



DISTRICT COUNCIL OF COOPER PEDY

"Opal Capital of the World"

PO BOX 425 COOPER PEDY
SOUTH AUSTRALIA 5723
PHONE: (08) 8672 4600
FAX: (08) 8672 5699
E-mail: dccp@cpccouncil.sa.gov.au
www.cooperpedy.sa.gov.au

ADMINISTRATORS SIXTH REPORT ON THE ADMINISTRATION OF THE AFFAIRS OF THE DISTRICT COUNCIL OF COOPER PEDY TO THE MINISTER FOR LOCAL GOVERNMENT 27 SEPTEMBER 2024

The Administrators of the District Council of Cooper Pedy (the **Council**) are required to provide reports to you on the administration of affairs of the Council at intervals of not more than every three months, pursuant to section 273(13) of the *Local Government Act 1999*, with the sixth report of the current Administration team due by 27 September 2024 in accordance with the then Minister's letter dated 12 April 2023.

Regarding the financial management of the Council and progress made since our appointment as Administrators, I provide the following information which should be read in conjunction with the previous reports, the most recent being that report dated 28th June 2024.

1. 2024-25 Financial Reporting

Regular monthly reports continue to be provided to the Council, prepared on an exception basis highlighting positive and negative items, overall trends, and a forecasted 30 June 2025 result.

Key information presented is provided in the following table:

Forecast 31 August 2024 Position

	FY25 Adopted Budget	Forecast FY25 – as at August 2024	Variance
Income	\$19,248,892	\$19,248,892	\$0
Expenditure	\$19,692,204	\$19,692,204	\$0
Internal Charges	(\$1)	(\$1)	(\$0)
Operating Result	(\$443,311)	(\$443,311)	\$0
Underlying Operating Result	(\$259,078)	(\$259,078)	\$0
Cash Position at 30 June 2024	\$401,608	\$317,527	(\$84,081)
Capital Expenditure	\$474,056	\$474,056	\$0

There has been no change to the forecast since the adoption of the original budget. The only change to the cash forecast is a result of the reduced opening balance. As assets continue to fail Council must make decisions regarding continuity of service and value for money. Often Council is forced to select the option based on what it can

do in the moment, which is not always the best decision financially or strategically in the long-term.

However, it must be noted that based on the ESCOSA Council advice scheme, the Administrators and the Audit and Risk Committee have raised ongoing concerns about the financial sustainability of Council. Based on this the ESCOSA advice to other Councils is, this position is unsustainable due to recurring operating losses and the inability to meet service requirements of our assets, or meet the required basic essential service levels, community expectations and potential increases in costs of supplying services to Coober Pedy. Coober Pedy is scheduled for its ESCOSA review in FY26, unless significant progress is made during FY25 regarding the following strategic documents, the report will not be an accurate assessment of the Council due to the limited information available:

- Updated Strategic Plan;
- Updated Infrastructure, Asset Management Plan (**IAMP**); and
- Updated Long Term Financial Plan (**LTFP**) including Asset replacement based on an updated IAMP.

Council has been advised that the State Government will be undertaking a service review project. Council has been endeavoring to focus on constraining costs in our budget and reducing expenses, however this can also be to the detriment of our service level delivery. We are operating on a very tight organisational structure and budget given the level of limited services that Council provides.

This has a recurring aspect to the ongoing financial position of Council as we are not able to invest in asset renewal at a time when our assets have long been neglected and are impacting on our service delivery. Council are in desperate need for an injection of capital investment in the renewal of our key assets. The most recent incident was the failure of the generator at the bore, which raised concerns that the town would run out of water. Council was able to temporarily repair the generator using the parts of three different engines, a new generator has been purchased to ensure ongoing water supply. The purchase, repair and installation of the new generator is estimated to be \$50k.

All monthly financial reports and budget reviews have continued to be distributed to the Local Government Finance Authority (**LGFA**) and Office of Local Government (**OLG**).

Cash Flow

The ongoing management of the cash flow of Council continues to be a tightrope and balancing act, which continues to be challenged by extra cost pressures being uncovered including:

- Capital purchases – As mentioned above Council has already had to approve unbudgeted capital expenditure at the risk of not being able to deliver an essential service.

A revised cash flow forecast will continue to be reported each month (including to the OLG) based on updated information as it comes to hand.

At the start of the FY23/24 as part of arrangements for the Remote Area Energy Scheme (**RAES**) subsidy, Council committed to ensuring that it would use its best efforts to cap the amount of Council's unpaid EDL invoices during FY23/24 to at or below the balance held at 30 June 2023 (i.e. \$2.713 million). Council is pleased to report that the balance of unpaid EDL invoices at 30 June 2024 was \$2.477 million, \$0.236 million less than the 30 June 2023 balance. During 2024 however, Council has not been able to significantly reduce the balance and has continued to hold an outstanding balance each month. It is now making partial invoice payments as the cash received is not sufficient to enable a full invoice payment in the months outside of the subsidy payments by RAES.

On an ongoing basis, careful monitoring is required to ensure that cash is available at the time payments are required. Any delays in receipts does have a flow on impact of delaying payments. Council is monitoring its Debtors balances closely as levels of hardship experienced by ratepayers is increasing.

FBT Liability 2008-2018 (11 years)

Council has been working with a specialist FBT consulting firm to review and prepare the FBT returns for the 11 years from 2008 to 2018. As previously reported, the lack of accurate and detailed record keeping in the past has meant this has been a complex and time-consuming task, requiring a detailed review of general ledger transactions to prepare these returns and sourcing original documents from archives, which due to historical poor record keeping was not always successful.

As previously reported, we have been provided an estimate of the FBT liability owing by Council to the ATO, which including the General Interest Charges (**GIC**), totals **\$811,000**.

Management has reviewed the letter to the ATO and the ACEO has provided final approval for submission. In the letter, Council has requested a full remission of both the outstanding liability and the GIC. If the full remission is not approved then Council will approach the ATO for a payment plan to start as soon as approved by the ATO.

There are no guarantees that there will be a remission of interest or that the payment plan will be approved. As such, the current position is that the outstanding amount would be due to be payable now. The amount of liability is still subject to review and assessment by the ATO.

2023-24 to 2032-33 Long-Term Financial Plan (LTFP)

The current 2023-24 to 2032-33 LTFP was adopted on 26 July 2023. The only changes made post public consultation and to the draft previously provided to the OLG was to align the base year of 2023-24 with the 2023-24 Annual Business Plan and Budget.

Work is underway as part of the 2024-25 Annual Business Plan and Budget process to update the 2024-25 to 2033-34 LTFP, noting that the asset renewal expenditure is based on a revised asset value and a schedule based on available cash, as mentioned previously.

Internal Controls

Council continues to review and implement a new suite of Internal Controls to ensure a good level of governance moving forward. At the start of the FY24 year Council staff developed an Internal Controls manual which documents Council's processes for internal controls based on the LGA's better practice model. The draft Internal Controls manual was tabled with the Audit and Risk Committee (**A&RC**) in November 2023.

At the interim audit conducted in April 2023, there were 41 controls identified in the self-assessment conducted by Council staff in addition to the 11 controls identified by external auditors (Bentley's) that were not operating effectively.

In the most recent interim audit conducted in April 2024 there were 19 controls identified by staff and 8 controls that were identified by external auditors. Based on the significance of controls identified as not operating effectively, Bentley's have confirmed that they will again qualify Council's Internal Controls in their forthcoming Audit Report. Bentley's initial report acknowledged the ongoing improvements by Council observed during their assessment.

The key areas of deficit in Council's internal controls relate to the following:

- Council updating its key strategic documents and ensuring linkages with each of these documents e.g. Strategic Management Plan, Infrastructure Asset Management Plan, Long-Term Financial Plan and Annual Business Plan and Budget.
- Documented policies, procedures and processes. This includes staff not following or understanding the processes that are currently in place.
- Accurate record keeping such as retaining supporting documentation that demonstrates compliance with policies and procedures, preferred supplier register, and contracts registers.
- Ensuring staff understand their obligations and responsibilities.

Drafts of various policies requiring review / establishment are also underway and it is anticipated that as the policies are drafted, they will be tabled to the A&RC for review in due course.

Interim Audit Report

The other item of significance for Council in the interim audit report is the revaluation of its asset classes. Bentley's had noted in their letter that "The revaluation assessment and accounting treatment for fixed assets may be incorrect" and that "most of the asset classes have not been revalued for five years and accounting standards required to perform fair value measurement on regular basis if revaluation model adopted".

Bentley's will be reviewing this as part of their year-end testing; however they have noted that "If valuations are not obtained for the 2024 financial year, we may need to qualify our audit opinion".

It should be noted that following the passing of the South Australian State Government FY25 Budget, and the announcement that the State Government has set aside funding to support a municipal service review and development of an asset management plan for the continuing provision of sustainable services in the District of Coober Pedy Council area, the Administrators acknowledge this support and thank the State Government for this assistance.

Other issues mentioned in the Bentleys' Management letter relate to the following:

- Going Concern and sustainability
- Electricity and Water Debtors provision
- RAES reconciliation and accrual
- Application of AASB16 for EDL Contract

Outstanding Debtors

Council is still very concerned with the growing outstanding debtors, particularly the electricity debtors. As at 31 August 2024 there are 52 electricity accounts with an outstanding balance totalling \$360k; all of whom are experiencing hardship. Note this is less than the previous report of 58 accounts with a balance of \$421k as there was a write-off of accounts processed in June 2024 of \$150k. While arrangements are in place for some account holders to make regular payments, the payments are not covering the average consumption and therefore their debt continues to increase. Under the essential services license Council is not authorised to cease provision of electricity whilst there is an active payment plan in place. The overall outstanding electricity balance as at 31 August 2024 is \$888k, which includes \$114k of accounts in credit.

The outstanding debtors for water as at 31 August 2024 is \$686k, which includes \$77k of accounts in credit. An account with a value of \$228k belongs to one customer. This outstanding debt is being handled by the Acting Chief Executive Officer and the State Government. This debtor represents 33% of the total outstanding balance owed to Council which is significant. Should these funds not be received, this has the impact of delaying the repayment of funds to EDL.

Both classes of debtors continue to severely impact Council's ability to manage cashflow.

The outstanding debt for non-payment of Council rates has increased from \$306k in June 2022 to \$574k in August 2024. There is currently 6% of the outstanding balance identified as qualifying for auction (under section 184 of the *Local Government Act 1999*) and another 9% that is being managed by the debt collection agency, with a further 19% that is overdue. Combined this is a total of \$196k that is outstanding.

Local Government Finance Authority Loan Impairment

Communication was received on 14 September 2023 from the LGFA regarding its intent to record an impairment, per the Accounting Standards, on the loan owing by the District Council of Coober Pedy. This does not constitute a waiving or forgiveness

of this loan on the part of the LGFA. The LGFA remains committed to working with Council and the State Government to ensure all funds owing are repaid. Notwithstanding this, it does mean that if the LGFA was to advance any funds to Council in near future, it would need to impair this amount at the same time as the advance was made.

Council received advice on 18 June 2024 that the LGFA has approved a further rollover with an extension of the loan period to seven months as opposed to the previous four months offered. This is further recognition of the work underway by Council and an easing of concern by related parties.

2. Progress on John Comrie Report March 2022 Recommendations Including Addendum of March 2023 – Updated June 2024.

RECOMMENDATION No.1: That Council develop and document an accounting policy specifying:

- a) arrangements for the application of corporate overheads in calculating the cost of water, sewer and electricity (WSE) and municipal services; and*
- b) the basis of determining and levying overheads and their rate and rationale and it be reviewed by Council's audit committee before adoption.*

Status - Complete

A draft of this methodology was presented to the A&RC at the July 2023 Meeting. The A&RC requested further information, Council adopted an 'Overheads Allocation Methodology Policy' at the November 2023 Council meeting, at which time the methodology was recommended for adoption.

There was a small change made to the FY25 Methodology which was presented to the A&RC in May 2024. The revised methodology was recommended to Council, also in May 2024, where Council resolved to adopt the methodology and instructed the CEO to incorporate within a Council Policy.

RECOMMENDATION No.2: That Council satisfy itself that the asset base upon which it generates a cost of capital is an appropriate base given the best available information regarding the extent to which assets were gifted to it.

Status - Complete

A draft paper on the Business Unit Opening Balances and Accounting Principles was presented to the A&RC for review at its May 2024 meeting, before recommendation was made to Council. Council adopted this recommendation and as a result a cost of Capital will be applied in the future. There will also be monthly reporting on the income statements and Balance Sheets for each business unit.

RECOMMENDATION No.3: That Council develop an explicit policy that clearly details the rationale as to whether the revenue raised through the levying of a cost of capital charge in determining water, sewer and electricity charges be applied to offset the cost of municipal services.

Status - In Progress

Linked with Recommendation No.2 (above) the cost of capital rationale has now been adopted and staff will now draft the Policy.

RECOMMENDATION No.4: That when reporting proposed, actual and projected financial performance in its Annual Business Plan, budget reviews, long-term financial plan and end of year financial statements (in the case of the financial statements as supporting notes) DCCP separately report on each of water, sewer and electricity and then disclose all of the remainder separately as municipal.

Status – In Progress

This recommendation has now been adopted both in the Annual Business Plan (**ABP**) and in the monthly reporting structure.

Further enhancements to this were reached with the completion of Recommendation No.2 (above), which adopted the opening balance sheet balances to be used in the Annual Budget and the LTFP.

RECOMMENDATION No.5: That Council review the financial indicators that it uses to report performance and the targets it sets for desired achievement and ensure through its revenue and expenditure decisions, that these targets are achieved (at least on average every 3 years) on an ongoing underlying basis. These targets also to be separately set and monitored for municipal and each of water, sewer and electricity activities.

Status – In Progress

Targets are being drafted and a report prepared to submit to the A&RC for review and recommendation along with the updated LTFP, prior to adoption by Council.

RECOMMENDATION No.6: DCCP manage its water, sewer and electricity activities as separate 'business units' (as far as practically feasible) including giving consideration to formally establishing one or more subsidiaries for their oversight.

Status – On Hold

Given the implications and resource investment required to establish subsidiaries this recommendation is on hold.

In the interim changes were made to the management reporting structure in FY23 & beyond, which is enabling a more individual view of each of these business units (see also Recommendation No.4 (above)).

RECOMMENDATION No. 7: That DCCP, LGA of SA, LGFA and State Government representatives meet with a view to agreeing arrangements for DCCP to fully repay its arrears to EDL as soon as possible.

Status - Ongoing

Cash Flow projections are produced every month and discussions are ongoing with the various parties regarding the Council's Cash Flow situation. Council has ensured that the repayment of the EDL liability continues to be priority through the LTFP process, however Council and the A&RC do not see the repayment occurring earlier without further significant increases in Council rates which is not sustainable for the community, significant decreases in municipal service levels or by the sale of some Council assets or a combination of all or some of these options.

As of 23 September 2024 the outstanding amount owing to EDL is \$1.178m, for the August to September invoices. Council is now making partial invoice payments as the cash received is not sufficient in a month to cover an entire invoice.

RECOMMENDATION No.8: That DCCP's asset management plan and long-term financial plan be revised to ensure that proposed asset renewal expenditure in both documents is identical and up-to-date and reasonably reliable based on best estimates.

Status – To be Commenced

The current adopted Infrastructure and Asset Management Plan (**IAMP**) was adopted in 2021 and is outdated and requiring review. This current' version for LTFP FY23/24 incorporates more likely asset replacement requirements based on cash flow and likely replacement. The draft LTFP FY24/25 also incorporates this likely asset replacement requirements based on cash flow and forecast replacement

Council will add the IAMP update to its work plan, with the date pending updated Asset Revaluations.

Council requested quotes for the provision of revaluation services in January 2024. The request for quote resulted in five respondents providing serious submissions. Council is unable to fund this work without impacting the repayment of the EDL arrears, the repayment of LGFA borrowings or asset replacements to fund this work and the subsequent Asset Management Plan.

As noted previously however (page 5), the State Government has recently announced an allocation of \$250k in the FY25 State Budget to assist Council in undertaking a services review and asset revaluations to further inform the future development of a revised IAMP, and the LTFP.

RECOMMENDATION No.9: That DCCP develop a risk register and it be regularly updated as warranted and be monitored and reviewed at least annually by its audit committee.

Status – In Progress

Council staff have commenced work on developing a risk register. The initial workshop with Council staff was held on 9 June 2023 and Council staff have identified its tolerance for risk for each risk category. It is now in the process of developing the detailed strategy and risk register.

Council also presented an update of the risk register progress to the A&RC at the February meeting, where the committee requested further detail to be provided at a later date.

RECOMMENDATION No. 10: That DCCP's audit committee develop a work program that addresses all legislatively supported and other warranted as appropriate responsibilities and that it monitors this program at each of its meetings. This work program should be included in each audit committee meeting agenda and the meeting minutes record the outcome of the committee's review of same.

Status - Ongoing

The A&RC work plan has been developed and has been tabled at each meeting.

The A&RC is continuing to review and make recommendations each meeting.

RECOMMENDATION No.11 That given DCCP's current financial position and the uncertainty of the possible future sale of its water function, it bases its long-term financial plan and asset management plan, on having ongoing responsibility for the water function until it becomes otherwise certain and that it set its budget and financial strategies based on these documents.

Status - Complete

The ABP and Budget for FY24 has assumed ongoing responsibility for the water and electricity assets. The water tender project has now been closed with no viable options tabled.

The water business is the subject of ongoing discussions both amongst Council and with the State Government, particularly regarding the ongoing sustainability of the District Council of Coober Pedy's Municipality.

RECOMMENDATION No.12: That Council considers the capacity for real increases in general rates or reductions in operating costs as a means to eliminate its municipal operating deficit.

Status - Complete

The FY24 Budget adopted by Council included a 20% increase to municipal rates and a 30% increase to water usage tariffs to ensure full cost recovery for the supply of water. The draft FY25 Budget (currently released for public consultation) has proposed a 10% increase in municipal rates and a 5% increase in water usage tariffs; which is aligned with the projections previously released in the LTFP.

Council must also consider future rates and service charges increase expectations against ratepayer and community affordability and the capacity of ratepayers and the community to be able sustain future increases and as detailed in the Council Advice through the ESCOSA Council advice scheme, as a common theme to all Councils, there is a real need to minimise the impact of future rate expectations on the community where possible.

3. Compliance Matters Addressed since June 2024 Report

Since the last report the following compliance matters have been addressed:

1. Annual Business Plan 2024/25 - We adopted our Budget for FY24/25 and declared our rates on 5 July 2024. A copy of our [Annual Business Plan for 2024/25](#) can be found on our website via this [link](#).
2. Fees and Charges for 2024/25 - We adopted our Fees and Charges Schedule for FY24/25 on 26 June 2024.
3. Council Policies - We adopted the following policies:
 - a. Our “Water Leakage Policy” was reviewed and updated at the 28 August 2024 Council meeting.
 - b. A new “Council Members Allowance and Benefits Policy” was adopted on 31 July 2024 and the required “Council Members Allowances and Benefits Register” was published albeit a nil content register until an elected Council is in place.
 - c. A new “Debt Recovery Policy” was adopted on 31 July 2024.
 - d. Council adopted a “Fraud, Corruption, Misconduct and Maladministration Prevention Policy” at the Council meeting on 28 August 2024.
4. Audit and Risk Committee Membership - We called for Expression of Interest for two positions on our Audit and Risk committee whose terms of appointment had expired in line with the Committee’s Terms of Reference. Subsequently Council appointed Mr Mark Booth (Presiding Member) and Mr Steve Mathewson as two Independent Members for this Committee.
5. External Auditor - We have invited Request for Quotations for our External Audit function as the current term has expired from the end of FY23/24.

Council will consider this appointment at its Council meeting on 25 September 2024.

6. Building Fire Safety Committee (BFSC) – As previously reported, Council does not have a BFSC established to address the requirements of section 157 of the *Planning, Development & Infrastructure Act 2016*. To address this shortfall, we have:
 - a. Set aside funds in our FY24/25 budget to fund the commencement of a new BFSC;
 - b. Drafted some Terms of Reference for a potential BFSC but these are yet to be endorsed by Council;
 - c. Met with other council representatives to explore potential resource sharing or joint operations opportunities;
 - d. Had two meeting with representatives from Department of Planning, Transport and Infrastructure (**DPTI**) from the Planning and Land Use Services area including one with Ms. Sally Smith the Executive Director – Planning and Land Use Services to consider options for joining with the State's Outback Communities Authority BFSC or having the state undertake our BFSC requirements with some support from Council;
 - e. In accordance with council resolution a letter was formally written to Ms. Sally Smith, the Executive Director – Planning and Land Use Services to explore options for our BFSC;
 - f. Enacted part d above.
7. As outlined in the John Comrie Recommendation No.1 (above). Council is in the process of converting its Overheads Methodology into a formal Council Policy.

4. Other Matters Addressed or Arisen since our last report

Swimming Pool License

We have entered into a new license agreement for the shared swimming pool facility for the town which is on Department of Education land (being the local school) and operated by Council employees.

RAA Electric Vehicle (EV) Charging Station

We are pleased to advise that we have, in partnership with the RAA, completed the installation of two EV charging stations in front of the Council Offices in Hutchison Street.

Drive-In Screen

We are continuing to work with our insurers (Local Government Asset Mutual Liability Scheme) and engineers to identify the requirements for the reinstatement of the screen and its associated infrastructure - primarily the framework that holds the screen up to identify costs and how much is to be provided by our insurers. This follows the storm damage in November 2023.

Chief Executive Officer (CEO)

Since our last report to you our then Acting Chief Executive Officer has resigned, finishing up on 12 July 2024. Since that time our Works Manager was Acting CEO for two weeks, following that Ms. Chevahn Hoad, Executive Officer for Kanku Breakaways. Ms. Hoad is a Council employee seconded from the Breakaways and has acted in this role for short periods previously.

On 19th August Mr. Garry Herdegen commenced in Coober Pedy as Acting CEO for a fixed term of 6 months whilst we continue to recruit. Garry has held Senior Management roles for over 35 years in Local Government.

We are still actively seeking to fill the role of CEO through our recruiting agent McArthur Recruiting as well as approaching several known potential candidates.

We have also met with representatives of the Remuneration Tribunal and formally written to the Tribunal seeking exemptions from certain requirements (Accommodation and Airflights) being included in our CEO remuneration package. This is something we have identified as a major problem in recruiting a CEO.

Recently we were advised that our application to the Remuneration Tribunal was successful in that our CEO Salary range is now \$197,600 - \$274,437. This is a \$40,000 increase to allow us to provide accommodation, monthly travel to and from Adelaide and provide a retention bonus to a potential suitable CEO candidate.

5. Summary of the Key finding from the Auditor General's Report of 2018

Given your recent commencement as the Local Government Minister and some comments made at the public meeting on 31 July 2024 in Coober Pedy it is an appropriate time to reflect on the key findings from the Auditor General's Report of 2018 which are set out below under his key headings. Arguably it is this report that partially (if not wholly) led to the suspension of the elected body of Council Members and the appointment of Administration.

Understanding the Council's financial position and performance

Findings

- 8.4.1 The Council's financial position
- 8.4.2 The Council's financial performance
- 8.4.3 Child care services incurred significant losses

Financial reporting

Findings

- 10.3.1 The Council did not prepare financial statements on time
- 10.3.2 The Council did not submit audited financial statements to the Minister on time or at all
- 10.3.3 The Council's financial statements were certified without proper authority
- 10.3.4 The Council's certification of internal controls was inadequate
- 10.3.5 Incorrect and inconsistent accounting practices

Borrowings

Findings

- 11.4.1 The Council's debt levels are not sustainable
- 11.4.2 The Council failed to assess the impact on its financial sustainability
- 11.4.3 The Council failed to adequately explain its debt requirements
- 11.4.4 Funds were borrowed without the Council's approval
- 11.4.5 Loans were not repaid on receipt of expected funds

Electricity grants

Findings

- 12.3.1 Council failed to meet its reporting obligations under the Remote Areas Energy Supplies agreement
- 12.3.2 Council failed to provide annual audited financial statements in the form specified in the Remote Areas Energy Supplies agreement
- 12.3.3 Reconciling actual revenue and expenses to budgets and adjusting for calculated overpayments
- 12.3.4 Understanding the significance of the Council's failure to prepare and submit quarterly returns

Strategic management

Findings

- 13.3.1 The Council has not reviewed its strategic management plans since March 2013
- 13.3.2 The Council failed to review and update its long-term financial plan

- 13.3.3 The Council failed to prepare reports to adequately monitor its financial performance over three financial years
- 13.3.4 The Council failed to report on its financial results for three years
- 13.3.5 The Council incurred expenditure without proper authority
- 13.3.6 The Council failed to consider key financial information
- 13.3.7 Annual budgets were inconsistent with the financial statements

Audit committee

Findings

- 14.3.1 The Council did not have an audit committee for six months in 2016
- 14.3.2 The Council's audit committee did not meet regularly
- 14.3.3 The audit committee failed to provide advice at the Council's request
- 14.3.4 The audit committee failed to oversee the section 130A investigation process and outcomes
- 14.3.5 The audit committee failed to provide advice to the Council on its financial statements for the years ended 30 June 2015 and 30 June 2016
- 14.3.6 The audit committee failed to provide information relevant to the Council's strategic and annual planning processes

Information technology controls impacting financial data

Findings

- 15.3.1 Lack of user access controls to the Council's systems and data
- 15.3.2 Known high risk general IT control deficiencies exist
- 15.3.3 Limited vendor support contracted to assist the Council

Policies, practices and procedures of internal controls

Findings

- 16.3.1 Lack of documented policies and procedures
- 16.3.2 The Council had not performed significant accounting control procedures
- 16.3.3 Assessment of the Council's controls by other parties
- 16.3.4 The Council's own assessment as communicated to the Minister

Other observations

Finding

- 17.1 Failure to document the appointment of the acting CEO

6. Register of Key Known Non-Compliance Items

Date Identified	Issue	Reference	Details
2023	Building Fire Safety Committee	Nonexistent	Refer to more detailed comments on action taken in this area.
2023	Asset Management Plans	Either non-existent or outdated	This information is currently unreliable to make informative decision on and has not been reviewed in a timely manner. Council has been advised that financial support has been included in this year's state budget but Council is yet to be advised on how this can be accessed.
Mar 2023	Records Management	Non-Compliant	
May 2023	Authorizations		Non in place that we have been able to find.
May 2023	Strategic Plan	LG Act S122	Not reviewed since 2013 as per Council's website. Council does not have the resources to address this in the short term. Given the proposed review of Council's Asset management Plans and the Service Review Project it is proposed to put this on hold until the finalization of those projects.
Jun 2023	Policies		Not all policies have been reviewed in a timely manner and not all required policies are in place nor up to date. Council continues to work through the gaps in this area focusing on those that are legally required as a priority. Some have been addressed in this report.
Jun 2023	Delegations - Most Acts	Review released 24 July 2023 and July 24 for the PDI Act	Delegations reviewed in June 2023 but the Subdelegations have not all been addressed as at Sept 2024. Council staff continue to work on the subdelegations as time permits. The PDI Act Delegations were updated in August 2024 and many of the subdelegations have now been documented.
Jul 2023	CEO Delegations directly from various Acts	LGA News Update 24 July 2023	Now updated and on Council website – Completed August 2024

Jul 2023	Community Land Management Plans (CLMP)	LG Act S196(1)	These are not all in place although a CL register does exist on Council's website. Council reviewed this in 2023 and adopted CL categories for CLMPs to be developed and work is progressing.
Aug 2023	CEO Performance Review		Council should have some KPIs for the CEO to focus on and their performance be assessed against in 2024. This has been difficult to put in place due to the difficulty in recruiting a more permanent CEO.
Aug 2023	Publicly required Registers	Need to check if we have all publicly required Registers in place.	
Sept 2023	Public Health Plan	Council does not have a current PH Plan	Council has been approached by the states Acting Chief Public Health Officer to provide the latest PHP but this is beyond our current capabilities in resourcing and financially. We have received a quote for this work of \$25,000 and are currently seeking options for funding this work.
Jun 2023 and May 2024	Internal Controls	External Auditor's Interim Management Report to Council's Audit & Risk Committee	Reported to Council and Council resolved to provide resources as they become available to develop the internal control gap

7. Other Key Matters of Importance

Council Garbage Truck

We have again experienced downtime and poor community service recently in July when both our general use garbage truck and our back up truck have been out of action and we had to hire a third garbage truck. Our current truck is 13 years old and continues to be unreliable. We see no short-term solution to this as we are not permitted to outlay any capital funds for plant replacement unless it is fully funded by external grants. The estimated cost for a new garbage truck is of the order of \$350,000.

Electricity Right of Use Lease Entries

Following the change in accounting standards relating to AASB16 in 2021, Council was required to recognise the asset and liability relating to its long-term Electricity Lease. The impact of these changes meant that Council was now recognising

interest, depreciation, and a reduction in the principal payment for the fixed lease component, relating to this lease in its Operating Statement. In 2023/24, the net of these charges was \$570,535.

These right of use lease entries are not covered by the Regional Areas Electricity Scheme (RAES) deed of grant and must be covered by funds raised by Council. Council's only option to fund this is through the electricity cost of capital, depreciation or municipal rates. Noting that the purpose of the electricity cost of capital and depreciation is to fund capital renewal and replacement not operational costs. Likewise, the purpose of Municipal rates is to fund municipal operations not other business activities.

Conclusion

We continue to have very serious concerns about Council's viability, as a growing concern which we have been requested to formally document to our Auditors. This is due before the end of September 2024.

We are very thankful that the State Government has committed to provide support in assisting with some of our key priorities which are well beyond our funding and resources capabilities.

It would be useful to meet with you again, and separately with the Task Force in the very near future.

Please do not hesitate to contact me if you have any questions or requirements of us.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Geoff Sheridan', with a stylized flourish at the end.

Mr Geoff Sheridan

Principal Administrator