

Audit & Risk Committee Minutes

28 October 2024

Our Vision

*A City which values its heritage, cultural diversity,
sense of place and natural environment.*

*A progressive City which is prosperous, sustainable
and socially cohesive, with a strong community spirit.*

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City of
Norwood
Payneham
& St Peters

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VENUE Mayors Parlour, Norwood Town Hall

HOUR 7.00pm

PRESENT

Committee Members Mayor Robert Bria (Presiding Member)
Cr Grant Piggott
Cr Claire Clutterham
Ms Sandra Di Blasio (Independent Member)

Staff Mario Barone (Chief Executive Officer)
Lisa Mara (General Manager, Governance & Civic Affairs)
Jenny McFeat (Manager, Governance)
Natalia Axenova (Chief Financial Officer)
Aerken Kuerban (Manager, Information Services)
Marina Fischetti (Governance Officer)

APOLOGIES Ms Stefanie Eldridge (Independent Member)

ABSENT Nil

TERMS OF REFERENCE:

The functions of the Audit & Risk Committee include:

- (a) reviewing Annual Financial Statements to ensure that the Statements present fairly the state of affairs of the Council; and
- (b) proposing, and providing information relevant to, a review of the Council's strategic management plans or annual business plan; and
- (c) monitoring the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by the Council's External Auditor; and
- (d) proposing, and reviewing, the exercise of powers under Section 130A of the Local Government Act 1999; and
- (e) liaising with the Council's External Auditor in accordance with any requirements prescribed by the regulations; and
- (f) reviewing the adequacy of the accounting, internal controls, reporting and other financial management systems and practices of the Council on a regular basis; and
- (g) providing oversight of planning and scoping of the Internal Audit work plan; and
- (h) reviewing and commenting on reports provided by the person primarily responsible for the Internal Audit function at least on a quarterly basis; and
- (i) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis; and
- (j) reviewing any report obtained by the Council pursuant to Section 48(1) of the Local Government Act 1999; and
- (k) performing any other function determined by the Council or prescribed by the regulations.

1. CONFIRMATION OF MINUTES OF THE AUDIT & RISK COMMITTEE MEETING HELD ON 19 AUGUST 2024

Ms Sandra Di Blasio moved that the Minutes of the Audit & Risk Committee meeting held on 19 August 2024 be taken as read and confirmed. Seconded by Cr Piggott and carried.

2. PRESIDING MEMBER'S COMMUNICATION
Nil

3. QUESTIONS WITHOUT NOTICE
Nil

4. QUESTIONS WITH NOTICE
Nil

5. WRITTEN NOTICES OF MOTION
Nil

6. STAFF REPORTS

6.1 REVIEW OF FINANCIAL CONTROLS – UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

REPORT AUTHOR: Chief Financial Officer
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA
ATTACHMENTS: Nil

PURPOSE OF REPORT

The purpose of this report is to advise the Audit & Risk Committee of the Review of Financial Controls that has been undertaken by the Council's External Auditors, Galpins.

BACKGROUND

Pursuant to Section 129 of the *Local Government Act 1999* (the Act), in addition to providing an opinion on a Council's Financial Statements, the Council's Auditor must provide an audit opinion regarding the Council's Internal Controls.

In respect to the Council's Internal Controls, pursuant to Section 125 of the Act, a Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner, to achieve its objectives, to ensure adherence to management policies, to safeguard the Council's assets and to secure (as far as possible) the accuracy and reliability of Council records.

It should be noted that the Audit Opinion is restricted to financial controls as set out in Section 129 of the Act and relate to the internal controls that have been exercised by the Council during the 2023-2024 financial year in respect to the receipt, expenditure, investment of money, the acquisition and disposal of property and incurring of liabilities.

At its meeting held on 19 August 2024, following consideration of the Review of Financial Controls, the Audit & Risk Committee resolved the following:

1. *That the 2023-2024 Interim Management Letter from the Council's External Auditor, Galpins, titled Financial Controls Review be received and noted.*
2. *That the Financial Controls Review be recommended to the Council for endorsement*
3. *That staff be congratulated on their work on reviewing and addressing the issues that were raised in the 2022-2023 Financial Controls Review Report.*

This report presents an update on the five (5) financial controls that based on the recommendations of the audit, required improvement.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Appropriate financial controls are fundamental to an organisation's financial governance framework. Undertaking the review has provided the Chief Executive Officer and the Audit & Risk Committee, with an overview of the current situation and recommendations to address the weaknesses that have been identified.

CONSULTATION

- **Elected Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

As part of the Interim Audit that has been undertaken, the Council's Auditor, Galpins, has identified that of the 100 Internal Controls that have been reviewed and tested as shown in **Table 1**, 95 are operating effectively, three (3) represent Moderate Risk and two (2) represent a Low Risk Weakness.

The results of the Interim Audit were presented at the Audit & Risk Committee at its meeting held on 19 August 2024 and to the Council at its meeting held on 2 September 2024.

As outlined in the Interim Audit Report, a total of five (5) controls were identified as areas requiring improvement and corrective actions. Since the release of the Interim Audit Report, significant progress has been made in addressing these recommendations.

The purpose of this report is to advise the Committee of the progress that has been made in addressing these recommendations.

TABLE 1: FINANCIAL CONTROLS REVIEW SUMMARY

Business cycles	Controls Reviewed	Operating Effectively	Operating Effectively	2024 Findings			
		2024	2023	H	M	L	BP
General Ledger	11	11	8	-	-	-	-
Fixed Assets	16	13	13	-	2	1	-
Purchasing & Procurement/Contracting	10	9	7	-	1	-	-
Accounts Payable (AP)	13	13	12	-	-	-	-
Rates / Rates Rebates	10	10	8	-	-	-	-
Banking	5	5	4	-	-	-	-
Accounts Receivable (AR)	6	6	5	-	-	-	-
Credit Cards	5	4	1	-	-	1	-
Payroll	19	19	19	-	-	-	-
Receipting	5	5	5	-	-	-	-
Total	100	95	82	-	3	2	-

A total of five (5) controls were identified as areas requiring improvement and corrective actions. Staff have reviewed the report and agree with the recommendations and the Chief Executive Officer has endorsed a process to implement the necessary changes. Completed or corrective actions are outlined below.

a. Moderate Findings (3)

- Finding: Roads, River Torrens Linear Park, off-road carparks and traffic control assets, require updated condition assessments.

Action: The Condition Assessment works for transport related were completed at the end of June 2024.

- Finding: Buildings, civil infrastructure, stormwater and recreation and open space assets, require updated Asset Management Plans

Action: As Committee Members are aware, preparation of the required Asset Management Plan preparation is in progress and was presented to the Council for endorsement and for public consultation at the September Council meeting. The final plans are scheduled to be presented to the Council for final adoption at the November 2024 Council meeting.

- Finding: Inconsistencies in the Procurement Policy Guidelines document and opportunities to improve its contents.

Action: The Council's Procurement Policy has been reviewed and updated following the endorsement by the Council at its October 2024 Council meeting. Guidelines and instructions supporting the various procurement processes are being prepared to address inconsistencies and provide clear directions.

2. Low Findings (2)

- Finding: Assets included in Conquest Asset are not directly linked to the GIS system.

Action: While reconciliation process exists, the proposed system link to GIS is being investigated further.

- Finding: Two instances of credit card statements not being reviewed by an independent officer.

Action: The approval process has been updated to include an additional level of approvals where required.

OPTIONS

Not Applicable. This report is presented for information purposes only.

CONCLUSION

The *Financial Controls Review* has provided a sound basis for considering opportunities for improvement and making those improvements to the Council's Internal Financial Controls, where required.

COMMENTS

Nil.

RECOMMENDATION

That the report be received and noted and the actions that have been taken to resolve the findings noted.

Cr Piggott moved:

That the report be received and noted and the actions that have been taken to resolve the findings noted.

Seconded by Ms Sandra Di Blasio and carried unanimously.

6.2 FINANCIAL SUMMARY 2023-2024 ACTUAL RESULTS V ADOPTED BUDGET

REPORT AUTHOR: Chief Financial Officer
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4548
FILE REFERENCE: qA770145
ATTACHMENTS: A

PURPOSE OF REPORT

This report provides a summary of the 2023-2024 Audited result and explanations for variations from the 2023-2024 Adopted Budget.

BACKGROUND

Pursuant to Section 127 of the *Local Government Act 1999* (the Act), the Council must prepare Annual Financial Statements in accordance with the *Local Government (Financial Management) Regulations 2011* (the Regulations).

Section 10 of the Regulations requires the Council to prepare and consider a report, no later than 31 December in each year, showing the audited financial results of the Council for the previous financial year, compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The financial information contained in this report is based on the 2023-2024 Annual Financial Statements, the 2023-2024 Adopted Budget and the various policies adopted by the Council as they impact the Councils financial performance (eg. Rating Policy.)

FINANCIAL AND BUDGET IMPLICATIONS

The Council concluded the Financial Year with an Operating Surplus of \$108,599, compared to the Council's Adopted Operating Budget, which forecast an Operating Surplus of \$1.387 million. The variance was predominantly due to the delay in payment of 85% of the Federal Government's 2024-2025 Financial Assistance Grant, which was due to be received on 28 June 2024. The Grant totalling \$1.267 million was consequently received by Council on 1 July 2024 and therefore recognised in the next financial year (2024-2025). It should be noted that if these funds were received by 30 June 2024, Council's Operating Surplus for the 2023-2024 Financial Year would have been \$1.375 million.

Details of the drivers behind the variances from the Adopted Operating Surplus, are contained in the Discussion Section of this report.

After Capital Items, the Council is reporting a Total Comprehensive Income of \$41.944 million against an Adopted Net Surplus of \$17.966 million, with the favourable variance being driven by revaluation of Infrastructure, Property, Plant & Equipment, which is mainly driven by the economy and market fluctuations and is difficult to predict when setting the Budget.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Nil

CONSULTATION

- **Elected Members**
Elected Members have received regular reports on the Council's financial performance throughout the year.
- **Community**
Not Applicable.
- **Staff**
Responsible Officers, General Managers and Council's External Auditors.
- **Other Agencies**
Not Applicable.

DISCUSSION

The 2023-2024 Annual Financial Statements have been finalised and will be presented to the Council for adoption at the Council Meeting to be held on 4 November 2024. A separate report has been provided on the 2023-2024 Audited Annual Financial Statements for consideration by the Audit Committee.

Statement of Comprehensive Income

Operating Result

The Council delivered an Operating Surplus of \$108,559, compared to the Council Adopted Operating Budget, which forecasted an Operating Surplus of \$1.387 million, which resulted in an unfavourable variance of \$1,278 million. The major variances (over 5%) from the Adopted Operating Surplus are outlined in Table 1 below.

TABLE 1: MAJOR VARIANCES FROM ADOPTED OPERATING SURPLUS

Account Name	Reasons for the Variance	Amount (\$)
Grants, subsidies & contributions - Operating	Grant funding that has been received is unfavourable to the Adopted Budget which was driven by the delay in receiving 85% of the Federal Government's Financial Assistance Grant advance for 2024-2025	(1,011,592)
Grants, subsidies & contributions - Capital	Grant funding that has been received was favourable to the Adopted Budget, due to the Local Roads and Community Infrastructure (LRCI) Grant Budget being allocated as part of Comprehensive Income instead of being allocated to the Operating Income. The Adopted Budget was revised to reflect the reclassification of this grant to the Operating Income during Third (3) Budget Review.	571,428
Investment Income	Investment Income was unfavourable to the Adopted Budget, due to less interest being received on deposits held at the Local Government Finance Authority compared to the Adopted Budget (\$60,848 compared to the budget of \$120,000) as funds were utilised for expenditure on projects.	(59,151)
Other Income	Other Income was favourable to the Adopted Budget driven primarily by: <ul style="list-style-type: none"> • Historical Open Space Fund Income and Tree Fund Income from previous financial years that were accumulated in the Balance Sheet were released into Other Income as recommended by the Council's Auditors (Open Space Fund Income - \$293,307 and Tree Fund Income - \$18,349) • The receipt of Local Government Finance Authority's annual bonus payments of \$26,037, which is calculated on the average deposit and loan levels held during the financial year. Reimbursements were favourable to the Adopted Budget driven primarily by timing of the recharge invoices: <ul style="list-style-type: none"> • Insurance re-imbursments for claims made during the year of \$83,829, which was offset by expenditure to replace or repair items subject to the insurance claim as part of Materials, contracts & Other Expenses. 	527,712
Employee costs	Employee costs were favourable against the Adopted Budget due to: <ul style="list-style-type: none"> • Difficulties in recruiting staff due to current labour market conditions. To meet operational needs, contract providers were utilised (as shown below). 	1,089,087
Materials, contracts & other expenses	Materials, Contracts & Other Expenses were unfavourable against the Adopted Budget from a combination of various expense lines, but primarily due to: <ul style="list-style-type: none"> • Contracted Services being unfavourable principally due to contracted staff being engaged to cover operational requirements. • Legal fees being higher than forecast Planning & Enforcement activities requiring legal advice and Council seeking general advice and HR legal advice. • Unplanned maintenance costs being unfavourable to Adopted Budget mainly in relation to adhoc repair and maintenance on buildings. 	(1,800,186)
Finance Costs	Finance costs were unfavourable to the Adopted Budget due funds being expensed for 2023-2024 Operating and Capital Projects and completing Carry Forwards from the 2022-2023 financial year.	(154,704)
Depreciation, amortisation & impairment	Depreciation expense was greater than anticipated due to the full year impact of the 2022-2023 Asset Capitalisation and Unit Cost Revaluation.	(390,189)

Non-Operating Income

Non-Operating Income includes grant funding specifically for asset upgrades or renewals and gain/(loss) on asset disposals and assets that have been received free of charge.

For the 2023-2024 Financial Year, the Council is reporting Non-Operating Surplus of \$2.060 million, against an Adopted Non-Operating Surplus of \$10.722 million, resulting in an unfavourable variance of \$8.662 million. The reasons for unfavourable variance is set out in Table 2 below.

TABLE 2: MAJOR VARIANCES FROM ADOPTED NON-OPERATING INCOME

Reasons for the Variance	Amount (\$'000)
Due to the Trinity Valley Grant being lower compared to Adopted Budget as the forecast percentage of completion of the project was not achieved as scheduled and therefore the full amount of the grant was not recognised in the 2023-2024 financial year.	(2,868)
Due to the net loss as a result of disposal of Payneham Memorial Swimming Centre assets due to the demolition of the buildings and structures and smaller equipment as a result of the ongoing construction.	(4,516)

Other Comprehensive Income

Other Comprehensive Income comprises items of income and expenses that are not recognised in the Net Surplus (Deficit) for the year, as required or permitted by Australian Accounting Standards. Such items include the impact of changes in asset values due to revaluations. The value of Other Comprehensive Income reported in the Statement of Comprehensive Income, is a Surplus of \$41.944 million, which is primarily due to the revaluation of Land & Buildings Assets.

Balance Sheet

The Net Assets of the Council at 30 June 2024 is \$628 million, against an Adopted Budget of \$592 million, favourable variance of \$36 million.

Major reasons for the variance in the Net Assets include:

Assets

Cash deposits with the Local Government Financing Authority is unfavourable by \$1.048 million, with the variance resulting from a lower cash balance due to payments for progressing the Council's 2023-2024 Operating & Capital Projects as well as Carry Forward Projects from the 2022-2023 financial year.

Other Non-current assets represent an increase in Capital Works-in-Progress. As at 30 June 2023, works on capital projects not yet completed amounted to \$8.872 million with the main project being Payneham Memorial Swimming Pool.

Higher than budgeted increase in Infrastructure, Property, Plant & Equipment of \$13.421 million, due to the number of completed projects and revaluation that occurred in 2023-2024.

Liabilities

Trade and Other Payables – with the timing of expenditures at the end of financial year the Council had less than anticipated value of invoices mainly in relation to Capital Expenditure resulting in a \$2.456 million favourable variance to the Adopted Budget.

Short Term Provisions were unfavourable compared to the Adopted Budget by \$632,236, as a result of an increase in Employee entitlements. Due to staff turnover there was a decrease in requests for Leave.

The long-term borrowings planned to be drawn down as part of the Adopted Budget, were not required to the full level as budgeted, due to delay in drawdown of the loans for the Trinity Valley Stormwater Upgrade Project and Payneham Memorial Swimming Centre, resulting in a favourable variance of \$11,018 million.

Attachment A contains the 2023-2024 Financial Statements comparing the actual result to the 2024-2025 Adopted Budget as required by Section 10 of the Regulations.

OPTIONS

There are no options associated with this matter.

CONCLUSION

Nil

COMMENTS

Nil

RECOMMENDATION

That the report be received and noted.

Cr Clutterham moved:

That the report be received and noted.

Seconded by Cr Piggott and carried unanimously.

6.3 ANNUAL FINANCIAL STATEMENTS FOR YEAR END 30 JUNE 2024

REPORT AUTHOR: Senior Finance Business Partner
GENERAL MANAGER: Chief Financial Officer
CONTACT NUMBER: 8366 4548
FILE REFERENCE:
ATTACHMENTS: A – B

PURPOSE OF REPORT

The purpose of this report is to present the 2023-2024 Audited Financial Statements to the Audit & Risk Committee for review and recommendation to the Council for adoption.

BACKGROUND

Pursuant to Section 127 of the *Local Government Act 1999* (the Act), the Council must prepare Annual Financial Statements in accordance with the *Local Government (Financial Management) Regulations 2011* (the Regulations).

Section 13 of the Regulations requires that the Financial Statements of a Council be prepared in accordance with the requirements set out in the Model Financial Statements. The City of Norwood, Payneham & St Peters has prepared the Annual Financial Statements in accordance with the Model Financial Statements.

Section 126 (4) (a) of the Act requires that the functions of an Audit & Risk Committee to include “*reviewing annual financial statements to ensure that they present fairly the state of affairs of the council*”.

A copy of the Statement by the Auditor is contained in **Attachment A**.

A copy of the Annual Financial Statements is contained in **Attachment B**.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council’s long term strategic directions are outlined in the *City Plan 2030 – Shaping our Future*. The 2022-2023 Annual Business Plan and supporting Budget, set out the services and programs and initiatives for the 2023-2024 Financial Year.

In the 2023-2024 Annual Business Plan, financial sustainability is recognised as a high priority. In adopting the 2023-2024 Budget, the Council forecasted an Operating Surplus of \$1.387 million.

FINANCIAL AND BUDGET IMPLICATIONS

Statement of Comprehensive Income

The Council concluded the 2023-2024 Financial Year with an Operating Surplus of \$108,599 (2022-2023: \$1.954 million), compared to the forecast Operating Surplus of \$1.387 million as set out in the 2023-2024 Adopted Budget. This variance was essentially attributed to the delay in payment of 85% of the Federal Government’s 2024-2025 Financial Assistance Grant, which was due to be received on 28 June 2024. The Grant of \$1.267 million was however received by the Council on 1 July 2024 and therefore recognised in the new Financial Year 2024-2025. If the Council received these funds by 30 June 2024, as was initially included in the Budget, the Council would recognise an Operating Surplus for 2023-2024 of \$1.375 million.

All Councils have been affected by the timing of the Grant.

After considering Capital Items which includes the impact of assets revaluations and grant funding specifically for asset upgrades or renewals and asset disposals, the Council is reporting a Total Comprehensive Income of \$41.944 million (2022-2023: \$50.111 million).

The reasons for the variations to the Adopted Budget are outlined in Item 6.2: Financial Summary.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Nil

CONSULTATION

- **Elected Members**
Nil
- **Community**
Not Applicable.
- **Staff**
Responsible Officers, General Managers and the Council's External Auditors.
- **Other Agencies**
Nil

DISCUSSION

Statement of Comprehensive Income

a. Operating Result

As detailed in Figure 1 on page 6, the Council concluded the Financial Year with an Operating Surplus of \$108,599 (2022-2023: \$1.954 million).

As highlighted in the previous reports to the Committee, for the last six (6) consecutive years, the Federal Government has made advance payments equal to approximately two quarters of the Financial Assistance Grants. The advance was gradually increased from the 2020-2021 Financial Year.

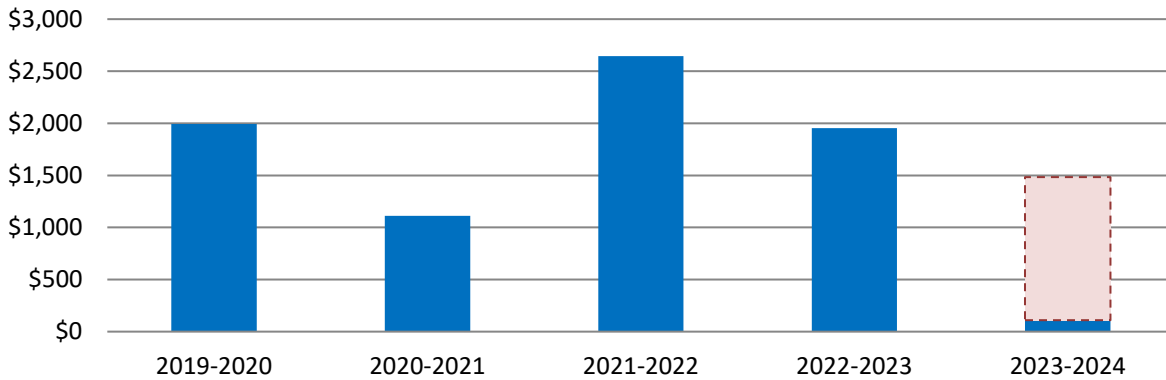
TABLE 1: FINANCIAL ASSISTANCE GRANTS ADVANCE PAYMENTS

Financial Year	Number of Quarters Advanced	Increase in Operating Surplus (Value of Advance)
2023-2024	more than 3	\$0
2022-2023	more than 3	\$1,405,173
2021-2022	3	\$1,071,000
2020-2021	2	\$607,000
2019-2020	2	\$655,000
2018-2019	2	\$595,000

However, the advance payment was not able to be recognised in the 2023-2024 Financial Year Operating result due to the delay in transfer of funds from the Federal Government, thereby impacting Council's Operating Surplus for the 2023-2024 Financial Year. It should be noted, that if Council received this advance of Grant funding, as scheduled on 28 June 2024 and included in the budget, Council would have reported an Operating Surplus for 2023-2024 of \$1.375 million.

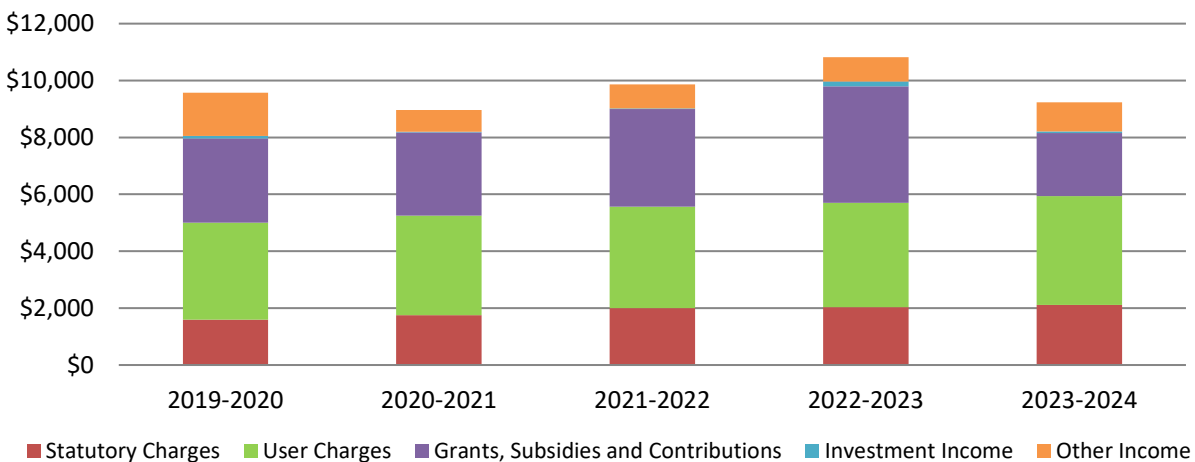
Figure 1 below, shows the Operating Surplus over the last five (5) years and compares the impacts of the advance payment of Financial Assistance Grants.

FIGURE 1: OPERATING SURPLUS (DEFICIT) - \$'000



As detailed in Figure 2 below, non-rate revenues have decreased by 15% compared to the 2022-2023 Financial Year, which is due to a combination of the lower interest income that has been received from the Local Government Finance Authority for "cash at bank" as a result of expending funds to advance Operating & Capital projects and Carry forwards from the 2022-2023 Financial Year and the non-recognition of the advance receipt of the 2024-2025 Financial Assistance Grant Funding.

FIGURE 2: NON-RATE REVENUES - \$'000



The cost to deliver the Council's continuing services (i.e. Recurrent Operating Costs) increased by 8% (\$3.935 million) compared to 2022-2023. Primary drivers for this increase were:

- Depreciation, amortisation and impairment have increased by \$1.290 million compared to 2022-2023, as a result of \$15 million capitalisation of fixed assets during the 2022-2023 Financial Year.
- Employee costs have increased mainly as a result of year-on-year wage increases as contained in Enterprise Bargaining Agreements for Municipal Officers Award of 3% and Local Government Award (Field staff) of 10.5%.
- Finance costs were higher during the year by \$0.155 million, due to increased expenditure on Capital Projects and Carry Forwards from the 2022-2023 Financial Year. This represents a timing difference of the finance cost expected to occur in line with the Capital Budget proposed in 2022-2023. Finance costs for 2022-2023 Financial Year were reported as under budget by \$0.414 million due to Capital Projects that were carried forward to the 2023-2024 Financial Year.

In addition to continuing services, the Council delivered twenty-seven (27) Operating Projects, which encompassed a number of new service initiatives and one-off activities or programs. The net cost of delivering these completed projects was \$1.053 million.

Depreciation, Amortisation & Impairment increased by 11% (\$1.289 million). This increase is attributed to Depreciation costs on the major assets which have been capitalised in the prior year.

b. Non-Operating Items

A Non-Operating impact from assets related activities of \$1,951,267 (gain) is reported for the 2023-2024 Financial Year (2022-2023 Non-Operating Loss \$862,114). The Non-Operating transactions comprised of:

- Loss on Sale and Write-off of Infrastructure Assets renewed as part of the Capital Works program and loss on sales of Payneham Memorial Swimming Centre Assets. (\$4.491 million)
- Grant Funding received or recognised for Capital Projects including: \$6.442 million
 - Trinity Valley Stormwater Upgrade Project Stage 2 \$3,288,444
 - River Torrens Linear Park Path Upgrade Project \$1,350,000
 - Payneham Memorial Swimming Centre Upgrade Project \$560,000
 - Dunstan Adventure Playground Redevelopment Project \$450,000
 - William Street Roundabouts \$430,000
 - Burchell Reserve Upgrade Project \$210,000
 - Annual acquisition of Library Books \$99,939

c. Other Comprehensive Income

Other Comprehensive Income comprises items of income and expenditure that are not recognised in the Net Surplus (Deficit) for the year, as required or permitted by other Australian Accounting Standards. Such items include the impact of changes in asset values due to revaluations. The value of Other Comprehensive Income reported in the Statement of Comprehensive Income for the 2023-2024 Financial Year is \$39.884 million (2022-2023: \$49.019 million).

The major factor contributing to the Income is the indexation of the Councils' Civil Infrastructure, Land and Building Assets.

Balance Sheet

The Net Assets of the Council on 30 June 2024 is \$628 million, an increase of \$41.944 million from 2022-2023 Financial Year. Major movements include:

a. Assets

Current Assets have decreased by \$1.793 million, predominately due to a decrease in cash held with the Local Government Financing Authority.

This was offset by an increase in Non-Current Assets of \$55.224 million, mainly due to the addition of new assets and revaluation during the year of \$50.825 million.

b. Liabilities

During 2023-2024 Financial Year, total liabilities increased by \$34.037 million. The increase was predominately due to the increase in borrowing to fund Capital projects and Carry Forward projects from the 2022-2023 Financial Year.

c. Revaluations

In line with the Councils Asset Revaluation Policy, formal valuations of the major asset classes are undertaken on a rolling five (5) year period and for Asset Classes, not subject to an independent valuation, the carrying values of Assets Classes were reviewed and adjusted where appropriate.

The revaluation impact for each asset class is detailed in Table 2.

TABLE 2: IMPACT OF ASSET REVALUATION

Asset Class	Revaluation Increase/ (Decrease) \$million	Comments
Land	16.108	Represents a 6.8% increase in Fair Value based on average increase in capital valuations as reported by the Valuer Generals Report in June 2024
Buildings and Other Structures	4.242	Represents a 6.8% increase in Fair Value based on average increase in capital valuations as reported by the Valuer Generals Report in June 2024
Open space Assets	1.665	Represents a 8% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Road Infrastructure	9.309	Represents a 10% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Kerbing	3.015	Represents a 5% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Footpaths	(0.540)	Represents a 2% decrease in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Linear Park	0.110	Represents an 11% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Storm-water Drainage	4.712	Represents a 7% increase in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Off- Roads Carparks	0.183	Represents an 8% increase in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Traffic Control Assets	0.357	Represents an 8% decrease in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Footbridge	0.092	Represents a 8% increase in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Total	39.253	

Overall, the revaluation increase for the 2023-2024 Financial Year is \$39 million, compared to an increase of \$49 million for the 2022-2023 Financial Year.

Statement of Cash Flows

For the 2023-2024 Financial Year, the Council is reporting a net decrease in cash and cash equivalents of \$3.320 million. The Council generated \$10.348 million from operating activities, with the funds being used to complete the Council’s Capital Renewal Works Program and expenditure on New and Upgraded Assets (\$25.107 million). The Council commenced an additional borrowing of \$12.5 million which was used towards Infrastructure Capital program for Trinity Valley Stormwater Upgrade Project and Payneham Memorial Swimming Centre Redevelopment Project.

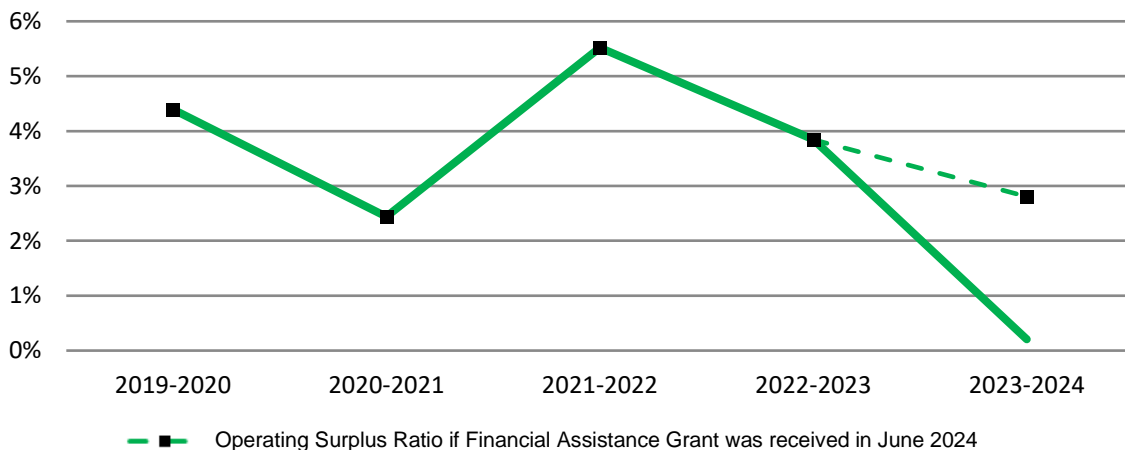
Section 126 (4) (a) of the *Local Government Act 1999*, requires that the functions of an Audit & Risk Committee include the review of the Annual Financial Statements to ensure that they present fairly the state of affairs of the Council. To ensure that the Audit & Risk Committee discharges its responsibilities under the Act, the information included in **Attachment A** and in particular **Attachment B**, is provided for review.

Financial Ratios

Financial Indicators represented by the following three (3) Financial Ratios are set out below:

- Operating Surplus Ratio (refer to Figure 3)
- Net Financial Liabilities Ratio (refer to Figure 4) and
- Asset Renewal Funding Ratio (refer to Figure 5)

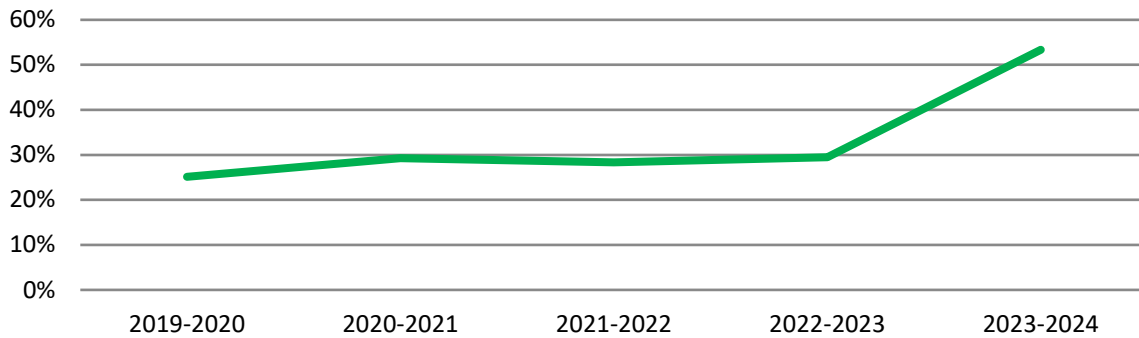
FIGURE 3: OPERATING SURPLUS RATIO



The 2024-2034 Long-Term Financial Plan target for the Operating Surplus Ratio between 0% and 10%

The Operating Surplus/ (Deficit) Ratio expresses the Council’s Operating Surplus/ (Deficit) as a percentage of Operating Revenue.

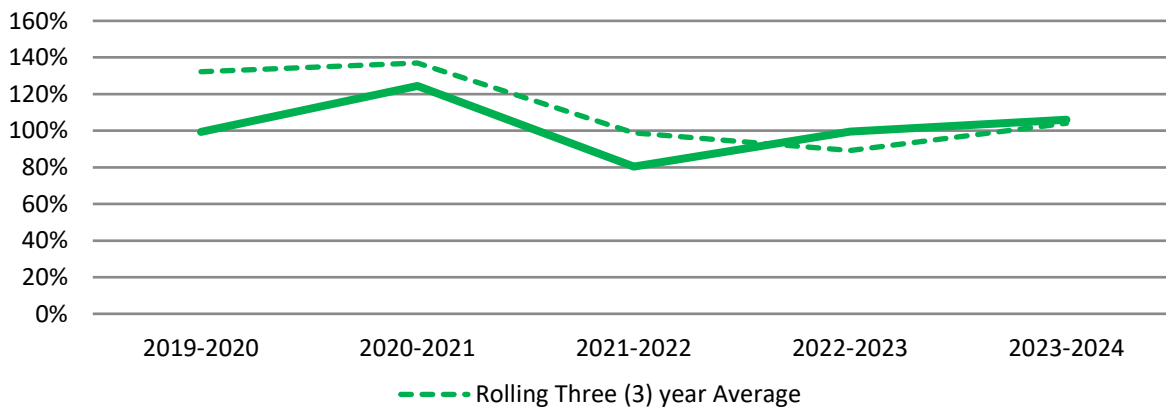
FIGURE 4: NET FINANCIAL LIABILITIES RATIO



The 2024-2034 Long-Term Financial Plan target for Net Financial Liabilities Ratio is less than or equal to 100%

The Net Financial Liabilities Ratio measures the extent to which the net amount owed by the Council is met by its Operating Revenue. Net Financial Liabilities are represented by Total Liabilities less Current Assets.

FIGURE 5: ASSET RENEWAL FUNDING RATIO



The 2024-2034 Long Term Financial Plan Target between 90% and 110% on a 3 year rolling average.

The Asset Renewal Funding Ratio measures whether the Council is renewing or replacing existing physical assets (roads, footpaths, buildings etc.), at the same rate at which the stock of assets is “wearing out”. The Asset Renewal Funding Ratio, is measured against the extent of the renewal expenditure incurred, compared to the planned renewal expenditure, as set out in the Council Asset Management Plans.

The Council’s 2024-2034 Long Term Financial Plan has set a target of between 90% and 110%, on a three (3) year rolling average. In some instances, the Council may be required to accelerate or decelerate the renewal or replacement of its existing asset base.

OPTIONS

There are no options associated with this issue.

CONCLUSION

The Council concluded the Financial Year with an Operating Surplus of \$108,599 (2022-2023: \$1.954 million), taking into account the late payment of the 2023-2024 Federal Government Financial Assistance Grants.

After Capital Items, which includes the impact of assets revaluations and grant funding specifically for asset upgrades or renewals and asset disposals, the Council is reporting a Total Comprehensive Income of \$41.944 million (2022-2023: \$50.112 million).

The Council's Auditor, Galpins, have completed the audit of the Council's Annual Financial Statements and have advised that they will sign an unqualified Independent Auditors' Reports in the form prescribed, upon the Presiding Member of the Audit & Risk Committee signing the "Council Certificate of Audit Independence".

There were no significant issues raised during the audit of this year's Financial Statements which would prevent the Audit & Risk Committee recommending to the Council to adopt the 2023-2024 Financial Statement.

COMMENTS

Nil

RECOMMENDATION

That the Audit & Risk Committee recommends to the Council that:

- a. the Annual Financial Statements for the year ended 30 June 2024, as contained in Attachment B be adopted;
 - b. the Annual Financial Statements for the year ended 30 June 2024, be dated 4 November 2024 and be signed on behalf of the Council by the Mayor; and
 - c. the Asset Revaluations as set out in Table 2 of this report be adopted.
-

Cr Clutterham moved:

That the Audit & Risk Committee recommends to the Council that:

- a. *the Annual Financial Statements for the year ended 30 June 2024, as contained in Attachment B be adopted;*
- b. *the Annual Financial Statements for the year ended 30 June 2024, be dated 4 November 2024 and be signed on behalf of the Council by the Mayor; and*
- c. *the Asset Revaluations as set out in Table 2 of this report be adopted.*

Seconded by Ms Sandra Di Blasio and carried unanimously.

CONFIDENTIAL MEETING WITH COUNCIL'S EXTERNAL AUDITOR

Short Term Suspension of Proceedings

In accordance with Regulation 17B of the Local Government (Financial Management) Regulations 2011, which prescribes that there must be at least one (1) confidential meeting with the Auditor where the majority of Committee Members are present and no Elected Members or Employees of the Council are present (other than Elected Members who are Members of the Committee), Mr Tim Mulhausler from Galpins (the Council's External Auditor) attended the meeting of the Committee.

At 7.15pm Cr Piggott moved:

That pursuant to Section 90(2) of the Local Government Act 1999 (the Act), the Audit & Risk Committee considers it necessary and appropriate that the public, any Elected Members who are not appointed to the Audit & Risk Committee and staff present [Chief Executive Officer, General Manager, Governance & Civic Affairs, Manager, Governance, Chief Financial Officer, Manager, Information Services and Governance Officer], be excluded from the meeting for the purposes of the Committee's confidential meeting with the Council's Auditor in accordance with Regulation 17B of the Local Government (Financial Management) Regulations 2011 and Section 90(3)(g) of the Act which relates to matters that must be considered in confidence in order to ensure that the Audit & Risk Committee does not breach any law or any duty of confidence.

Seconded by Ms Sandra Di Blasio and carried unanimously.

The public, any Elected Member not appointed to the Audit & Risk Committee and all Council staff left the meeting at 7.16pm.

Resumption of Proceedings

The public, any Elected Member not appointed to the Audit & Risk Committee and staff returned to the meeting at 7.46pm.

6.4 REGIONAL SUBSIDIARIES – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

REPORT AUTHOR: Senior Finance Business partner
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4549
FILE REFERENCE: qA98586
ATTACHMENTS: A - D

PURPOSE OF REPORT

The purpose of this report is to provide the Audit & Risk Committee with the 2023-2024 Audited Financial Statements for the Regional Subsidiaries of which this Council is a Member.

BACKGROUND

Section 216 (4) of the *Local Government (Financial Management) Regulations 1999* (the Regulations), requires that:

The Chief Executive Officer of a council must ensure that any audited financial statements of a subsidiary received for the purposes of clause 12 (3) (a) or 28 (2) (a) of Schedule 2 of the Act are laid before the council at the first meeting of the council following their receipt by the Chief Executive Officer on behalf of the council.

In accordance with the Regulations, the Audited Financial Statements have been received from the following Regional Subsidiaries:

- Eastern Health Authority Inc. (refer to **Attachment A**);
- Eastern Waste Management Authority Inc. (refer to **Attachment B**);
- ERA Water (refer to **Attachment C**); and
- Highbury Landfill Authority Inc. (refer to **Attachment D**).

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

As required, the financial performance of the Regional Subsidiaries of which this Council is a Member, is accounted for in the Council's Annual Financial Statements which are submitted concurrently.

The Council has included in its reported Operating Surplus (based on the respective ownership shares as detailed in Table 1), a net loss associated with its Regional Subsidiaries of \$295,047 (2022-2023: \$307,366 net loss).

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

There are no risk management issues arising from the preparation this report.

CONSULTATION

- **Committee Members**
Cr Clutterham is a Board Member of the Eastern Waste Management Authority Inc.
Ms Sandra DiBlasio is a Member of the ERA Water and East Waste Audit Committees.
Cr Piggott is a Board Member of ERA Water and the Highbury Landfill Authority Inc.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

Table 1 below, sets out the Net Surplus (Deficit) of the respective Regional Subsidiaries for the year ended 30 June 2024, together with the Council's share of the Operating Result which has been accounted for in the Council's 2023-2024 Financial Statements.

TABLE 1: REGIONAL SUBSIDIARY NET SURPLUS/ (DEFICIT)

Regional Subsidiary	Net Surplus / (Deficit)	Councils Share of Net Operating Surplus / (Deficit)	
		Percentage	\$
Eastern Health Authority	\$ 122,120	31.27%	\$ 38,653
Eastern Waste Management Authority	(289,000)	12.5%	(36,125)
ERA Water	(623,784)	33.33%	(207,928)
Highbury Landfill Authority	(222,136)	40.36%	(89,647)

Important points to highlight resulting from the 2023-2024 Financial year for the respective Regional Subsidiaries are set out below:

- **Eastern Health Authority** The Eastern Health Authority Inc. reported an Operating Surplus of \$38,653. The Operating Surplus is due to the combined impact of increased income arising from an increase in the Food Inspection service and Workplace Immunisation Service Program, which the Eastern Health Authority provided during the full year. An increase in the investment income due to a higher cash balance and in line with tighter cost controls.

- **Eastern Waste Management Authority** The Operating Income Statement shows a year-end net loss of \$289,000, which is primarily attributed to two (2) key areas, these being continued unforeseen fleet maintenance expenditure and higher than anticipated employee costs, in particular, East Waste's use of Casual Agency Staff due to staff vacancies.

Unexpected fleet maintenance costs included replacements and repairs to the existing fleet. Overall, the 2023-2024 year was a challenging year in relation to fleet management and upon further review of the costs, it has been identified as an anomaly with the number of significant breakdowns, coupled with bringing the fleet replacement program back into line.

Employee costs throughout the year have been high and due to an overall increase in collection hours, higher than expected overtime and significant use of casual labour to fill operationally required positions. Casual staff backfilling roles within the Collections Team paid at a premium rate and typically taking longer to undertake the same work which resulted in a yearly overspend against the Adopted Budget of \$550k.

With respect to the overall \$289,000 shortfall, the Authority has proposed to draw down on existing cash reserves, rather than seek additional funding from the Constituent Councils. The financials, as presented, are reflective of this position (East Waste 'self-funding' the budget deficit) and highlights the benefits of East Waste maintaining a small cash reserve.

- **ERA Water** For the 2023-2024 irrigation season, South Australia has experienced a dry spring (the driest on record) and summer which led to ERA Water providing a record 316 ML of clean harvested stormwater to its Constituent Councils and external customers for irrigation purposes, thereby reducing the demand on the River Murray and the State's reservoirs. The stormwater would otherwise have gone into Gulf St Vincent.

Financially, expenses totalled \$1,765,047 against an income of \$1,153,886 resulting in an Operating Deficit of \$623,784 after asset disposal and fair value adjustment (compared to \$658,658 in the previous financial year). Expenses included \$415,533 for depreciation and \$593,710 for loan interest which, combined, equated to 57.2% of expenditure.

The focus of ERA Water is to pursue opportunities to increase revenue through further sales to achieve the Charter's object and purpose of being financially self-sufficient as far as possible.

- Highbury Landfill Authority Inc. The Highbury Landfill Authority Inc. reported an Operating Deficit of \$222,136. To meet the legislative requirements associated with the post-closure of the landfill, the Highbury Landfill Authority Inc., is required to estimate the future costs to manage the post-closure phase of the landfill. An external review of the provision calculation was undertaken this year by consultants WSP Australia Pty Ltd (formerly Golders) and the cashflow assumptions were considered appropriate. The inflation rate was increased in line with the RBA projections and the interest rates revised to match future predicted Commonwealth bond rates. These revised rates in the provision calculation have not however, had a material impact on the Balance Sheet. The Highbury Landfill Authority is now 14 years into the post-closure management period and the post-closure provision represents the net present value calculation of the future cash outflows to manage the site for the remaining 11 years. As a result of the review, the post-closure provision was increased by \$193,579. This adjustment has contributed to the reported Net Deficit.

OPTIONS

Not Applicable.

CONCLUSION

The Council's 2023-2024 Annual Financial Statements are reporting a Net Loss on Equity Accounted Council Businesses of \$295,047 (2022-2023: \$307,366 Net Loss).

COMMENTS

Nil

RECOMMENDATION

That the report and the Audited Financial Statements from the Eastern Health Authority Inc. (Attachment A), Eastern Waste Management Authority Inc. (Attachment B), ERA Water (Attachment C) and Highbury Landfill Authority Inc. (Attachment D), be received and noted.

Cr Piggott moved:

That the report and the Audited Financial Statements from the Eastern Health Authority Inc. (Attachment A), Eastern Waste Management Authority Inc. (Attachment B), ERA Water (Attachment C) and Highbury Landfill Authority Inc. (Attachment D), be received and noted.

Seconded by Cr Clutterham and carried unanimously.

6.5 CYBER SECURITY FRAMEWORK

REPORT AUTHOR: Manager, Information Services
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 83664581
FILE REFERENCE: A1014744
ATTACHMENTS: Nil

PURPOSE OF REPORT

The purpose of this report is to provide information to the Audit & Risk Committee, regarding the status of the Council's Cyber Security Framework.

BACKGROUND

Cyber Security is the practice of protecting computer systems, networks and data that is used by the Council to deliver services to the Community from unauthorised access, use, disclosure, disruption, modification or destruction. This includes financial systems and citizen records.

Reliance on technology has made organisations, including Councils, increasingly vulnerable to cyber threats. To mitigate these risks, it is essential to:

- **Protect Sensitive Data:** Personal information, financial data, and intellectual property are some examples of valuable data that needs to be protected. A breach can have severe consequences for individuals and the Council.
- **Prevent Financial Loss:** Cyber attacks can lead to financial losses through fraud, theft, and disruption of business operations.

Some of the common cyber threats include:

- **Malware:** Malicious software such as viruses, worms, and ransomware.
- **Phishing:** Attempts to trick individuals into revealing sensitive information.
- **Denial-of-service (DoS) attacks:** Attempts to overwhelm a system with traffic, making it unavailable.
- **Data breaches:** Unauthorized access to sensitive data.
- **Supply chain attacks:** Targeting third-party vendors to gain access to an organisation's systems.

The Council's Cyber Security Framework ensures that the Council is equipped with security measures to safeguard sensitive information and protect it from cyber threats.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

The Council has allocated funding as part of the 2024-2025 Budget for the provision of Information Technology services for the organisation which includes the Cyber Security Framework.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

The Council's Information Services Unit manages the Council's Cyber Security Systems.

RISK MANAGEMENT

Not Applicable.

CONSULTATION

- **Elected Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

Like all Councils, this Council faces unique challenges in the realm of cyber defence, as a result of the diverse range of services that are provided by the Council and the sensitivity of information that the Council receives and manages.

In terms of cyber security, a "*best practice*" approach includes the following:

1. Risk Assessment and Prioritisation
 - Identification of critical assets: determine which systems, data and services are most important to protect.
 - Assessment of vulnerabilities: regularly evaluate potential threats and vulnerabilities.
 - Prioritise risks: focus on mitigating the most significant risks first.
2. Governance and Policy
 - Development of a Cyber Security Policy outlining the Council's commitment to cyber security.
 - Implementation of governance structures: creation of a governance framework to oversee cybersecurity efforts.
 - Ensuring compliance: compliance with relevant regulations, standards, and frameworks (e.g., Essential Eight, ISO 27001, NIST Cybersecurity Framework).

3. Education and Awareness

- Staff Training: provision of regular training to employees on cybersecurity best practices, including phishing awareness, secure password management and incident reporting.
- Promotion of a security culture: foster a culture where employees understand the importance of cybersecurity and are empowered to report suspicious activity.

4. Technology Controls

- Implementation of strong network security: using firewalls, intrusion detection systems and other network security measures.
- Protection of endpoints: secure devices like computers, laptops, and mobile devices with antivirus software, patch management, and encryption.
- Encryption of sensitive data: use encryption to protect sensitive data both at rest and in transit.
- Implementation of multi-factor authentication (MFA): require multiple forms of authentication for access to critical systems.

5. Incident Response

- Development of an incident response plan: create a detailed plan outlining steps to be taken in the event of a cyber incident.
- Testing the plan: regularly test the incident response plan to ensure its effectiveness.
- Conducting post-incident reviews: analyse incidents to identify lessons learned and improve future preparedness.

6. Third-Party Risk Management

- Assessment of vendors: evaluate the cybersecurity practices of third-party vendors and suppliers.
- Contracts: Ensure that contracts with vendors include strong cybersecurity clauses.

7. Backup and Recovery

- Conducting regular backups: implement regular backup procedures to protect data from loss or corruption.
- Testing backups: regularly test backup procedures to ensure their effectiveness.
- Disaster Recovery plan: develop a plan to recover operations in the event of a major cyber incident.

Cyber Security is not a one-size-fits-all solution as each organisation is different. The most effective approach will depend on an organisation's specific needs, resources, and risk appetite.

In respect to the best practices set out above, staff have implemented most of the controls and is in the process of finalising the remainder, mainly in the areas of Governance and Policy. The Council has several policies that cover security, but does not have a stand-alone Cyber Security Policy.

The Council is currently aligned with the Australian Cyber Security Centre's (ACSC) *Essential Eight Framework*. The *Essential Eight* is a robust cyber security framework that has been developed by the Australian Cyber Security Centre (ACSC). It provides a prioritised list of eight mitigation strategies to assist organisations to reduce their cyber security risk.

1. patch applications;
2. user application hardening;
3. application control;
4. restrict administrative privileges;
5. patch operating systems;
6. restrict Microsoft Office macros;
7. multi-factor authentication; and
8. regular backups.

The *Essential Eight Maturity Model* supports the implementation of the *Essential Eight* and is based on ACSC's experience in producing cyber threat intelligence, responding to cyber security incidents, conducting penetration testing and assisting organisations to implement the *Essential Eight*.

To assist organisations with the implementation of the *Essential Eight*, the following four (4) maturity levels have been defined (Maturity Level Zero through to Maturity Level Three):

Maturity Level 0: Basic security hygiene is lacking. Easy targets for common attacks.

Maturity Level 1: Vulnerable to common attacks like phishing and credential theft.

Maturity Level 2: More sophisticated attacks like social engineering and targeted credential theft.

Maturity Level 3: Highly targeted attacks using custom tools and techniques.

It is important to note that while the *Essential Eight* can assist in mitigating the majority of cyber threats, it will not mitigate all cyber threats.

In terms of the Council's current posture, the Council is at various maturity levels against the framework (ie. high levels of maturity in some areas and low in others).

1. Patching of Applications:

Status: Level 0: Reliance on the manual patching process. While some applications, like Office and Chrome, are automatically patched with the operating system, most Council-specific applications are patched as required.

2. User Application hardening (making software more secure against attacks):

Status: Level 2: All applications are reviewed and unnecessary features are removed. Access to applications is restricted to approved staff.

3. Application Control:

Status: Level 2: Firewalls are configured according to industry best practices and rule sets are regularly reviewed. Upon completing a major upgrade or configuration change, Information Services engages an external party to perform a vulnerability scan.

Additionally, the Australian Signals Directorate (part of the Defence Department) has commenced performing quarterly vulnerability scans on all Government agencies as part of the Cyber Hygiene Improvement Program (CHIPs). This will provide the Council with more frequent vulnerability scans in the future.

4. Restricting administrative rights:

Status: Level 2: All Information Services administrators use a standard account for general business and an elevated administrator account to perform any system administrator. Privileges are granted based on use and roles.

5. Patching of operating systems:

Status: Level 2: All server operating systems are automatically patched monthly. The patches are installed into non-core systems two weeks prior to core systems and updates are tested before the same patches are installed onto core systems.

6. Restrict Microsoft Office macros:

Status: Level 2: Macros are blocked on all workstations, and only signed or approved scripts can run from approved locations.

7. Multi-factor Authentication (MFA):

Status: Level 2: MFA has been enabled for all external access to Council systems from non-Council devices. MFA is also enabled for internal access of core systems, such as backups and firewall access.

8. Regular backups:

Status: Between Level 2 and Level 3: All systems are backed up daily to multiple locations, and only the core corporate data is backed up to the Cloud. The Cloud copy is an immutable copy that cannot be modified or removed for three (3) months.

The current approach that has been in respect to cybersecurity is reactive, focusing on addressing threats after they occur. To elevate our maturity level, the organisation will need to transition to a more proactive or continuous approach.

By adopting a more proactive or continuous approach, the Council’s cyber resilience will be significantly enhanced and protected against emerging threats.

However, this will require significant funding for automation tools and potentially a dedicated Cyber Security staff member.

Proactive Cybersecurity requires the following:

- **Automated Vulnerability Scanning:** Implement tools to automatically identify vulnerabilities in our systems.
- **Semi-Automated Remediation:** Explore the use of semi-automated tools to address vulnerabilities.
- **Dedicated Resource:** Allocate part-time resources to oversee and manage proactive cybersecurity initiatives.

Continuous Cybersecurity:

- **Advanced Tools:** Invest in automated tools for continuous monitoring and threat detection.
- **Dedicated Staff:** Employ a dedicated cybersecurity professional to identify and respond to threats in real-time.

It is acknowledged by ACSC that *“even Maturity Level Three will not stop malicious “actors” that are willing and able to invest enough time, money and effort to compromise a target”*.

The investment therefore of significant funds and resources needs to be considered using a risk-based approach.

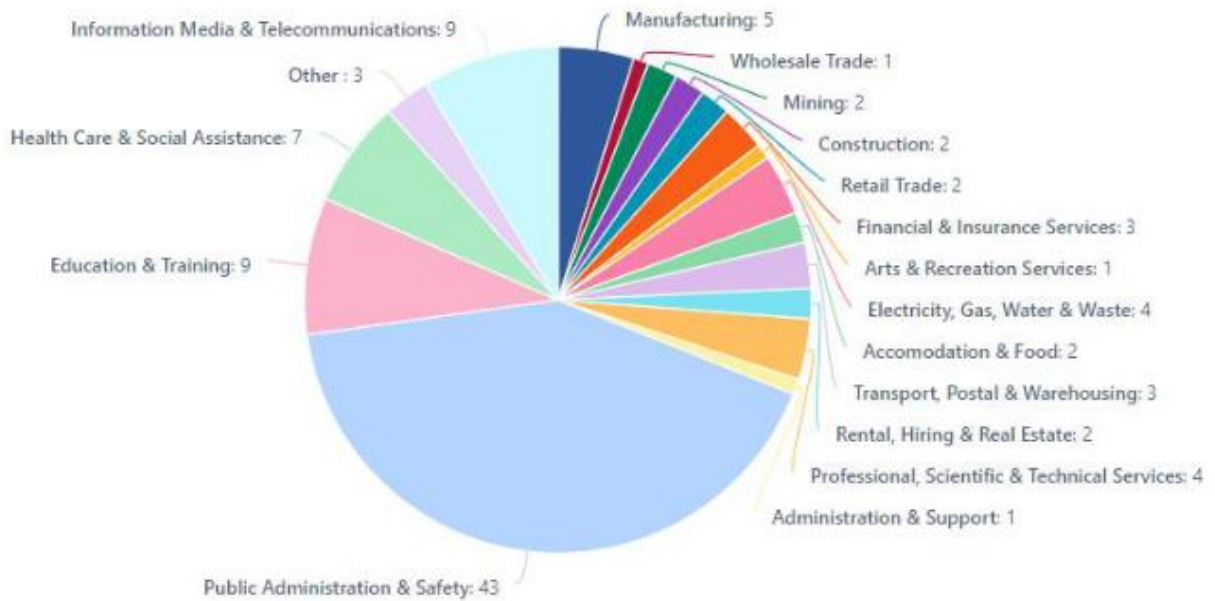
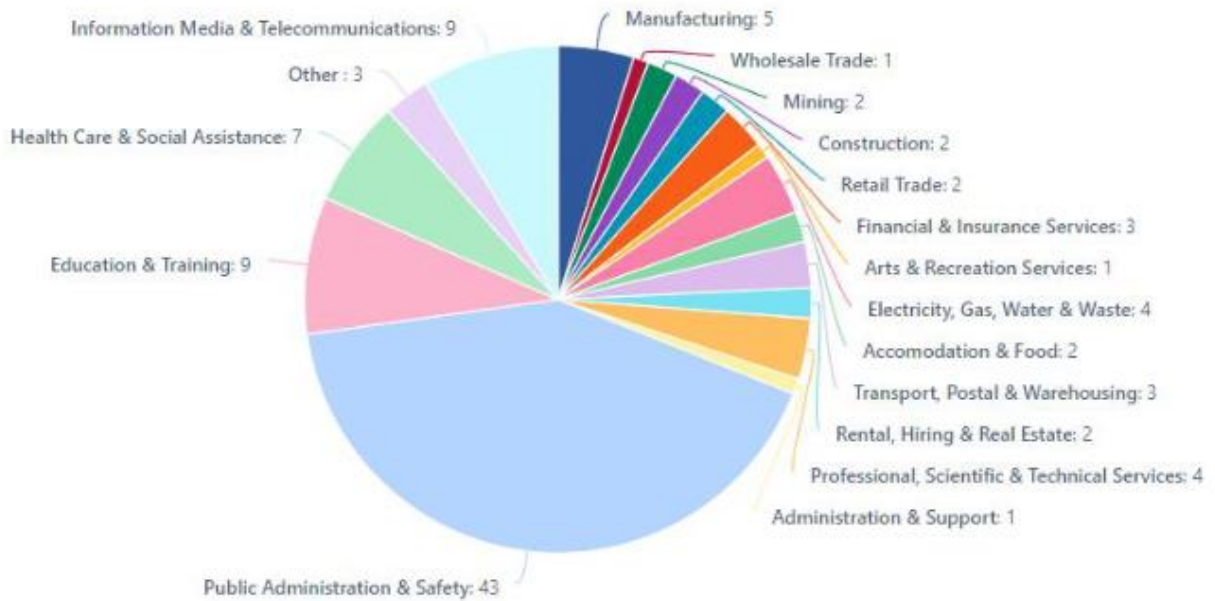
Between 1 July 2022 and 30 June 2024, the Council’s Information Services Unit tracked and reviewed two (2) Information Security incidents. Details of these incidents are set out in Table 1 below.

TABLE 1: INFORMATION SECURITY INCIDENTS 1 JULY 2022 TO 30 JUNE 2024

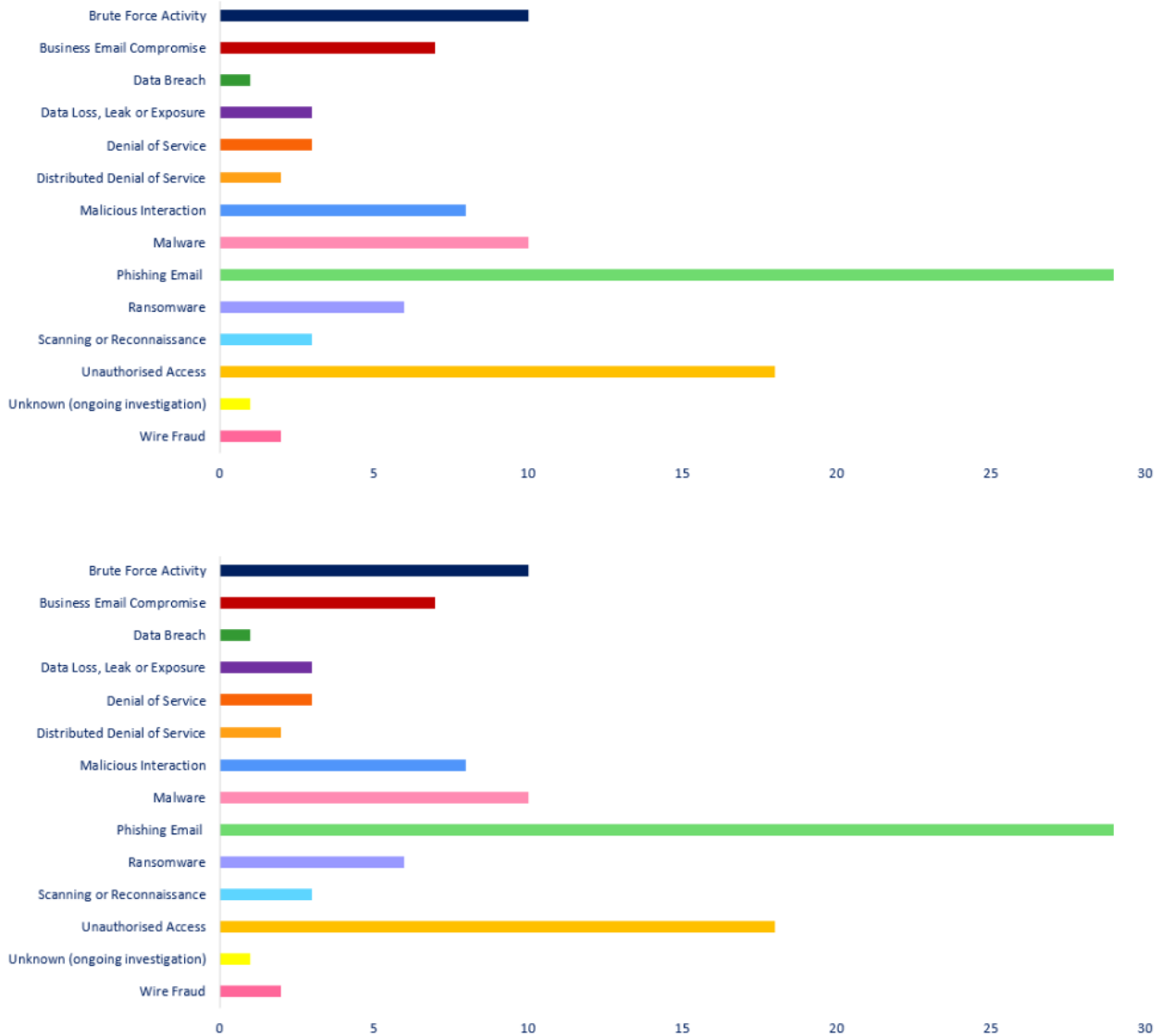
Date	Threat type	Impact	Reactive Actions	Preventative actions/Comments
31 March 2023	Credential	A staff member's bank account details were leaked.	The source of the leak was identified, and the staff member was notified.	Staff were provided additional Phishing training. The incident was reported to Cyber.gov and the SAPOL.
22 Nov 2022	Credential	Staff members were storing passwords in insecure locations.	The passwords were locked down and staff members were required to remove the passwords from the insecure locations.	Staff members were reminded of the policy regarding sharing of passwords and keeping passwords secure.

The Public Administration and Safety sector reports the highest frequency of cybersecurity incidents to the ACSC compared to other sectors.

Incidents reported to the ACSC in a month:



The major incident types are phishing, unauthorised access, and malware.



Whilst the Council has successfully implemented advanced email security and next-generation endpoint protection tools to combat phishing and malware, the focus has primarily been on external threats.

However, it is crucial to recognise the significant risk posed by internal threats originating from within the Council's network.

Implementing robust internal protections can be more complex than external defences. While restricting access is essential, it must be carefully balanced to avoid hindering staff productivity. Overly restrictive measures can impede the ability of staff to perform their duties efficiently, potentially leading to frustration and decreased productivity.

Future Priorities: Elevating the Council's Cybersecurity Posture

The Information Services Unit has been proactively implementing additional security measures as part of the Council's equipment replacement program. The current focus is on a network segmentation project to enhance internal protections.

To this end, the Information Services Unit is reviewing opportunities to invest in "Identity Threat Protection" and continuous internal and external vulnerability scanning.

OPTIONS

This report is providing for information purposes only.

CONCLUSION

Additional initiatives, (at a cost of approximately \$50,000 per annum), which significantly strengthen the Council's ability to defend against unauthorised access, malicious interactions, and brute force attacks, will be considered as part of IT Strategy that will be undertaken this financial year.

COMMENTS

Nil.

RECOMMENDATION

That the report be received and noted.

Cr Clutterham moved:

That the report be received and noted.

Seconded by Ms Sandra Di Blasio and carried unanimously.

6.6 STRATEGIC RISK SERVICES PROGRAM UPDATE

REPORT AUTHOR: Manager Governance
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 8366 4593
FILE REFERENCE: qA162025
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to advise the Audit & Risk Committee (the Committee), of the Council's participation in the Local Government Risk Services (LGRS) Strategic Risk Services Program (the Program).

BACKGROUND

The *Statutes Amendment (Local Government Review) Act 2021* (Reform Act), contains the most significant reform to the legislative framework for Local Government since the commencement of the *Local Government Act 1999* (the Act).

Several amendments to the Act and Regulations, which were contained within the Reform Act, commenced on 30 November 2023. This suite of financial and governance accountability changes to the Act, included mandatory risk management related functions for Councils' Chief Executive Officers and Councils' Audit & Risk Committees.

Updates on the application of other legislative changes which impact upon the Committee's operations (in relation to the Committee's Terms of Reference and Work Plan), are the subject of separate items on the Agenda for this Meeting of the Committee.

A copy of the *LGRS Strategic Risk Services Program Scope of Works* is contained in **Attachment A**.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Supporting the Audit & Risk Committee to meet its legislated purpose, functions and activities will ensure the required independent assurance and advice to the Council.

CONSULTATION

- **Elected Members**
Elected Members will be kept informed and participate in the Program particularly regarding the application of risk management principles to strategic planning and decision-making processes.
- **Community**
Not Applicable.
- **Staff**
The implementation of the Program will involve staff from across the Council to assist with embedding effective risk management processes to support the Council, Chief Executive Officer and the Audit & Risk Committee to achieve their mandatory roles in relation to risk management.
- **Other Agencies**
Not Applicable.

DISCUSSION

Section 126 (4)(h) of the Act provides that one of the functions of a Council's Audit & Risk Committee includes:

'reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis'.

This requirement aligns with the other risk management function related changes to the Act which commenced on 30 November 2023. These changes mandate risk management obligations on the Council and the Chief Executive Officer as follows:

- The Council's obligation pursuant to Section 125(3) of the Act:
'A council must ensure that appropriate policies, systems and procedures relating to risk management are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, inform appropriate decision making, facilitate appropriate prioritisation of finite resources and promote appropriate mitigation of strategic, financial and operational risks relevant to the council.'
- The Chief Executive Officer's obligations in relation to Section 99(1)(ia) of the Act:
'to ensure that effective policies, systems and procedures are established and maintained for the identification, assessment, monitoring, management and annual review of strategic, financial and operational risks.'

While the Council has had a risk management framework in place for many years and risk management forms a key component in decision-making at all levels, these legislative requirements warrant a comprehensive review to ensure that the Council has current, clear, robust and effective policies, systems and procedures in place. To this end, LGRS Strategic Risk Services are well placed to assist the Council as the Program is provided to the Council at no additional cost as part of the Council's membership of the Local Government Association Mutual Liability Scheme.

In accordance with the attached Scope of Works, the Program provides a comprehensive approach to embedding effective and sustainable risk management principles and processes to assist with strategic and operational planning and decision making in the Local Government context.

It is envisaged that the Committee will be provided with regular updates on the implementation of the Program and quarterly reporting on strategic, financial and operational risks will be provided to the Committee which will support the Committee to achieve its function in relation to reviewing the effectiveness of the Council's risk management policies, systems and procedures.

OPTIONS

Not applicable as this report is provided for information purposes only.

CONCLUSION

The LGRS Strategic Risk Service Program will provide benefits across the Council and assist with both the implementation of a comprehensive and practical risk management framework, as well as building the required capability within the Council to ensure it can be sustainably maintained.

RECOMMENDATION

That the report be received and noted.

Ms Sandra Di Blasio moved:

That the report be received and noted.

Seconded by Cr Piggott and carried unanimously.

6.7 AUDIT & RISK COMMITTEE TERMS OF REFERENCE

REPORT AUTHOR: Manager, Governance
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 8366 4593
FILE REFERENCE: qA162025
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to present the updated *Audit & Risk Committee Terms of Reference* to the Audit & Risk Committee (the Committee) for consideration prior to being presented to the Council for adoption at the Council Meeting to be held on 2 December 2024. In addition, this report highlights the required changes to the membership of the Committee which will take effect once resolved by the Council.

BACKGROUND

The *Statutes Amendment (Local Government Review) Act 2021* (Reform Act), contains the most significant reform to the Local Government system since the Local Government Act commenced in 1999.

Several amendments to the *Local Government Act 1999* (the Act) and Regulations which were contained within the Reform Act and which impact upon the accountability and governance framework within which Councils operate, commenced on 30 November 2023. A significant number of the amendments focus on the function and activities of Council Audit & Risk Committees and these changes support the legislated purpose of Audit & Risk Committees, as prescribed in Section 126(1a) of the Act, which is to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters.

The changes to the legislative provisions applicable to the Committee primarily relate to the following:

- function and activities;
- membership; and
- reporting

Updates on the changes to the Committee's operations in relation to its functions, activities and membership, have been the subject of previous reports to the Committee. In addition, a separate item on the Agenda for this Meeting of the Committee, provides the opportunity for the Committee to approve the 2025 Committee Meeting dates and Work Plan to support the Committee to meet the expanded legislative functions and activities.

A copy of the updated *Audit & Risk Committee Terms of Reference* is contained in **Attachment A**.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Supporting the Audit & Risk Committee in meeting its legislated purpose, functions and activities, will provide the required independent assurance and advice to the Council.

CONSULTATION

- **Committee Members**
Elected Members will consider the adoption of the *Audit & Risk Committee Terms of Reference* and Committee membership at the Council Meeting to be held on 2 December 2024.
- **Community**
Meetings of the Audit & Risk Committee are open to the public to attend in accordance with the Act. The Committee Meeting documents and Terms of Reference are publicly available on the Council's website.
- **Staff**
The preparation of the *Audit & Risk Committee Term of Reference* has been informed by collaboration between staff from the Council's Governance, Finance and other relevant departments.
- **Other Agencies**
Not Applicable.

DISCUSSION

Terms of Reference

The updated *Audit & Risk Committee Terms of Reference* reflect the expanded legislated functions for the Committee, changed membership and reporting requirements. Given the nature of the changes and associated format updates to the Terms of Reference a new document has been prepared rather than relying on track changes to show the changes.

Membership

Importantly, following the amendments to the Act that commenced on 30 November 2023, the membership requirements for Audit & Risk Committees has changed. In accordance with Section 126(2) of the Act, the majority of Members of the Committee must be Independent from the Council and the membership of the Committee (when taken as a whole), must have skills, knowledge and experience relevant to the functions of the Committee, which includes financial management, risk management and governance.

These changes have consequent implications on the Council's Audit & Risk Committee. Notwithstanding this, Regulation 14(a) of the *Local Government (Transitional Provisions) Regulations 2021* (the Transitional Regulations), provides that a Member of a Council's Audit & Risk Committee holding office immediately before the commencement of the changes to Section 126(2) of the Act, can continue to hold office for the remainder of their term of appointment to the Committee.

While the current membership of the Audit & Risk Committee does not have a majority of Independent Members, it is intended that the legislative membership requirements will be in place at the conclusion of the current term of the Independent Members (ie. by 31 March 2025). This is in accordance with and satisfies the Transitional Regulations.

There has been no change to the total number of Members the Committee may have. In accordance with Regulation 17(1) of the *Local Government (Financial Management) Regulations 2011*, the Committee must have between three (3) and five (5) members (inclusive). With the changes to the Act that commenced on 30 November 2023, the requirement to have a majority of Independent Members on the Committee was added to the Act and reference to the previously required at least one (1) Independent Member was removed from the *Local Government (Financial Management) Regulations 2011*. Therefore, this means that the Committee can no longer operate with three (3) Elected Members.

It is proposed that at the Council Meeting to be held on 2 December 2024, the Council will consider both the adoption of the updated *Audit & Risk Committee Terms of Reference* and the membership of the Committee to meet the legislative requirements.

OPTIONS

The Committee can choose not to endorse the Terms of Reference however this is not recommended. The updated Terms of Reference meet the legislative requirements, provide important guidance to the structure and conduct of the Meetings of the Committee and support the effective operation of the Committee.

CONCLUSION

This report is intended to keep the Committee informed of the progress in implementing legislative change which has had a significant impact on the Audit & Risk Committee. The updated draft *Audit & Risk Committee Terms of Reference* reflect these changes and are therefore recommended for endorsement.

COMMENTS

Nil

RECOMMENDATION

That the draft *Audit and Risk Terms of Reference* as contained in Attachment A are endorsed for the Council's consideration and adoption.

Cr Piggott moved:

That the draft Audit and Risk Terms of Reference as contained in Attachment A and as amended to include the Presiding Member to be an Independent Member, is endorsed for the Council's consideration and adoption.

Seconded by Ms Sandra Di Blasio and carried.

6.8 AUDIT & RISK COMMITTEE 2025 WORK PLAN, MEETINGS AND REPORTING

REPORT AUTHOR: Manager Governance
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 8366 4593
FILE REFERENCE: qA162025
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to seek the Audit & Risk Committee's (the Committee), approval of the proposed 2025 Schedule of Meetings and the draft *2025 Audit & Risk Committee Work Plan*. In addition, this report provides an update on how the activities of the Committee will be reported to the Council following each Committee Meeting.

BACKGROUND

The *Statutes Amendment (Local Government Review) Act 2021* (Reform Act) contains the most significant reform to Local Government since the Local Government Act commenced in 1999.

Several amendments to the *Local Government Act 1999* (the Act) and Regulations which were contained within the Reform Act, and which impact the accountability and governance framework within which Councils operate, commenced on 30 November 2023. A significant number of the amendments focus on the function and activities of Council Audit & Risk Committees with these changes supporting the legislated purpose of Audit & Risk Committees, as prescribed in Section 126(1a) of the Act, which is to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters.

The changes to the legislative provisions applicable to the Committee primarily relate to the following:

- function and activities;
- membership; and
- reporting.

The proposed 2025 Schedule of Meetings meet the requirements of Section 126(5) of the Act, which requires that the Committee must meet at least once in every quarter.

To support the Committee to achieve its expanded function and activities the *2025 Audit & Risk Committee Work Plan* (the Work Plan) has been prepared and is contained in **Attachment A**.

A separate item on the Agenda for this Meeting of the Committee provides updated Terms of Reference for the Committee which reflect the changes to the legislative requirements and expanded functions of the Committee.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Supporting the Audit & Risk Committee to meet its legislated purpose, functions and activities will provide the required independent assurance and advice to the Council.

CONSULTATION

- **Elected Members**
Elected Members will consider the adoption of the updated Audit & Risk Committee Terms of Reference at the Council Meeting to be held on 2 December 2024. Following the first Meeting of the Committee in 2025, the Council will receive a report following each meeting of the Committee at the subsequent Council Meeting. This is in addition to the Minutes from each meeting of the Committee.
- **Community**
Meetings of the Council's Audit & Risk Committee are open to the public to attend in accordance with the relevant legislative provisions. The Meeting documents and Terms of Reference of the Committee, are publicly available on the Council's website.
- **Staff**
The preparation of the Work Plan is informed by collaboration between staff from the relevant Departments within the Council.
- **Other Agencies**
Not Applicable.

DISCUSSION

Meetings and Work Plan

The Meeting dates for 2025 are based on the mandatory requirement for the Committee to meet at least once in every quarter and support the Council receiving the recommendations from the Committee to inform the consideration of key matters as the primary decision-maker.

It is therefore proposed that the Audit & Risk Committee meet in the third week of the month, on a quarterly basis. Meetings will continue to be held on a Monday evening at 7:00pm in the Mayor's Parlour except when the Council Assessment Panel meeting is convened on the same night in which case the Committee Meeting will be held in Meeting Room 3 of the Norwood Town Hall, unless otherwise advised.

The proposed dates for the 2025 meetings of the Committee are:

- Monday 10 February 2025;
- Monday 14 April 2025;
- Monday 14 July 2025; and
- Monday 13 October 2025.

The *2025 Audit & Risk Committee Work Plan* (the Work Plan) has been prepared on the basis of the proposed quarterly Meetings of the Committee and the updated *Audit & Risk Committee Terms of Reference*, which are also being presented to the Committee in a separate Agenda item at this meeting. The updated Terms of Reference reflect the expanded role and function of the Committee, which in turn has been used to structure the scheduling of items to the Committee meetings over the 2025 calendar year.

The Work Plan can be varied as needed should the timing of matters to be presented to the Council for consideration need to change, or new items are added as resolved by the Council or the Committee (within the overall function of the Committee). Any changes to the Work Plan will be discussed with the Committee as required.

It is envisaged that the Work Plan will be used as the basis for reporting to the Council after each meeting of the Committee (the *Audit & Risk Committee General Report to the Council*) and the Annual Report to the Council on the work of the Committee, both of which are required by Section 126(8) of the Act.

Report to the Council after each meeting of the Committee

Section 126(8)(a) of the Act provides that the Audit & Risk Committee must '*provide a report to the council after each meeting summarising the work of the committee during the period preceding the meeting and the outcomes of the meeting*'.

It is proposed to use the Work Plan to inform the *Audit & Risk Committee General Report to the Council* (the General Report) required by Section 126(8)(a) of the Act. Given the Annual Report of the Committee for the 2023-2024 Financial Year was received by the Council at the Council Meeting held on 2 September 2024, and the updated *Audit & Risk Committee Terms of Reference* have not yet been adopted by the Council, the Minutes of the Committee meeting held on 28 October 2024, will suffice until the General Report process commences from the first meeting of the Committee in 2025.

To implement the requirements of Section 126(8)(a) of the Act effectively and efficiently, it is proposed that the Council's Governance Unit will prepare the *Audit and Risk Committee General Report to the Council* following each meeting of the Committee. The Committee's Work Plan and the discussions, resolutions and proceedings of the Committee Meeting will inform the preparation of the report. This report will briefly summarise the matters considered by the Committee.

While the Minutes of the Audit & Risk Committee Meetings have always been presented to the Council following each meeting of the Committee, the General Report is an additional requirement and provides a summary of the activities of the Committee rather than just the resolutions that are made by the Committee. The Minutes of the respective Committee Meeting will be attached to the General Report and the Council will note the General Report and receive the Committee Meeting Minutes as attached.

In terms of the Council's decision-making on matters where the Committee has made recommendations to the Council, or where the Council must take into consideration the recommendation of the Committee, these matters will be the subject of separate reports to the Council depending on the nature of the matter. This ensures the functions of the Audit & Risk Committee are clearly separated from the primary decision-making role of the Council.

OPTIONS

The Committee needs to approve the 2025 Meeting dates to ensure the appropriate scheduling of items and meet the legislative quarterly reporting requirement.

While the Committee can choose not to approve the Work Plan it is strongly recommended that the Work Plan as presented be adopted to ensure that the Committee continues to meet its legislative obligations.

The Work Plan and the General Reports will inform the preparation of the *Annual Report of the Audit & Risk Committee*, which will be approved by the Committee prior to being presented to the Council and included in the Council's Annual Report.

CONCLUSION

This report is intended to assist the Committee meet its legislative functions and reporting obligations, and as such, it is therefore recommended the attached proposed meeting dates for 2025 and the *2025 Audit and Risk Committee Work Plan* are approved for this purpose.

RECOMMENDATION

That the Audit and Risk Committee:

1. Approves the following Meeting dates for 2025:
 - Monday 10 February 2025;
 - Monday 14 April 2025;
 - Monday 14 July 2025; and
 - Monday 13 October 2025.
 2. Approves the *2025 Audit and Risk Committee Work Plan* as contained in Attachment A.
 3. Notes the *Audit & Risk Committee Work Plan* will form the basis of scheduling items for Meetings of the Committee and the required *Audit & Risk Committee General Report to the Council* following each Meeting of the Committee.
-

Cr Clutterham moved:

That the Audit and Risk Committee:

1. Approves the following Meeting dates for 2025:
 - Monday 10 February 2025;
 - Monday 14 April 2025;
 - Monday 14 July 2025; and
 - Monday 13 October 2025.
2. Approves the *2025 Audit and Risk Committee Work Plan* as contained in Attachment A.
3. Notes the *Audit & Risk Committee Work Plan* will form the basis of scheduling items for Meetings of the Committee and the required *Audit & Risk Committee General Report to the Council* following each Meeting of the Committee.

Seconded by Cr Piggott and carried unanimously.

7. CONFIDENTIAL REPORTS
Nil

8. OTHER BUSINESS
Nil

9. NEXT MEETING
To be advised.

10. CLOSURE

There being no further business the Presiding Member declared the meeting closed at 8.18pm.

Mayor Robert Bria
PRESIDING MEMBER

Minutes Confirmed on _____
(date)