



MINUTES

South Australian Local Government Financial Management Group Executive Committee meeting held on 24 February 2017 at 9:30am at the District Council of Mount Barker (Council Chambers – 6 Dutton Road, Mount Barker)

1. Present

Committee:

- Clive Hempel (President)
- Kate George (Vice President)
- Marcus Smith (Treasurer)
- Karishma Reynolds (Secretary)
- Anita Futterer
- Anna-Lucia Draper
- Annette Martin
- Diane Eckermann
- Gary Lewis
- Julie Campbell
- Kate George
- Leta Northcott
- Mark Lague
- Michael Wetherall
- Norm Biggs
- Pep Piscioneri
- Rajith Udugampola
- Simon Zbierski
- Stephanie Juhas

Proxies:

- Grant Jennings, Alexandrina Council (for Elizabeth Williams)

Observers/Guests:

- Shane Sody, Local Government Association of SA
- Tim Muhlhausler, SA Local Government Auditors Group (SALGAG)
- Kevin Carter, City of Onkaparinga
- Max Murawsky, District Council of Mount Barker
- Sunny Lim, City of Playford
- Paul Francis, Adelaide Hills Council
- Andrew Ngo, City of Mitcham
- Tim Aplin, City of Salisbury

2. Apologies

- Alexander Oulianoff
- Anthony Amato
- Chris Birch
- Craig Mudge
- Eion Williamson
- Elizabeth Williams
- Gary Long
- Ray Barnwell
- Sabine Schuhrer, University of Adelaide

3. Presentations

3.1 Tim Muhlhausler, SA Local Government Auditors Group (SALGAG)

- AASB124 Related Party Disclosures
 - There is no mandatory requirement for a policy. A methodology and procedure to capture the data for the statements is an option. A policy can help formalise the requirements if a Council wishes to do so.
 - Council's need to capture the "must have's" that are included in the model financial statements. Key management personnel need to be included in the data capture, from there down it is a matter of judgement for example, who in Council has discretionary decision making powers and therefore can make decisions on behalf of Council through their delegations (procurement staff, staff who sit on selection panels, staff with high financial delegated powers, development staff who have development application delegated powers, senior engineering staff and staff who may be involved heavily in procurement). Councils will need to use qualitative and perception factors and consider reputational risk when deciding what to include.
 - Councils need to capture the data, however there are no specific rules. Auditors will be looking at transactional data, the creditor's master file, key management personnel names, payroll data transactions and KMP's.
 - It is an offence to reveal anything on the register of interest for staff.
 - Data can be captured without needing to specifically name people.
 - Tim will get back to the FMG regarding what needs to be included for subsidiaries.

- Library Debts
 - There are currently old penalties in library systems against borrowers who haven't returned items. Penalties against borrower that haven't returned items.
 - The penalties are general figures that aren't recognised in accounts.
 - Penalties aren't linked to the general ledger.
 - When Councils need to get rid of the penalties, some Councils do a report to Council.
 - There is no financial obligation for the penalties, getting rid of them is seen to be a "data cleansing exercise".
 - General Manager or CEO approval for clearing the penalties should be sufficient.
 - Councils generally only recognise the penalties once they are paid.
 - Campbelltown Council has a report from when they cleared the data that could possibly be used as a model template.
 - It would be useful for the Public Library Network to advise how many Councils, and what the amounts of the debt are overall, for example what is the debt for each individual Council and are there any significant debts for individual borrowers.
 - FMG to draft a suggestion for support from SALGAG that Tim can take to a meeting for endorsement.

- Qualified Internal Control Opinions – lessons learnt 2015/16
 - Themes of the qualifications
 - No real disasters.
 - Procurement – Councils need to remain vigilant over monitoring procurement activities and ensure that staff are using the Council policies correctly. The quality of documentation supporting procurement decisions, not necessary questioning the validity or appropriate decision of procurement, but the documentation showed a consistent lack of information or lack of documentation entirely and was usually where a decentralised procurement operation was being used. Some Councils had undertaken procurement activities that weren't in line with their own policies or had applied exemptions to the policies but hadn't applied good documentation and reasoning for exemption. Policies should be specific in rules around exemptions and some specific circumstances in which an exemption would be used. There is not a lot of mandatory legislation around procurement – Council's do have a lot of flexibility.
 - General Ledger – not generally on one control, usually multiple controls that have failed. Also an absence of review of IT access rights to ledger system. There needs to be transparency and awareness of who has access to what and appropriate monitoring of access and controls.
 - Controls over Manual Journals – Councils not reviewing manual journal entries, not monitoring continuity of journals. Complete population of journals should be authorised, automated authorisations aren't really an issue, manual processes are.
 - Bank Reconciliations – having them prepared and reviewed at a minimum monthly. The issue is not about the clear transactions it's the long outstanding unclear transactions (duplicates, fraudulent).
 - Cash Handling – lack of procedures or procedures in place that aren't followed correctly.
 - Credit Cards – lack of policy.
 - To avoid qualifications for Councils in future, most of the issues involve quick and simple fixes that the Councils can put in place.

4. Confirmation of Minutes

Moved: Annette Martin

Seconded: Mark Lague

Recommendation: *That the minutes of the meeting held on Friday, 20 January 2017 be confirmed as a true and correct record.*

CARRIED

5. Business Arising from the Minutes

Nil

6. Treasurer's Report

Moved: Kate George

Seconded: Norm Biggs

Recommendation: That the financial statement for the month of January 2017 be noted.

CARRIED

Treasurer's Report			
Action Items	Meeting	Responsible	Status
Organise the appropriate licences for the Cloud based QuickBooks Plus and discuss the setup with the Finance Officer.	26/06/15	Treasurer	In Progress. Possibly going to use Xero.

7. Projects/Work Groups – Update/Status

7.1 Seminars – Clive Hempel (Chairperson)

- Conference – 17 March 2017 – Glen Ewin Estate
 - Committee Members are encouraged to register ASAP.
- AGM – 25 August 2017 – Adelaide Zoo Sanctuary
 - The venue for the AGM has been booked.
- Sponsorship 2017/18
 - Workgroup to review all sponsorship packages and report back to the March meeting.

Seminars			
Action Items	Meeting	Responsible	Status
Discuss dinner sponsorship options.	30/09/16	Seminar Workgroup	Completed.
Sponsorship Proposal 2017/18.	24/02/17	Seminar Workgroup	Work through the draft Sponsorship Proposal for presentation to the March Committee meeting.

7.2 Membership & Communication – Stephanie Juhas (Chairperson)

- Stephanie advised that she will be going on extended leave in the future and is looking for a new Chairperson for the workgroup. Diane Eckermann volunteered to be Chairperson.

Membership & Communication			
Action Items	Meeting	Responsible	Status
Review the Executive Committee visiting Regional LGA meetings to discuss topical issues.	29/05/15	Membership Workgroup	To investigate further.
Investigate buddying up two members of the Executive Committee per Council to help keep Councils up to date with FMG issues.	29/05/15	Membership Workgroup	Clive will raise this in the next FMG newsletter.

7.3 Rating and Valuation – Norm Biggs (Chairperson)

- Meeting was held on Tuesday. At the meeting, the following topics were discussed:
 - Rate rebates and impacts on SA housing. Revaluation of all properties over the next 5 years – up to 30% increase.
 - Impact of infrastructure funding – private companies relying on Councils to do a 3 way loan. A workshop is being held on 3 March at West Torrens Council.
 - Environmental upgrades – financial implications for Councils.
 - Rate rebate policy – a possible LGR&D Scheme application to be prepared for funding to update the 2008 policy. Workgroup to seek a quote from Michael Kelledy (original author of the policy) to see how much it would cost to have the policy updated.
- Revenue Professionals SA Conference – Clive advised that he provided a presentation.
- Rate capping – Shane Sody advised that the LGA met with David Pisoni, Shadow Minister for Planning, Transport and Infrastructure. David advised that rate capping is a liberal party policy. The LGA is still opposing the policy and putting that opinion forward. A publicity campaign is being generated for the next year before the election. A letter will be sent from the LGA to Councils on Monday regarding rate capping.

Rating and Valuation			
Action Items	Meeting	Responsible	Status
Rate rebate policy – a possible LGR&D Scheme application to be prepared for funding to update the 2008 policy. Workgroup to seek a quote from Michael Kelledy (original author of the policy) to see how much it would cost to have the policy updated.	24/02/17	Rating & Valuation Workgroup	

7.4 Local Government Price Index – Chris Birch & Rajith Udugampola

- Chris and Rajith were apologies for this meeting.

Local Government Price Index			
Action Items	Meeting	Responsible	Status
Speak with the SA Centre for Economics regarding forecasting and commentary for the LGPI and provide feedback to the Executive Committee.	18/03/16 & 29/04/16	Chris Birch / LGPI Workgroup	Forecasting model in place by Feb/March 2017 for the 2017/18 financial year. Request for quote has been submitted.

7.5 Newsletter / Website – Elizabeth Williams (Chairperson)

- The Summer 2017 Newsletter, the first newsletter for this calendar year, was released on 19 February 2017. Thank you to the work group for another great edition. The next edition is scheduled for Autumn 2017. If anyone has ideas for future articles or areas of interest please contact one of the workgroup members.
- New look website
 - New FMG logo proposed.
 - Secretariat to compile feedback on the new look website and provide it to Irene Scales.
 - Committee feedback to the new look of the website so far:
 - Home page needs set frames with snippets of information that can be clicked on for people to “read more”.
 - More colour on the page, the style colours are too dark.

Moved: Norm Biggs
Seconded: Pep Piscioneri

Recommendation: *That the Executive Committee supports the new look of the website in principle and approves that content now be moved over to the new site taking into account any feedback received from Committee Members in the coming few weeks.*

CARRIED

Newsletter / Website			
Action Items	Meeting	Responsible	Status
Clive to draft an FMG survey and send it to the workgroup chairpersons.	31/07/15	Clive Hempel	Survey completed and will be sent out soon.
Compile feedback on the new look website and provide it to Irene Scales	24/02/17	Secretariat	

7.6 Financial Management Framework – Mark Lague (Chairperson)

- Meeting to be held after this meeting.
- Review of the Draft 2017 Model Financial Statements – FMG Submission.
 - Spreadsheet of changes sent to the Executive Committee. Submissions are due to David Maxwell in early March.
- AASB124 Related Party Disclosures – ongoing discussions for its implementation and communication within Councils and SALGAG requirements.
 - Dealt with at item 3.1
- AASB1058 - recognition of a liability for unexpended special purpose grants – preliminary discussion of implementation and application.
 - The Standard is a couple of years away.
 - Tim Muhlhausler is suggesting it get bought in to the 2017/18 model financial statements.
 - Grant monies that have to be repaid – the Executive Committee questioned this. Should you be recognising that grant if you don't spend any of it or only half of it etc.
- Local Government (Financial Management) Variation Regulations 2017 – LGA Circular 7.1 <http://www.lga.sa.gov.au/page.aspx?c=75131> Note: Asset Renewal Funding Ratio change of name from Asset Sustainability Ratio, delayed until the 2018/19 financial year.

Moved: Simon Zbierski
Seconded: Anita Futterer

Recommendation: *That the FMG Executive Committee supports the recommended changes suggested by the workgroup for the Model Financial Statements.*

CARRIED

Financial Management Framework			
Action Items	Meeting	Responsible	Status
Net Financial Liabilities and AASB 124 to be discussed by the workgroup and report back to the Executive Committee meeting.	25/11/16	Financial Management Framework Workgroup	Ongoing.

7.7 Internal Controls & Risk Management – Annette Martin (Chairperson)

- Meeting to be held on 16 March at City of Charles Sturt – Tim Muhlhausler will attend as will Control Track.
- Feedback has been received on the model framework and it will be worked through at the meeting.

7.8 Fees and Charges – Elizabeth Williams (Chairperson)

- The Class Ruling was lodged with the ATO in December 2016. There has been a slight delay with the ATO as they require very specific authorisations from LGA and SALGFMG prior to liaising with BDO on the workgroups behalf. The workgroup is working through these authorisations and at this stage are still expecting the listing will be available for use for the preparation of 2017/18 Council fees and charges.

7.9 Costing Principles – Alex Oulianoff (Chairperson)

- Meeting planned for March.

Costing Principles			
Action Items	Meeting	Responsible	Status
Send CWMS benchmarking document to Executive Committee via Google Docs.	28/10/16	Alex Oulianoff	To be discussed at the next workgroup meeting.

7.10 Asset Management – Pep Piscioneri (Chairperson)

- Work with IPWEA – strategic and operational perspectives.
- Annual update of asset management plan.
- In relation to Local Government Act Section 122(1b) – Councils in conflict with current legislation as the financial information contained within the Long Term Financial Plan not being the same as stated in their Infrastructure and Asset Management Plans.

Asset Management			
Action Items	Meeting	Responsible	Status
Develop a list of topics for the Executive Committee to consider for future conferences and workshops and for future agendas of the Executive Committee.	26/06/15	Pep Piscioneri	In progress.

7.11 Long Term Financial Plan – Anna-Lucia Draper (Chairperson)

- In the process of organising demonstrations from three different parties.
- 1st presentation 15 March.
- 2nd and 3rd presentations 16 March.
- The workgroup also needs to meet to discuss the results of the survey.

Long Term Financial Plan			
Action Items	Meeting	Responsible	Status
Executive Committee to review the Long Term Financial Model Agreement in the new year with David Maxwell.	25/11/16	LTFP Workgroup	

- 7.12 Dog and Cat Management – Simon Zbierski (Chairperson)
- Disband the group until the project starts again. Until date of implementation is known.

8. Correspondence

Nil

9. Other Business

9.1 Australia Post Payments (Simon Zbierski)

- Councils are encouraged to check any payment received from Australia post, in particular multiple small payments.
- Transactions that come through the rating system can be suspicious.
- For further information, Members can contact Simon Zbierski on szbierski@campbelltown.sa.gov.au.

9.2 Digital Business Council - eInvoicing (Clive Hempel)

- The Digital Business Council would like to speak with Councils – it's a 35 minute Q&A to build up a standard for eInvoicing in the future if anyone is interested.
- They are trying to set up a system that talks to the suppliers system and Councils system so there is a standard portal.

9.3 2017/18 Sponsorship Proposal

- Dealt with at item 7.1.

9.4 Councils that have been qualified

- Executive Committee Members to contact all Councils to see if there is anything the FMG can assist then with. Councils that were qualified may need assistance and those that weren't may still benefit from assistance. Simon Zbierski to allocate a few Councils per Committee Member to contact. Secretariat to provide a list of all Councils and Members to Simon.

Other Business			
Action Items	Meeting	Responsible	Status
Possibility of having an Eyre Peninsula Financial Managers Group (sub group of LGFMG) to assist with keeping in touch with industry changes and Eyre Peninsula city counter parts - President to contact Michelle Tucker and advise her of the Executive Committee's discussion and then contact Regional LGA's to seek their feedback.	31/10/14	President	Continue to investigate options.
Email other states to ask what their issues are with residual values.	18/03/16	President	WA Finance Professionals have indicated a willingness to work together. Clive to follow up.

Other Business			
Action Items	Meeting	Responsible	Status
One Card Library System – speak with SALGAG regarding the debt issues and what needs to be recognised in the finances and bring an opinion back to the Executive Committee for discussion so that FMG can develop a recommendation/guidelines for all Councils to manage the debt.	25/11/16	President	Completed.
Approach SALGAG for a recommended approach for managing library debt.	20/01/17	President	Completed.
Campbelltown Council has a report from when they cleared the data for library penalties that could possibly be used as a model template. It would be useful for the Public Library Network to advise how many Councils, and what the amounts of the debt are overall, for example what is the debt for each individual Council and are there any significant debts for individual borrowers. FMG to draft a suggestion for support from SALGAG that Tim can take to a meeting for endorsement.	24/02/17	Simon Zbierski & President	
Executive Committee Members to contact all Councils to see if there is anything the FMG can assist then with. Councils that were qualified may need assistance and those that weren't may still benefit from assistance. Simon Zbierski to allocate a few Councils per Committee Member to contact. Secretariat to provide a list of all Councils and Members to Simon.	24/02/17	Simon Zbierski, Secretariat, Executive Committee Members	

10. Next Meeting

31 March 2017 – City of Salisbury

11. Close

For further information regarding topics raised at the FMG Executive Committee meetings, please see the contact details below:

FMG President, Clive Hempel: chempel@wakefieldrc.sa.gov.au

- Asset Management Workgroup Chairperson, Pep Piscioneri: p.piscioneri@adelaidecitycouncil.com
- Costing Principles Workgroup Chairperson, Alex Oulianoff: aoulianoff@dcmtbarker.sa.gov.au
- Dog and Cat Management Chairperson, Simon Zbierski: szbierski@campbelltown.sa.gov.au
- Fees and Charges Workgroup Chairperson, Elizabeth Williams: elizabeth.williams@alexandrina.sa.gov.au
- Financial Management Framework Workgroup Chairperson, Mark Lague: mlague@barossa.sa.gov.au
- Internal Controls & Risk Management Workgroup Chairperson, Annette Martin:
amartin@charlessturt.sa.gov.au
- Local Government Price Index Workgroup Chairperson, Chris Birch: chris.birch@prospect.sa.gov.au
- Long Term Financial Plan Workgroup Chairperson, Anna-Lucia Draper: anna.draper@cttg.sa.gov.au
- Membership & Communication Workgroup Chairperson, Stephanie Juhas: sjuhas@victor.sa.gov.au
- Newsletter & Website Workgroup Chairperson, Elizabeth Williams:
elizabeth.williams@alexandrina.sa.gov.au
- Rating and Valuation Workgroup Chairperson, Norm Biggs: nbiggs@wtcc.sa.gov.au
- Seminars Workgroup Chairperson, Clive Hempel: chempel@wakefieldrc.sa.gov.au