount to be raised by general rates and charges in 2025/2026 in \$10.336m which is an increase of \$0.294m from 2024/2025.

Capital Works

The draft 2025/2026 Annual Budget includes capital works expenditure of \$7.033m. The proposed key initiatives for the 2025/2026 financial year are outlined below. Further details are included in the relevant sections of the budget document attached to this report.

Community Infrastructure

- \$275,000 on the Dimboola swimming pool
- Completion of construction of Davis Park facilities

Tourism

- \$367,273 co-investment in the development of 3 studio cabins at the Nhill Holiday Park

Infrastructure

- \$464,787 Reseals and Final Seals
- \$2,352,495 Sealed Road Construction

- \$229,878 Road Resheet Projects
- \$821,251 Unsealed Road Construction
- \$150,000 Kerb & Channel
- \$100,000 Major Culverts
- \$575,362 Footpaths

The draft 2025/2026 Annual Budget incorporating the updated draft Rating and Revenue Plan and the draft Long Term Financial Plan have been prepared for consideration by the Audit and Risk Committee and for approval by Council. Under Council's Community Engagement Policy, the draft 2025/2026 Budget, updated draft Revenue and Rating Plan and draft Long Term Financial Plan are being made available for public inspection and the receiving of submissions for the period Thursday 8 May 2025 to Thursday 10 June 2025.

Council conducted an initial survey that informed the development of the draft 2025/2026 Budget through the identification of service priorities. Several drop-in sessions have been completed across the Shire, as well as engagement with Hindmarsh Shire Council's Township Advisory Committees.

The draft 2025/2026 Annual Budget incorporating the revised Revenue and Rating Plan and draft Long Term Financial Plan are also available for public inspection at Council's Customer Service Centers or online on Council's website.

Link to Council Plan:

Long-term financial sustainability.

Financial Implications:

The 2024/2025 Budget is consistent with the parameters set out in Councils' ten-year financial plan.

Risk Management Implications:

The preparation of the Budget is a statutory requirement.

Conflict of Interest:

Under section 130(2) of the *Local Government Act 2020*, officers providing advice to Council must disclose any interests, including the type of interest.

Author & Officer Responsible: Petra Croot, Director Corporate and Community Services

In providing this advice as the Author & Officer Responsible, I have no interests to disclose.

MOVED: R BARKER/S COUTTS

That the Audit & Risk Committee receives the draft 2025/2026 Annual Budget incorporating the revised Revenue and Rating Plan and the draft Long Term Financial Plan.

CARRIED

Refer attachments 12.1

13. Quarterly Finance Report

Responsible Officer: Manager Finance

Attachment Number: 13.1 Quarterly Financial Report - Period Ending 31 March

Introduction:

The Financial Report for the third quarter of the 2024/2025 financial year has been prepared, including explanations of variances where applicable and was presented to the Council on 7 May 2025. The content of financial reporting to Council summarises Council's financial health and shows how financial performance is tracking against the budget, highlighting any risks faced and providing information on any other relevant issues from that quarter.

As at 31 March 2025, Council's surplus is \$4.76m against a budget of \$4.56m. This variance is due to receipt of the Financial Assistance Grant in full in July 2024, whereas the budget reflects quarterly payments.

As at 31 March 2025 Council had \$11.8m cash. The high cash balance is due to several capital projects being carried forward from 2023/2024 for completion in 2024/2025 and the early payment of the Financial Assistance Grant.

Council's expenditure on capital works was \$5.58m against a budget of \$6.17m. The variance is largely due to phasing of budgeted road projects as well as work undertaken on carried forward projects.

The complete report and further discussion around key variations are included in the report attachment.

Discussion:

Council manages significant finances on behalf of the community and must manage these finances responsibly, effectively, and transparently to ensure the delivery of important services and facilities. As well as reporting quarterly on the delivery of the Council plan, quarterly financial reports are also prepared and provided to Council, forming a key component of Council's planning and reporting framework.

The content of financial reporting to Council summarises Council's financial health and shows how financial performance is tracking against the budget, highlighting any risks faced and providing information on any other relevant issues from that quarter.

The Financial Report (**Attached**) includes:

Dashboard with both financial and non-financial indicators This information provides information in graph format for Council on a range of areas within Council including:

- rates outstanding and rates arrears.
- debtors and infringements outstanding.
- local laws information including after-hours calls, after-hours call outs, animals through pound and fines issued.
- a capital works update.
- planning permits applications and permits issued.
- staff accrued leave.

- Customer Service data including telephone calls and customers at each centre.
- Caravan Park revenue and visitors for each of the four parks.

Executive Summary & Ratio Summary

Along with the ratio summary, the Executive Summary section presents a high-level summary of YTD budget and actuals with a traffic light system to indicate any high-risk variances.

Income Statement

As at 31 March, Council's surplus is \$4.76m against a budget of \$4.56m. The surplus is predominately due to the Financial Assistance Grant for 2024/2025 that was budgeted to be received quarterly being paid in full in July 2024.

Balance Sheet

The information within the Balance Sheet includes current assets, non-current assets, current liabilities and non-current liabilities. Commentary is included for most items on the balance sheet.

Cash Flow Statement

The information within the cash flow statement reflects the actual cash received and payments made for items. The cash flow statement will vary from the income statement due to timing of receipts and payments. The cash flow statement also includes payments for capital works but does not include depreciation.

As at 31 March Council had \$11.8m cash. The high cash balance is due to several capital projects being carried forward from 2023/2024 for completion in 2024/2025 and the early payment of the Financial Assistance Grant.

Capital Works Statement

The information within the capital works statement includes projects of a capital nature that improve an asset. The capital works statement is broken into categories including buildings, plant and equipment, infrastructure, which is represented by new assets, renewal of assets, expansion of assets, and upgrades to assets.

As at 31 March Council expenditure on capital works was \$5.58m against a budget of \$6.17m. The variance is largely due to phasing of budgeted road projects as well as work undertaken on carried forward projects.

Key Result Area Summary

The information within the Key Result Area Summary provides an overview of actual expenditure against budget for all service areas.

Detailed Capital Works Scheduling

The information within the detailed capitals work scheduling provides Councillors with scheduled dates of commencement of capital works projects contained within the annual budget.

Link to Council Plan:

Strong governance practices.

Long-term financial sustainability.

Financial Implications:

This decision has no financial implications.

Risk Management Implications:

Reporting quarterly on Council's financial position ensures the accountability and transparency of Council's financial performance and enables Council to have high-level oversight of the same. Regular reporting allows for early identification of any high-risk items and early intervention should remedial action be required.

Conflict of Interest:

Under section 130(2) of the *Local Government Act 2020*, officers providing advice to Council must disclose any interests, including the type of interest.

Author & Officer Responsible: Heather Boyd, Manager Finance

In providing this advice as the Author & Officer Responsible, I have no interests to disclose.

MOVED: J BARRY/R BARKER

That the Audit and Risk Committee notes the Financial Report for the period ending 31 March 2025.

CARRIED

Refer attachments 13.1

14. Internal Audit Update

Responsible Officer:	Director Corporate & Community Services
Attachment Number:	14.1 Internal Audit Status Report – May 2025 14.2 Internal Audit Update Report – Q3 FY25 14.3 Depot Management Internal Audit Report 2025 14.4 Internal Audit Action List

Verbal report to be given during the meeting by RSD Audit regarding attachments 14.1 – 14.3.

Internal Audit Action List

The Internal Audit Action list has been attached to this report, inclusive of due dates and risk rating. The attachment indicates which items are proposed for removal. The Depot Management items will be added prior to the September 2025 meeting.

MOVED: R GERSCH/J BARRY

That the Audit & Risk Committee

- 1. Receives the internal audit status and update reports;***
- 2. Receives the update on the recently completed internal audit on Depot Management; and***
- 3. Notes the progress on internal audit findings and approves the removal of the items recommended by the Executive Leadership Team.***

CARRIED

Refer attachments 14.1 – 14.4

15. Risk Management Report

Responsible Officer: Manager People and Performance

Attachment Number: 15.1 Strategic Risk Report

Introduction:

The purpose of this report is to inform the Audit and Risk Committee of Council's current strategic risk register, influencing factors and challenges currently being faced.

Discussion

The attached document outlines Council's Strategic Risks and current and proposed treatments. This report also provides a brief discussion around key risk areas identified by Council staff in the period preceding the meeting.

Governance Policy and Political Changes

Emergency Services and Volunteers Fund

The Emergency Services and Volunteers Fund (ESVF) is a new Victorian Government levy that replaces the Fire Services Property Levy (FSPL), starting 1 July 2025. Similar to the Fire Services Property Levy, the ESVF will be calculated based on a fixed charge that varies by property type, and a variable charge based on property value. Under the revised structure, the primary production variable rate will increase (from 2026), significantly from 28.7 cents to 71.8 cents per \$1,000 of Capital Improved Value (CIV), a change that will have a greater impact on regional and rural areas.

The Emergency Services and Volunteers Fund has been a significant focus for staff and Councillors over the past few months. Significant resources have been diverted from business-as-usual activities to handle communications, implementation plans, advocacy and planning around potential risks associated with the new State Government levy.

While the risk is yet to be input into the register, and with the change to the requirement for primary producers announced in late May, Council's Executive Team have been giving considerable attention to the risks relating to proposed non-payment of rates by protesters of the levy. Council has been clear in communications that non-payment of the levy component will still result in a proportionate amount of the rates paid being remitted to the State Government, but there is still limited community understanding of how the system works.

Council staff are developing a pamphlet that will be distributed with first instalment notices that explain the different rates and charges on the notice and how they are collected and handled by Council. Council will also be closely monitoring cash balances based on rates income, relative to modelling from previous years, to track and respond to potential increased non-payment of rates.

Cybersecurity

MSP Contract End and Renewal

Our current (as of 30 May 2025) Managed Service Provider (MSP) contract with Otto IT is set to expire at the end of June 2025. The need for additional support and management is still required to meet ongoing cyber security and backfill needs. The MSP maintains firewall security and maintenance, server and workstation patching, manages and confirms backup viability and is used as both a higher tier support channel and overflow/leave support. After a successful tender process, Otto IT was again successful as the preferred vendor. The continuation of the same vendor retains consistency and security already established by the existing partnership. Should an alternative provider have been appointed, there would be considerable work required to ensure continuity of service throughout the transition, and a potential increased security risk exposure.

Generative AI use in the Public Sector

All staff communications were circulated in May 2025 explaining what Generative AI is and information about approved use by staff. As we do not have a Policy in place, though we are drafting clauses to be included in our current ICT Use and Security Policy, the communications confirmed that until a policy is in place, virtually no use is acceptable.

Cyber Incidents

There are no reported Cyber Incidents in the period 1 March 2025 to 31 May 2025. Council is investigating a shared service arrangement for a Security Operations Centre (a centralised unit that manages and responds to cybersecurity threats), or alternatively, increased support from the MSP.

Organisational Culture and Capability

Verbal update to be provided on Enterprise Agreement bargaining progress.

Conflict of Interest:

Under section 130(2) of the *Local Government Act 2020*, officers providing advice to Council must disclose any conflict of interest, including the type of interest.

Author & Officer Responsible: Janelle Reichelt, Manager People and Performance
In providing this advice as the Author & Officer Responsible, I have no interests to disclose.

MOVED: R BARKER/S COUTTS

That the Audit & Risk Committee receives the Risk Management update.

CARRIED

Refer attachment 15.1

Rosie Barker left the meeting at 12.06 pm

16. Reimbursements & Interstate Travel Register
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Responsible Officer: Director Corporate & Community Services
Attachment Number: 16.1 CEO Credit Card Listing

Introduction:

This report provides the Audit & Risk Committee with the CEO Credit Card listing, a list of reimbursements made to the CEO and Councillors, and notification of the interstate and overseas travel undertaken by staff and Councillors for the period 1 March 2025 to 31 May 2025.

Discussion:

A listing is provided for review by the Audit & Risk Committee of payments made to the CEO and Councillors (excluding Councillor Allowances).

Councillor	Reimbursement (\$)	Purpose
R Barker	\$192.00	Travel Expense Claim
R Barker*	\$192.72	Travel Expense Claim

*Expense incurred in February – not processed until this reporting period.

There was no overseas or interstate travel in this period.

Link to Council Plan:

Strong governance practices

Financial Implications:

Council budgets for Councillor allowances and expenses. Expenses over relevant thresholds are decided by resolution of Council in accordance with the adopted budget.

Conflict of Interest:

Under section 130(2) of the *Local Government Act 2020* officers providing advice to Council must disclose any interests, including the type of interest.

Author: Janelle Reichelt, Manager People and Performance

In providing this advice as the Author, I have no disclosable interests in this report.

Officer Responsible: Petra Croot, Director Corporate & Community Services

In providing this advice as the Officer Responsible, I have no disclosable interests in this report.

MOVED: R GERSCH/S COUTTS***That the Audit & Risk Committee***

- 1. receives the reimbursement listing for the CEO and Councillors for the period 01 March 2025 to 31 May 2025;***
- 2. notes that there was no overseas or interstate travel in the period between 01 March 2025 to 31 May 2025; and***
- 3. receives the CEO Credit Card Statement in the period between 01 March 2025 to 31 May 2025.***

CARRIED

Refer attachment 16.1

Rosie Barker returned to meeting at 12.07 pm

17. Governance Compliance Report

Responsible Officer: Manager People and Performance
Attachment Number: 17.1 Procurement Policy Exemption Requests

Introduction:

This report provides the Audit and Risk Committee with an update of governance and compliance measures undertaken since the previous meeting on 19 March 2025. This includes information regarding policies reviewed and adopted by Council, procurement exemption requests and disclosable gifts to Councillors or Council employees.

Discussion

Council Policy Updates for Committee Information

Council adopted the Audit and Risk Committee Charter at its meeting on 2 April 2025. The reviewed Councillor Gifts and Hospitality Policy was adopted by Council at the 7 May meeting following a period of consultation, along with the Council Advisory Committee Policy.

The Advisory Committee Policy supports Council in ensuring good governance and appropriate management of all advisory committees. Any changes to this policy were administrative in nature and did not materially change the intent of the policy.

The Councillor Gifts and Hospitality Policy was also reviewed with minor changes to wording to improve clarity. Both the scope and background of this Policy have been expanded to enhance the understanding of the purpose for the policy and the knowledge of the circumstances to which it applies. Other changes include:

- The addition of a section relating to Anonymous gifts that reflects Section 137 of the Act which expressly denies acceptance of an anonymous gift.
- The HOST test, as a guideline for assessing gifts of hospitality, has been added as an appendix for reference in addition to the GIFT test which provides guidance for assessing a gift or benefit.

Procurement Exemption Requests

All procurement policy exemption requests from this period are attached for Committee information.

Disclosable Gifts to Councillors and Council Employees

During the period one gift was received by an employee which was not of a disclosable value and was utilised for community benefit.

Annual Policy Review Plan

Updates provided as of June 2025.

Key			
Policy/Procedure	Strategy	Plan	Other

Document	Due Date	Progress – June 2025	Comments
Councillor Expense Entitlements Policy	1 July 2025	Complete	The Policy must account for the training and professional development provisions of the <i>Local Government Amendment (Governance and Integrity) Act 2024</i> as they relate to allowances and reimbursements.
Financial Hardship Policy	Recommended	Awaiting Ministerial Guidelines	Subject to Ministerial Guidelines relating to the Payment of Rates and Charges 2023.
Governance Rules and Election Period Policy	Recommended	Awaiting Ministerial Guidelines	Model Governance Rules scheduled for release in December 2025.
Complaints Handling Policy	Self-review	Endorsed by ARC, staff consultation required. Ombudsman producing Better Practice Guide in 2025.	Previously adopted as an operational Policy. Supporting Council Plan commitment to improve Complaints Handling practices.
Procurement Policy	Self-review	Underway	Due for scheduled review.
Gifts and Hospitality Policy	Self-review	Complete	Due for scheduled review.
Human Rights Policy	Self-review	Not yet commenced	Due for scheduled review.
Access, Equity and Priority Policy		Not yet commenced	New policy recommended through Cultural Inclusion Review.
Volunteer Policy	Self-review	Underway	Due for scheduled review.
Revenue and Rating Plan	30 June 2025	Out for consultation	Council must prepare and adopt a Revenue and Rating Plan by the next 30 June after a general election for a period of at least the next 4 financial years.
Council Plan and Vision	31 October 2025	Underway	The Council Plan reflects the strategic priorities and direction of the elected Council and sets the agenda for the next four years.
Financial Plan	31 October 2025	Out for consultation	The Financial Plan links directly to the achievement of the Community Vision and the Council Plan within the Integrated Strategic Planning & Reporting framework. This framework guides the Council in identifying community needs and aspirations over the long term (Community Vision), medium term (Council Plan) and short term (Budget) and then holding itself accountable (Annual Report).
Asset Management Plan	31 October 2025	Underway	Must include strategies to ensure the sustainable

			management of the assets, outlining costs for renewing, upgrading and extending assets and linked with the long-term financial forecast.
Road Management Plan	Recommended	Out for consultation	The Road Management Plan sets out the circumstances, the manner and the standards to which the road authority will perform its inspection, maintenance and repair responsibilities.
Domestic Animals Management Plan	4 December 2025	Out for consultation	The plan must set out a method for evaluating whether the animal management services provided by council are adequate to give effect to requirements of the Act and the Domestic Animal Regulations 2015.
Reconciliation Action Plan	NIL	Not yet commenced	Draft completed in 2024 prior to Election of new Council.
Public Health and Wellbeing Plan (within Council Plan)	31 October 2025	Underway	Section 26 of the Act requires each council to prepare a municipal public health and wellbeing plan every 4 years, within 12 months of a council general election.
Disability Action Plan (within Council Plan)	31 October 2025	Underway	A Disability Action Plan (DAP) is a framework that Council uses to address barriers to accessibility and inclusion for people with disabilities.
Youth Strategy	EOCY 2025	Not yet commenced	This Strategy seeks to develop and affirm existing opportunities for young people and work innovatively and collaboratively on issues that they continue to face.
Sport and Recreation Strategy	NIL	Not yet commenced	This strategy will be developed in consultation with stakeholders and the community guide future development, access and participation in local sport and sports infrastructure.
Playground Strategy	NIL	Underway	This strategy will aim to guide the provision, development and management of outdoor play spaces in public parks across Hindmarsh.
Advocacy Strategy	NIL	Advocacy items included in Council Plan that is under development.	Sets out Council's advocacy priorities for funding and policies from State and Federal government.
Local Laws	As per Resolution	Out for consultation	Motion from previous Council to conduct review in new Council term.
Annual Budget	30 June 2025	Out for consultation	Council's annual budget is a plan for the council's expected

			income and expenditures for the next financial year.
Municipal Local Law (Common Seal)	-	Out for consultation	The MLL provides for the use of the Council seal and is due for routine review.
Instruments of Delegation	31 October 2025	Underway	All Council instruments of delegation must be reviewed by 31 October 2025. The Council to CEO delegation was reviewed in late 2024.
Audit and Risk Committee Work Plan	March 2025	Complete	An audit and risk committee work plan, or annual agenda, is a tool that helps an audit and risk committee plan the contents of each meeting throughout the year.
Planning Scheme Review	31 October 2026	Underway	A planning scheme review is a health check of the current planning scheme for a local government area, assessing its effectiveness and relevance against strategies, policy, and direction adopted over the previous period.
Audit and Risk Committee Charter	March/April 2025	Complete	An audit and risk committee charter outlines the functions, roles, and responsibilities of an audit and risk committee. It also includes administrative arrangements for the committee.
Annual Report	31 October 2025	Underway	Council's Annual Report details the achievements and performance of Hindmarsh Shire Council during each financial year.

Link to Council Plan:

Strong Governance Practices: Ensure compliance with the *Local Government Act 2020*

Ensure Responsible Risk Management Principles

Financial Implications:

Nil.

Risk Management Implications:

The updated policies and plans will ensure that Council maintains its governance, transparency and community engagement obligations under the Act and other relevant regulations.

Conflict of Interest:

Under section 130(2) of the *Local Government Act 2020*, officers providing advice to Council must disclose any conflict of interest, including the type of interest.

Author and Officer Responsible: Janelle Reichelt, Manager People and Performance

In providing this advice as the Author and Officer Responsible, I have no disclosable interests in this report.

MOVED: S COUTTS/J BARRY

That the Audit & Risk Committee receives the Governance compliance update.

CARRIED

Refer attachment 17.1

Angela Veitch joined the meeting at 12.11 pm

18. Health and Safety Report

Responsible Officer: Manager People and Performance

Introduction

The purpose of this report is to provide the Audit and Risk Committee with a high-level update on activities within Council's People and Performance team.

Discussion

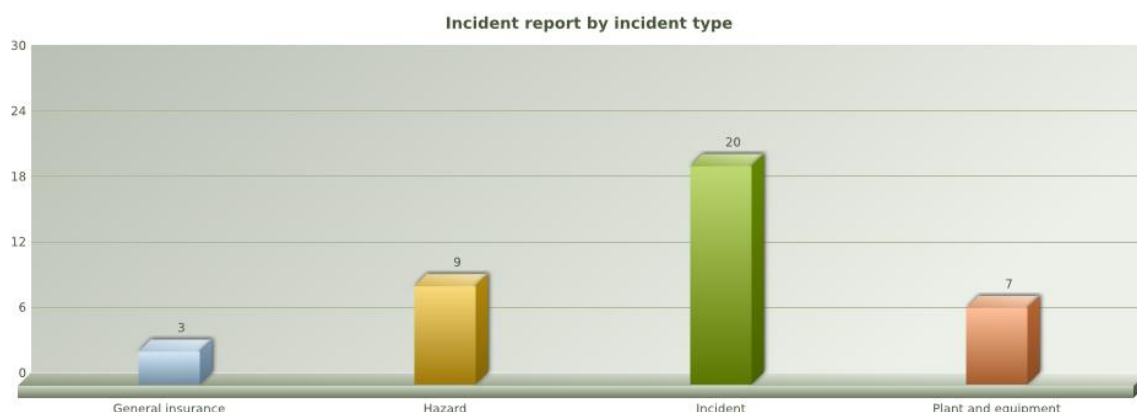
Health and Safety Committee

The Health and Safety Committee held its first meeting for 2025 on 29 April. After calling for nominations in January, visiting team meetings and discussing with senior management, four of the eight designated work groups (DWGs) now have health and safety representatives (HSRs) appointed. As it is not a requirement for each DWG to nominate a HSR, the Committee will proceed with these members and will continue to consult regarding OHS matters with the wider employee cohort as per the Act. HSRs from the remaining DWGs will be welcomed if they nominate in the future.

To gain some momentum for this new term, the HSRs were invited to attend the Melbourne Health and Safety Show on 21 and 22 May 2025. Two HSRs, the Manager People and Performance and Coordinator People and Safety attended. This event showcased hundreds of exhibitors and had three stages running throughout the day with a variety of speakers presenting on several topics. There was a strong focus on psychosocial hazards from many of the speakers, with the pending implementation of regulations in Victoria later in 2025. HSRs were encouraged to visit and speak with vendors and attend presentations that interested them. All attendees will bring information back to the Committee's next meeting in June.

A focus of the committee for the remainder of 2025 will be the employee wellbeing program and working towards identifying, implementing and reviewing controls for psychosocial hazards.

Hazard and Incident Reporting



During the period 1 January 2025 – 30 May 2025, a total of 39 reports were received.

Three General Insurance incidents reported with two counts of theft of Council property reported to police.

Of the nine Hazard reports, six investigations have been completed and corrective actions implemented to reduce the likelihood of reoccurrence.

Of the 20 Incident reports, 11 resulted in minor injuries requiring first aid and two resulted in lost time of less than two days. The most common causation factor was manual handling.

Seven reports of accidental damage to plant and equipment were received and all were repaired at Council's workshop.

The People and Safety Team will continue to promote the importance of reporting and rectifying hazards in the workplace as it is one of the most effective strategies to prevent future injuries and incidents. It is a goal to have the number of hazard reports increase and the number of incidents decrease over time.

Notifiable Incidents under the OHS Act 2004

There were no notifiable incidents in the reported period January to May 2025.

WorkSafe Inspector visit

A WorkSafe Inspector attended Council owned Nhill Early Learning Centre on 17 March 2025 after receiving an anonymous report of water damage and mould. Council representatives and Emerge Early Years Services accompanied the Inspector. The matter was known to Council and Emerge, and works were underway to rectify issue. Specialised contractors were already engaged, and the Inspector was satisfied that the issue was being managed appropriately and no immediate follow up was required.

It was agreed that additional communications about the works underway would be provided to employees and families at the service.

Link to Council Plan:

Ensure responsible risk management principles.

A skilled Council and workforce capable of meeting community needs.

Financial Implications:

Nil.

Risk Management Implications:

Managing the health, safety and psychological wellbeing of employees responds to significant risks incidents, WorkCover claims and workplace wellbeing and productivity.

Conflict of Interest:

Under section 130(2) of the *Local Government Act 2020*, officers providing advice to Council must disclose any conflict of interest, including the type of interest.

Author: Angela Veitch, Coordinator People and Safety

In providing this advice as the Author, I have no interests to disclose.

Officer Responsible: Janelle Reichelt, Manager People and Performance

In providing this advice as the Officer Responsible, I have no interests to disclose.

MOVED: J BARRY/R GERSCH

That the Audit & Risk Committee receives the Health and Safety update.

CARRIED

Angela Veitch left the meeting at 12.11pm

19. Late Reports

Nil.

20. General Business

Nil.

21. Next Meeting

Meeting closed at 12:22pm.

The next meeting will be held on Wednesday 17 September 2025, via Microsoft Teams, commencing at 10am.