



AUDIT COMMITTEE

NOTICE OF MEETING

To: **Presiding Member** Cr Malcolm Herrmann

Members

Geoff Purdie
Peter Brass
Paula Davies
Cr Leith Mudge

Notice is hereby given pursuant to the provisions under Section 87 of the *Local Government Act 1999* that the next meeting of the Audit Committee will be held on:

Monday 18 February 2019
6.00pm
63 Mt Barker Road, Stirling

A copy of the Agenda for this meeting is supplied under Section 87 of the Act.

Committee meetings are open to the public and members of the community are welcome to attend. Public notice of the Agenda for this meeting is supplied under Section 88 of the Act.

Andrew Aitken
Chief Executive Officer



AUDIT COMMITTEE

AGENDA FOR MEETING
Monday 18 February 2019
6.00pm
63 Mt Barker Road, Stirling

ORDER OF BUSINESS

Council Vision

Nurturing our unique place and people

Council Mission

Delivering activities and services which build a resilient community, sustain our built and natural environment and promote a vibrant economy

1. COMMENCEMENT

2. APOLOGIES/LEAVE OF ABSENCE

2.1. Apology

2.2. Leave of Absence

2.3. Absent

3. MINUTES OF PREVIOUS MEETINGS

3.1. Audit Committee Minutes – 5 November 2018

Recommendation

That the minutes of the Audit Committee meeting held on 5 November 2018, as supplied, be confirmed as an accurate record of the proceedings of that meeting.

4. DELEGATION OF AUTHORITY

The Audit Committee operates in accordance with the relevant sections of the Local Government Act 1999, and its Terms of Reference.

5. DECLARATION OF INTEREST BY MEMBERS OF THE COMMITTEE

6. OFFICER REPORTS

- 6.1. Action Report & 2019 Work Plan
That the report be received and noted.
- 6.2. External Audit Plan
 - 1. *That the report be received and noted*
 - 2. *To recommend to Council the approval of the:*
 - a. *Audit Engagement Letter between Adelaide Hills Council and Galpins Accountants, Auditors and Business Consultants as contained in Appendix 1; and*
 - b. *External Audit Plan (Appendix 2) by Galpins Accountants, Auditors and Business Consultants as contained in Appendix 2.*
- 6.3. 2018 – 19 Budget Review 2
 - 1. *Resolves that the report be received and noted.*
 - 2. *Notes that:*
 - a. *the Operating Budget variations presented in Budget Review 2 increase the Budgeted Operating Surplus of \$302k to \$398k for the 2018-19 financial year.*
 - b. *the proposed Capital Works amendments increase capital income by \$9.719m and reduce total capital expenditure by \$291k, resulting in a proposed capital expenditure budget of \$17.626m.*
 - c. *the proposed operating and capital adjustments result in Council's current Net Borrowing Result of \$4.513m changing to a Net Lending Result of \$5.993m for the 2018-19 financial year.*
- 6.4. Long Term Financial Plan 2019 Review
 - 1. *Receives and notes the report.*
 - 2. *Notes the updated Long Term Financial Plan.*
 - 3. *Recommends Council endorse the Long Term Financial Plan, as contained in Appendix 1 for community consultation in accordance with Section 122 of the Local Government Act 1999.*

- 6.5. Risk Management Plan Update
The Audit Committee resolves that the report be received and noted.
- 6.6. Audit Committee Terms of Reference Review
That the Audit Committee resolves to receive and note the report.
- 6.7. Quarterly Debtors Report
The Audit Committee resolves that the report be received and noted.
- 6.8. Internal Audit Quarterly Update
The Audit Committee resolves to receive and note the report.
- 6.9. Audit Actions Implementation
 - 1. *To receive and note the report.*
 - 2. *To note the implementation status of Internal and External Audit actions.*

7. NEXT MEETING

The next Audit Committee meeting will be held on 15 April 2019 at 63 Mount Barker Road, Stirling.

8. CLOSE MEETING

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 5 NOVEMBER 2018
63 MT BARKER ROAD STIRLING**

In Attendance

Presiding Member: Paula Davies

Members:

Peter Brass	Independent Member
Geoff Purdie	Independent Member
Councillor John Kemp	Council Member
Councillor Malcolm Herrmann	Council Member

In Attendance:

Andrew Aitken	Chief Executive Officer
Terry Crackett	Director Corporate Services
Lachlan Miller	Executive Manager Governance & Performance
Mike Carey	Manager Financial Services
Steven Watson	Governance and Risk Coordinator Minute Secretary

1. COMMENCEMENT

The meeting commenced at 6.05pm

2. APOLOGIES/LEAVE OF ABSENCE

2.1. Apology

Nil

2.2. Leave of Absence

Nil

2.3. Absent

Nil

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 5 NOVEMBER 2018
63 MT BARKER ROAD STIRLING**

3. MINUTES OF PREVIOUS MEETINGS

3.1. Audit Committee Meeting – 8 October 2018

Moved Cr Malcolm Herrmann
S/- Peter Brass

AC21/18

The Audit Committee resolves:

1. That the minutes of the Audit Committee meeting held on 08 October 2018 be amended to record the External Auditors attendance at the meeting.
2. That the minutes of the Audit Committee meeting held on 08 October 2018 as amended, be confirmed as an accurate record of the proceedings of that meeting.

Carried

4. Delegation of Authority

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers. There are no Recommendations arising to be submitted to Council for adoption.

5. DECLARATION OF CONFLICT OF INTEREST BY MEMBERS OF AUDIT COMMITTEE

Nil

6. OFFICER REPORTS – DECISION ITEMS

6.1. Action Report, 2017 Work Plan Update and Adoption of 2019 Work Plan

Moved Cr John Kemp
S/- Geoff Purdie

AC22/18

The Audit Committee resolves:

1. That the report be received and noted
2. That the status of the Action Report and Work Plan be noted
3. That the 2019 Work Plan be adopted

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 5 NOVEMBER 2018
63 MT BARKER ROAD STIRLING**

6.2. 2017-18 End of Year Financial Report

Moved Cr John Kemp
S/- Peter Brass

AC23/18

The Audit Committee resolves:

1. That the report be received and noted
2. To note the Audited 2017-18 Financial Results compared to Budget contained within this report

Carried

6.3. Draft Annual Report

Moved Peter Brass
S/- Geoff Purdie

AC24/18

The Audit Committee resolves that the:

1. Report be received and noted.
2. Draft 2017-18 Annual Report, as contained in Appendix 1, be endorsed – recognising the need for inclusion of the General Purpose Financial Statements and Council's Regional Subsidiaries Annual Reports.

Carried

6.4. 2017-18 Final Audit Completion Report

Moved Cr Malcolm Herrmann
S/- Peter Brass

AC25/18

The Audit Committee resolves that the 2017-18 final Audit Completion Report received from Galpins be noted.

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 5 NOVEMBER 2018
63 MT BARKER ROAD STIRLING**

6.5. Chairperson's Report

Moved Peter Brass
S/- Geoff Purdie

AC26/18

The Audit Committee resolves that the report be received and noted.

Carried

6.6. Budget Review 1

Moved Peter Brass
S/- Cr Malcolm Herrmann

AC27/18

The Audit Committee:

1. Resolves that the report be received and noted.
2. Notes that:
 - a. The Operating Budget variations presented in Budget Review 1 do not impact on the Budgeted Operating Surplus of \$302k for the 2018-19 financial year.
 - b. The proposed Capital Works amendment of \$15k will increase the total Capital Works Program to \$17.717m.
 - c. There will be an increased Net Borrowing result of \$4.348m, up from \$4.333m as a result of the proposed Capital Program amendment

Carried

6.7. Risk Management Update

Moved Peter Brass
S/- Geoff Purdie

AC28/18

The Audit Committee resolves that the report be received and noted.

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 5 NOVEMBER 2018
63 MT BARKER ROAD STIRLING**

6.8. Internal Audit Quarterly Update

Moved Cr John Kemp
S/- Peter Brass

AC29/18

The Audit Committee resolves:

1. To receive and note the report.
2. To note the implementation status of Internal and External Audit actions.

Carried

6.9. Quarterly Debtors Report

Moved Peter Brass
S/- Cr Malcolm Herrmann

AC30/18

The Audit Committee resolves that the report be received and noted.

Carried

6.10. 2019 Audit Committee Meeting Dates

Moved Peter Brass
S/- Geoff Purdie

AC31/18

The Audit Committee resolves:

1. That the report be received and noted.
2. To approve the Audit Committee meeting schedule, timings and locations for 2019 as follows:

Commencement	6.00pm
Meeting Dates and Locations	11 February 2019, 63 Mt Barker Road, Stirling
	15 April 2019, 63 Mt Barker Road, Stirling
	12 August 2019, 63 Mt Barker Road, Stirling
	14 October 2019, 63 Mt Barker Road, Stirling
	11 November 2019, 63 Mt Barker Road, Stirling

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 5 NOVEMBER 2018
63 MT BARKER ROAD STIRLING**

6.11. Audit Committee Self-Assessment Review

**Moved Geoff Purdie
S/- Peter Brass**

AC32/18

The Audit Committee resolves that the report be received and noted.

Carried

6.12. The next ordinary meeting of the Audit Committee will be held at 6.00pm on Monday 11 February 2019, at 63 Mount Barker Road, Stirling.

7. Close Meeting

The meeting closed at 7.47pm.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 18 February 2019
AGENDA BUSINESS ITEM**

Item: 6.1

Originating Officer: Steven Watson, Governance and Risk Coordinator

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: Action Report and Work Plan Update

For: Decision

SUMMARY

A formal Audit Committee Action Report is maintained to record the items requiring 'actioning' that result from each of the Audit Committee meetings.

The Audit Committee Work Plan assists the Committee members and staff in scheduling both discussion and reports to ensure appropriate coverage of the Committee functions over the 12 month period.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted**
-

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal	Organisational Sustainability
Strategy	Governance

Monitoring Audit Committee decisions and actions and the Committee's Work Plan assist in meeting legislative and good governance responsibilities and obligations

➤ **Legal Implications**

Section 126 of the *Local Government Act 1999* sets out the functions of an audit committee. Management of Committee's action items and work plan facilitates the achievement of these functions.

➤ **Risk Management Implications**

The management of action items and the work plan will assist in mitigating the risk of:

Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (3D)	Medium (3D)

Note that there are many other controls that assist in mitigating this risk.

➤ **Financial and Resource Implications**

Council's current budget contains provision for the costs associated with the notification and conduct of audit Committee meetings

➤ **Customer Service and Community/Cultural Implications**

The timing and location of Audit Committee meetings should be considerate of the desire for community members to attend.

➤ **Environmental Implications**

Not applicable.

➤ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Council Committees: Not Applicable

Advisory Groups: Not Applicable

Administration: Director Corporate Services
Executive Manager Governance and Performance
Manager Financial Services

Community: Not Applicable

2. **BACKGROUND**

Action Report

The Action List tracks the implementation of resolutions of the Audit Committee.

Work Plan

The functions of the Audit Committee are set out in part 7 (Role) of the Committee Terms of Reference.

A Work Plan has been developed to assist the Committee members and staff in scheduling discussion and reports to ensure appropriate coverage of the functions over the 12 month period. The Audit Committee adopted a Work Plan for 2019 at its 05 November 2018 meeting.

3. ANALYSIS

Action Report

There is one (1) outstanding item on the Audit Committee Action Report (**Appendix 1**), which will remain for some time due to being resolved in confidence.

Work Plan

As per the 2019 Audit Committee Work Plan (**Appendix 2**), the following items are scheduled for the February 2019 (this) meeting:

Item	Commentary
Action Report & 2019 Work Plan	See Agenda Item 6.1
Long Term Financial Plan (LTFP)	See Agenda Item 6.4
Budget Review 2	See Agenda Item 6.3
Risk Management Plan Update	See Agenda Item 6.5
Implementation of LGA Risk Management Review Action Plan	LGA review commences August 2019
Internal Audit Quarterly Update	See Agenda Item 6.8
Implementation of internal audit actions progress report	See Agenda Item 6.9
Implementation of external audit actions progress report	See Agenda Item 6.9
External Audit Plan review	See Agenda Item 6.2
Meeting attendance by external auditors	See Agenda Item 6.2
Whistleblowers Policy review	Review pending PID Act 2018 enactment
Debtors Report	See Agenda Item 6.7
Audit Committee's Terms of Reference	See Agenda Item 6.6

4. OPTIONS

The Committee has the following options:

- I. To note the status of the Action Report and Work Plan as presented and adopted
- II. To alter or substitute elements of the Action Report and/or Work Plan/s.

5. APPENDICES

- (1) Audit Committee Action Report
- (2) 2019 Audit Committee Work Plan

Appendix 1

Audit Committee Action Report

Meeting Date	Meeting	Res No.	Item Name	Action Required (Council Resolution)	Responsible	Direct Responsible Officer	Status	Date of Update	Est. Completion	Status (for Council reporting)
20/02/2018	Audit Committee	AC18/4(4)	Appointment of External Auditor - Release of Confidentiality Order	That the report and related attachments of the Committee and the discussion and considerations of the subject matter be retained in confidence until the completion of the contract.	Andrew Aitken	Lachlan Miller	In Progress	14/02/2019	20/02/2019	It is intended to allow the confidential order to lapse on 20 February 2019 as the matter is no longer required to be kept in confidence.

Appendix 2

2019 Audit Committee Work Plan

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
DRAFT - 2019 Work Plan and Reporting Schedule

Terms of Reference		
Financial Reporting	Long Term Financial Plan (LTFP)	Annual
	Annual Business Plan	Annual
	Budget Review 1	Annual
	Budget Review 2	Annual
	Budget Review 3	Annual
	End of Year Financial Report	Annual
	End of financial year reporting timetable	Annual
	End of financial year update	Annual
	Final Annual Financial Statements (incl management representation letter)	Annual
Internal Control and Risk Management	Placement of Council’s insurance portfolio (for noting)	Annual
	Internal Financial Controls update	Annual
	Risk Management Plan update	Quarterly
	Results of LGA Risk Management Review	Annual
	Implementation of LGA Risk Management Review Action Plan	Bi-annual
Internal Audit	Internal Audit quarterly update	Quarterly
	Internal audit reports	As required
	Implementation of internal audit actions progress report	Bi-annual
	Internal Audit Plan review	Annual
External Audit	External audit interim letter	Biannual
	Implementation of external audit actions progress report	Bi-annual
	External Audit Plan review	Annual
	Meeting attendance by external auditors	Annual
	Review of auditor independence and legislative compliance	Annual
	Audit Committee Completion Report	Annual
Whistleblowing	Whistleblowers Policy review	Triennial
Other Business	Audit Committee self assessment review	Annual
	Presiding Member’s Report	Annual
	Work Plan and Reporting Schedule	Annual
	Audit Committee Meeting Dates	Annual
	Debtors Report	Quarterly
	Annual Report	Annual
	Audit Committee’s Terms of Reference	Annual
	Other Reports	As required
Version Control:	V1.0 - approved by Audit Committee - 05 November 2018	

[illegible]

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 18 February 2019
AGENDA BUSINESS ITEM**

Item: 6.2

Originating Officer: Lachlan Miller, Executive Manager Governance & Performance

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: 2018/19 External Audit Plan

For: Decision

SUMMARY

As part of the planning for the 2018/19 Annual Financial Statements and Internal Control Audit, Council's external auditors (Galpins) have prepared an Engagement Letter and an External Audit Plan.

Under the Audit Committee's Terms of Reference, two of the key roles in relation to External Audit relate to recommending the approval of the auditor's terms of engagement and reviewing and making recommendations regarding the proposed external audit plan

The purpose of this report therefore is to provide both the proposed Engagement Letter and the External Audit Plan for the Committee's review and, if satisfied, to seek the Committee's recommendation to Council for approval.

Members of the Galpins' audit team will be attending the Audit Committee meeting to present to the Committee.

RECOMMENDATION

The Audit Committee resolves:

1. That the report be received and noted
 2. To recommend to Council the approval of the:
 - a. Audit Engagement Letter between Adelaide Hills Council and Galpins Accountants, Auditors and Business Consultants as contained in Appendix 1; and
 - b. External Audit Plan (Appendix 2) by Galpins Accountants, Auditors and Business Consultants as contained in Appendix 2.
-

1. GOVERNANCE

➤ Strategic Management Plan/Council Policy

Goal	Organisational Sustainability
Strategy	Risk and responsibility
Strategy	Governance

External audit is a key accountability function to the community regarding the financial governance of the organisation.

➤ Legal Implications

Chapter 8 – Administrative and financial accountability, Part 3 – Accounts, financial statements and audit, Division 4 – Audit of the *Local Government Act 1999* and Part 6 – Audit of the *Local Government (Financial Management) Regulations 2011* set out the requirements regarding the appointment of the external auditor and the conduct of the audit.

➤ Risk Management Implications

The appointment of the external auditor consistent with the requirements of legislation assists in mitigating the risk of:

Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (3D)	Medium (3D)

Note that there are many other controls that assist in mitigating this risk.

➤ Financial and Resource Implications

Council makes a budget allocation each year for the expenses associated with the conduct of the external audit.

The external audit function is managed by the Governance & Performance Department although the Finance Services Department is most significantly impacted throughout the external audit process.

➤ Customer Service and Community/Cultural Implications

There is a high expectation that Council's accounts are audited by appropriately qualified and independent external auditors.

➤ Environmental Implications

Not applicable

➤ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Consultation on the development of this report was as follows:

<i>Council Committees:</i>	Not Applicable
<i>Workshops:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>Administration:</i>	Terry Crackett, Director Corporate Services Mike Carey, Manager Financial Services
<i>Community:</i>	Not Applicable

2. BACKGROUND

The Audit Committee's Terms of Reference set out a number of specific functions, one of which relates to External Audit and contains key roles for the Committee, relevant to the conduct of the 2018/19 Annual Financial Statement and Internal Control Audit, as follows:

- Recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit (clause 3.5.2.2);
- Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services (clause 3.5.2.3)
- Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business) (clause 3.5.2.4); and
- Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement (clause 3.5.4).

On 27 February 2018, Galpins Accountants, Auditors and Business Consultants (Galpins) were appointed by Council for the provision of external audit services for a three year period (with and option of a further period for up to two years) commencing with the audit of the financial year ending 30 June 2018.

Galpins completed the 2017/18 audit with the Final Completion Report received and noted by the Audit Committee (AC25/18) at its 5 November 2018 meeting.

3. ANALYSIS

In preparation for the 2018/19 External Audit, Galpins have prepared an Engagement Letter (**Appendix 1**) and an External Audit Plan (**Appendix 2**) for the Audit Committee's review and, if satisfied, recommendation to the Council for approval.

The Administration has reviewed both documents and is agreeable with the scope, responsibilities and timeframes set out in the documents.

Tim Muhlhausler (Partner) and Juliano Freitas (Audit Manager) will be attending the Audit Committee meeting to present the External Audit Plan and answer any queries of the Committee.

Should the Audit Committee determine to recommend to Council to approve both documents, a report will be prepared for the Council's 26 February 2019 meeting.

4. OPTIONS

The Committee has the following options:

- I. To recommend to Council the scope of work and timing of the 2018/19 External Audit by Galpins Accountants, Auditors and Business Consultants as contained in **Appendices 1 and 2**. (Recommended)
- II. To seek amendments to the scope of work and timing of the 2018/19 External Audit by Galpins Accountants, Auditors and Business Consultants as contained in **Appendices 1 and 2**. Seeking amendment may impact on the timeliness and/or cost of External Audit service provision (Not Recommended)

5. APPENDICES

- (1) Audit Engagement Letter – Galpins – dated 13 February 2019
- (2) 2018/19 External Audit Plan

Appendix 1

*Audit Engagement Letter – Galpins – dated 13 February
2019*

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renaë Nicholson CA
Tim Muhlhauser CA
Aaron Coonan CA
Luke Williams CA, CPA
Daniel Moon CA



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13 February 2019

Mr Andrew Aitken
CEO
Adelaide Hills Council
PO Box 44
Woodside SA 5244

Dear Andrew,

AUDIT ENGAGEMENT LETTER

Scope

You have requested that we audit the financial report of Adelaide Hills Council (the Council) which comprises the balance sheet as at 30 June 2019, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and Council certificate. You have also requested that we provide an audit of the compliance of the Council with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2018 to 30 June 2019 have been conducted properly and in accordance with law. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of expressing an opinion on the financial report and financial controls in place.

The responsibilities of the auditor

We will conduct our audit of the financial report of the Council in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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We will conduct our audit of the compliance of the Council with the requirements of Section 125 of the *Local Government Act 1999* in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2018 to 30 June 2019. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards

In making our risk assessments, we consider internal control relevant to the Council's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.

The responsibilities of the Council and management

Our audit will be conducted on the basis that the Council and management acknowledge and understand that they have responsibility:

- (a) for the preparation of the financial report that presents fairly in accordance with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards;
- (b) for such internal control as the Council and management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error;
- (c) for the identification of risks that threaten compliance with section 125 of the *Local Government Act 1999*;
- (d) for design of the system, comprising controls which will mitigate those risks so that those risks will not prevent achievement of compliance with section 125 of the *Local Government Act 1999*;
- (e) for ensuring that the financial controls established by the Council were suitably designed to ensure compliance with section 125 of the *Local Government Act 1999*;
- (f) for operation of the controls as designed throughout the period;
- (g) to provide us with:
 - (i) access to all information of which the Council and management are aware that is relevant to the preparation of the financial report and compliance with section 125 of the *Local Government Act 1999* such as records, documentation and other matters;

- (ii) additional information that we may request from the Council and management for the purpose of the audit of the financial report and the controls opinion;
- (iii) unrestricted access to persons within the Council from whom we determine it necessary to obtain audit evidence;
- (h) for adjusting the financial report to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial report as a whole;
- (i) for informing us of your knowledge of any allegations of fraud or suspected fraud affecting The Adelaide Hills Council received in communications from employees, former employees, regulators, or others;
- (j) for identifying and ensuring that the Council complies with applicable laws and regulations.

As part of our audit process, we will request from the Council and management written confirmation concerning representations made to us in connection with the audit.

We look forward to full cooperation from your staff during our audit.

Quality control

The conduct of our audit in accordance with Australian Auditing Standards means that information acquired by us in the course of our audit is subject to strict confidentiality requirements. Information will not be disclosed by us to other parties except as required or allowed for by law or professional standards, or with your express consent.

Our audit files may, however, be subject to review as part of the quality control review program of CPA Australia and/or The Institute of Chartered Accountants in Australia which monitors compliance with professional standards by its members. We advise you that by signing this letter you acknowledge that, if requested, our audit files relating to this audit will be made available under this program. Should this occur, we will advise you. The same strict confidentiality requirements apply under this program as apply to us as your auditor.

Independence

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the Australian professional accounting bodies or any applicable code of professional conduct in relation to the audit of the financial report. In conducting our audit of the financial report, should we become aware that we have contravened the independence requirements, we shall notify you on a timely basis.

To assist us in meeting the independence requirements, and to the extent permitted by law and regulation, we request you discuss with us:

- (a) the provision of services offered to you by us prior to engaging or accepting the service; and

- (b) the prospective employment opportunities of any current or former partner or professional employee of our firm prior to the commencement of formal employment discussions with the current or former partner or professional employee.

Communication

We may communicate with you or others via email transmission. Due to the nature of email transmission, we cannot guarantee that emails from us will be properly delivered and/or read only by the addressee. Therefore, we accept no liability or responsibility for any loss or damage to any person or entity resulting from the use of email transmissions in connection with this engagement.

Limitation of liability

Our liability is limited by a scheme approved under Professional Standards Legislation. Further information on the scheme is available from the Professional Standards Councils' website:

<http://www.professionalstandardscouncil.gov.au>.

Paperless files

We advise that our firm maintains paperless files. Necessary documents that we need will be retained as scanned copies only. We will not keep original documents belonging to you – these will be scanned and returned to you. If documents are required by you in future for any purpose, we will only be able to provide scanned copies.

Presentation of audited financial report on the internet

The Council may intend to publish a hard copy of the audited financial report and auditor's report for members, and to electronically present the audited financial report and auditor's report on its internet web site. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by the Council to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the Council's web site is beyond the scope of the audit of the financial report. Responsibility for the electronic presentation of the financial report on the Council's web site is that of the Council.

Fees

We look forward to full cooperation from your staff and we trust that they will make available to us whatever records, documentation and other information we request in connection with our audit. Audit fees are specified in our tender. Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required. The audit fees will be due within 30 days from the end of the month in which the Council receives a correctly rendered tax invoice from Galpins.

Our fee assumes that unaudited data (including trial balance, financial statements and notes to the accounts) are presented for audit in a satisfactory, auditable and timely manner, with full supporting schedules and documentation. While we will use our best endeavours to work with the Council to achieve a positive outcome,

our fee does not allow for rework of the financial report after submission for audit, other than for minor audit adjustments. Where we consider that the quality of data presented will result in additional audit effort, we may need to negotiate an additional fee. In order to maintain audit independence, it is necessary that we avoid providing assistance to the Council to prepare the financial report.

Additional grant audits provided is charged on hourly basis, it depends on the number, size and nature of grants requiring acquittal.

Ownership of documents

All original documents obtained from the client arising from the engagement shall remain the property of the client. However, we reserve the right to make a reasonable number of copies of the original documents for our records. All other documents produced by us in respect of this engagement will remain the property of the firm.

The firm has a policy of exploring a legal right of lien over any client documents in our possession in the event of a dispute. The firm has also established dispute resolution processes.

Other

This letter will be effective for future years unless we advise you of its amendment or replacement, or the engagement is terminated.

Please sign and return this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial report including our respective responsibilities.

Yours sincerely,



Tim Muhlhausler CA, Registered Company Auditor
Partner

Acknowledged and agreed on behalf of Adelaide Hills Council by

Mr Andrew Aitken
CEO

Date

Appendix 2

2018/19 External Audit Plan

ADELAIDE HILLS COUNCIL

2018/19 External Audit Plan

February 2019

Galpins

Local Expertise : Real Access



1. Audit Scope

Audit opinions	Key Legislation	Scope
Control	Section 125 of the Local Government Act 1999	Auditors to provide an opinion on whether Adelaide Hills Council has complied, in all material aspects, with section 125 of the Local Government Act 1999 in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law.
Financial Report	Australian Accounting Standards Local Government Act 1999 Local Government (Financial Management) Regulations 2011.	Opinion on the fair presentation of the financial report in accordance with Australian Accounting Standards, the Local Government Act 1999 and the Local Government (Financial Management) Regulation 2011.

2. Audit Methodology

Our financial statements Audit Methodology is a risk based methodology consisting of four main stages – Audit Planning, Internal Controls, Substantive Procedures and Completion. The stages are managed in an environment of ongoing monitoring and review and consultation with stakeholders.



We conduct our audits in accordance with the requirements of Australian Auditing Standards and Auditing Guidance Statements adopted from time to time by CPA Australia and The Institute of Chartered Accountants in Australia.

3. Audit Planning

Understanding the Entity and Inherent Risks

We research and document the Council's nature of operations, industry, regulatory environment, legislative responsibilities, financial reporting environment, use of information technology, capital investment, critical accounting policies and process of reviewing the Council's financial performance. This understanding enables us to identify the initial inherent risks. Structured interviews with management will also be carried out to identify other inherent risks.

Planning Analytical Review

The planning analytical review will help us to identify the existence of unusual transactions or events that may represent a risk of material misstatement. Our planning analytical review will also assist us to understand the classes of transactions and account balances to be expected in the financial report that should be subject to a specific audit program.

Identification of Business Cycle and Definition of Audit Approach

The procedures performed when obtaining an understanding of the entity and the planning analytical review will assist us to identify the main business cycles and the account balances expected to be in the financial report. Also, this knowledge will enable us to define our audit approach for each class of transactions or account balances being a controls approach, a substantive approach or a combination of both.

Once we have identified all inherent risks based on our understanding of the entity's business, planning analytical review and enquiries of management and have defined our audit approach for each class of transaction and account balances, we will be able to commence the next stage of our audit (Internal controls stage).

3. Audit Planning (cont.)

Audit Plan Summary Table – Statement of Comprehensive Income - Income

Area	2018	2017	Audit approach	Business cycle	Audit Response/Audit Approach	Inherent Risk
Rates and charges	35,512,000	34,301,000	Controls and Substantive	Rates	Internal Controls and Substantive tests	High
Statutory charges	1,069,000	1,022,000	Substantive	User Pay Income	Substantive tests	Moderate
User charges	1,479,000	1,337,000	Substantive	User Pay Income	Substantive tests	Moderate
Grants, subsidies and contributions	5,508,000	5,048,000	Substantive	Grants	Substantive tests	Moderate
Investment Income	30	36,000	Substantive	Investment Income	Substantive tests	Low
Reimbursements	447	265,000	Substantive	Other Revenue	Substantive tests	Low
Other Income	488	483,000	Substantive	Other Revenue	Substantive tests	Low
Equity Accounted Businesses	-	57,000	Substantive	Other Revenue	Substantive tests	Low

Audit Plan Summary Table – Statement of Comprehensive Income – Expenses

Area	2018	2017	Audit approach	Business cycle	Audit Response/Audit Approach	Inherent Risk
Employee costs	14,956,000	14,505,000	Controls and Substantive	Payroll	Internal Controls and Substantive tests	High
Materials / Contracts / Other Expenses	19,961,000	18,687,000	Controls and Substantive	Purchasing, Procurement and Contracting	Internal Controls and Substantive tests	High
Depreciation and amortisation	8,246,000	7,792,000	Controls and Substantive	Fixed Assets	Internal Controls and Substantive tests	High
Finance Costs	646,000	781,000	Substantive	Other Expenses	Substantive tests	Low
Equity Accounted Businesses	216,000	334,000	Substantive	Other Expenses	Substantive tests	Low

Audit Plan Summary Table – Statement of Comprehensive Income – Other Comprehensive Income

Area	2018	2017	Audit approach	Business cycle	Audit Response/Audit Approach	Inherent Risk
Asset Disposals & Fair Value Adjustments	(2,401,000)	(1,325,000)	Substantive	Fixed Assets	Internal Controls and Substantive tests	High
Amounts Received Specifically for New or Upgrade Assets	867,000	672,000	Substantive	Grants	Substantive tests	Moderate
Physical Resources Received Free of Charge	2,068,000	118,000	Substantive	Other Revenue	Substantive tests	Low

3. Audit Planning (cont.)

Audit Plan Summary Table – Statement of Financial Position – Assets

Area	2018	2017	Audit approach	Business cycle	Audit Response/Audit Approach	Inherent Risk
Cash and cash equivalents	491,000	966,000	Controls and Substantive	Banking	Internal Controls and Substantive tests	High
Trade and other receivables	2,831,000	2,709,000	Controls and Substantive	Debtors	Internal Controls and Substantive tests	Moderate
Other Financial Assets	22,000	44,000	Substantive	Loans to Community Groups	Substantive tests	Low
Inventories	13,000	14,000	Substantive	Inventory	Substantive tests	Low
Financial Assets – NC	50,000	71,000	Substantive	Loans to Community Groups	Substantive tests	Low
Equity Accounted Businesses - NC	838,000	984,000	Substantive	Other Assets	Substantive tests	Low
Infrastructure, Property, Plant & Equipment	370,815,000	311,033,000	Controls and Substantive	Fixed Assets	Internal Controls and Substantive tests	High

Audit Plan Summary Table – Statement of Financial Position - Liabilities

Area	2018	2017	Audit approach	Business cycle	Audit Response/Audit Approach	Inherent Risk
Trade and other payables	8,645,000	8,493,000	Controls and Substantive	Accounts Payable	Internal Controls and Substantive tests	High
Borrowings	4,918,000	3,651,000	Substantive	Borrowings	Substantive tests	Low
Provisions	3,478,000	1,357,000	Substantive	Employee Provisions	Substantive tests	Moderate
Borrowings - NC	10,000,000	10,000,000	Substantive	Borrowings	Substantive tests	Low
Provisions - NC	651,000	274,000	Substantive	Employee Provisions	Substantive tests	Moderate

Audit Plan Summary Table – Statement of Financial Position - Equity

Area	2018	2017	Audit approach	Business cycle	Audit Response/Audit Approach	Inherent Risk
Accumulated Surplus	137,081,000	135,571,000	Substantive	Other business cycles	Substantive tests	Low
Asset Revaluation Reserves	210,121,000	154,633,000	Controls and Substantive	Fixed Assets	Internal Controls and Substantive tests	High
Other Reserves	1,426,000	1,842,000	Substantive	Other business cycles	Substantive tests	Low

4. Internal Controls / Controls Opinion

The audit opinion is restricted per s129 of the Act to the application of s125 as it relates to financial internal controls, specifically the controls exercised by the council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

During our interim audit we perform procedures to gain an understanding of the internal controls in place relevant to the financial statements and perform tests of design and effectiveness for these controls.

We review the internal controls we consider as key controls to be in place for the purpose of addressing the requirement of s129. These key internal controls consist of a prioritised list of controls from the Better Practice Model – Internal Financial Controls 2017 (BPM). This list was based on the key business cycles identified during our audit planning and from our planning analytical review and the internal controls listed in the BPM for these business cycles.

The key core controls for the following key business cycles have been identified as critical for the purpose of issuing a controls opinion this financial year:

Business cycles	Account Balance	BPM controls	Inherent Risk
Fixed Assets	IPPE, Depreciation expense, Asset Disposals and FV adjustments, Revaluation Reserves	16	High
Purchasing and Procurement / Contracting	Materials / Contracts / Other Expenses	10	High
Rates / Rates Rebates	Rates charges	10	High
Payroll	Employee Costs	19	High
Accounts Payables	Accounts Payables	13	High
Debtors	Debtors	6	Moderate
Receipting	Debtors	5	Moderate
Banking	Cash and cash equivalents	5	High
General Ledger	All accounts	11	N/A
Credit Cards	Materials / Contracts / Other Expenses	5	High
Total number of controls		100	

A prioritised list of controls from the better practice model can be seen in Appendix 1. After completing our test of effectiveness of internal controls we perform a controls risk assessment for each account balance. The controls risks are combined with our initial inherent risk assessment performed during our audit planning for determining the risk of material misstatements for each account balance (see more details in the item 5 of this document).

5. Risk of Material Misstatements

Risk of material misstatement consists of the following components:

Risks	Definition
Inherent Risks	How susceptible to fraud or error the financial statements assertions are given the nature of the entity, considering external factors such as competency of staff, availability of information, prior period misstatements, accounting systems, level of supervision, etc before consideration of any related controls. The inherent risk assessment is performed during the planning stage when obtaining understanding of the entity's business (please refer to item 3 of this document).
Controls Risks	Risk of a misstatement due to error or fraud that could occur and not be prevented or detected by Council's internal controls. The assessment of internal controls risks is performed during the internal controls stage after performing test of internal controls (please refer to item 4 of this document).

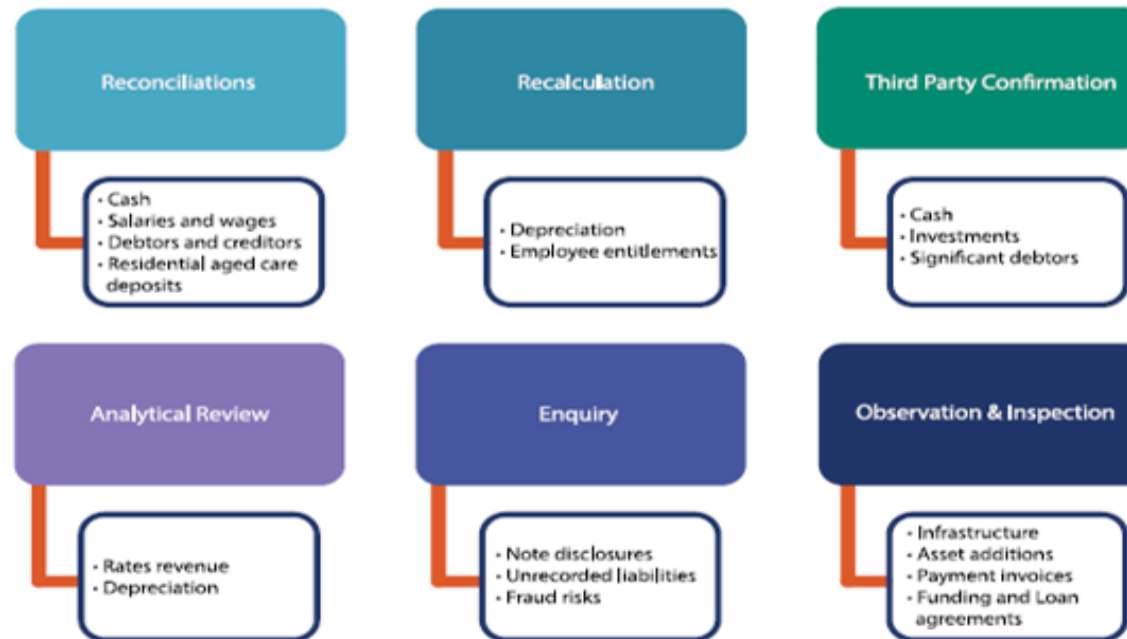
The risk of material misstatement will be based on the combination of inherent and controls risks as demonstrated in the table below:

		Inherent Risks		
		HIGH	MEDIUM	LOW
Controls	HIGH	H	H	M
	MEDIUM	H	M	L
	LOW	M	L	L

The risk of material misstatement will determine the nature and extent of our audit procedures and sample sizes to be utilised. Once we assess the risk of material misstatements we will be able to design our substantive audit procedures.

6. Substantive Procedures

From our risk analysis (please refer to item 5 of this document), we are able to design and refine appropriate substantive procedures, including analytical review and test of details, to address identified risks of material misstatements of financial statements. Testing methods to be applied to account balances and transactions include:



Please refer to the audit timetable indicating the dates for our final visit to perform our final substantive procedures (please refer to the item 8 of this report).

7. Completion

This stage consolidates all the audit work performed during the previous stages. We perform a final risk of material misstatements assessment and conclude whether procedures performed were sufficient to reduce the audit risk to an acceptable level. We evaluate the results of audit testing and determine whether adjustments to the financial statements are required. We also review the final financial statements regarding the best presentation of these reports.



Review of the final financial statements include:

- Reviewing the presentation of the Statement of Comprehensive Income;
- Reviewing the presentation of the Statement of Financial Position;
- Reviewing the presentation of the Statement of Changes in Equity;
- Reviewing the presentation of the Statement of Cash Flows; and
- Reviewing the key note disclosures

Key deliverables to complete the engagement include:

- List of Immaterial Uncorrected Misstatements;
- Final report listing key matters addressed during the audit;
- Final auditor's report; and
- Final Management Letter

8. Audit Timetable

The following is an indicative timetable for the audit. Actual audit dates will be negotiated with the Council to ensure that dates are convenient.

Audit Activities	Indication of Dates
1. Initial Meeting with the audit committee	11 Feb 2019
2. Detailed Audit Plan / Audit Program Development Initial	11 Feb 2019
3. Meeting with Finance Management and Key Staff Members	01-03 April 2019
4. Interim Site Visit	01-03 April 2019
5. Interim Management Letter	30 April 2019
6. Final Audit Visit	TBA
7. Final Auditor's Report	TBA
8. Final Management Letter	TBA

9. Contact Details



Tim Muhlhausler CA, B Comm, Grad Dip. (ICAA),
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**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 18 February 2019
AGENDA BUSINESS ITEM**

Item: 6.3

Originating Officer: Mike Carey, Manager Financial Services

Responsible Director: Terry Crackett, Director Corporate Services

Subject: 2018-19 Budget Review 2

For: Information

SUMMARY

The *Local Government (Financial Management) Regulations 2011* (the Regulations) requires Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require, or offer opportunities for changes to the budget during the year.

This report presents the second Budget Review (BR2) of the 2018-19 financial year to the Audit Committee for review. BR2 will be submitted to Council for consideration on 26 February 2019.

As a result of undertaking a detailed review of the 2017-18 end of year result in comparison to the 2018-19 budget a number of changes including savings were identified as part of BR2. Together with operational adjustments proposed for the budget in relation to the sale of retirement villages and AHBTC holdings, these changes if adopted will result in the current budgeted Operating Surplus of \$302k increasing to \$398k.

This BR2 has also considered capital budgetary impacts of the divestment of the Retirement Villages with net proceeds of over \$9m once the transfer of debenture loans is taken into account. This is a significant component of the proposed changes in the capital works program, increasing capital income by \$9.719m and reducing total capital expenditure by \$291k. Together with the increased operating surplus, this has resulted in Council's current Net Borrowing Result of \$4.513m changing to a Net Lending result for the financial year of \$5.993m.

RECOMMENDATION

The Audit Committee:

1. Resolves that the report be received and noted.
 2. Notes that:
 - a. the Operating Budget variations presented in Budget Review 2 increase the Budgeted Operating Surplus of \$302k to \$398k for the 2018-19 financial year.
 - b. the proposed Capital Works amendments increase capital income by \$9.719m and reduce total capital expenditure by \$291k, resulting in a proposed capital expenditure budget of \$17.626m.
 - c. the proposed operating and capital adjustments result in Council's current Net Borrowing Result of \$4.513m changing to a Net Lending Result of \$5.993m for the 2018-19 financial year.
-

1. GOVERNANCE

➤ Strategic Management Plan/Council Policy

Goal 5 Organisational Sustainability
Strategy Financial Sustainability

A key aspect of Council's formal budget reviews is to review and monitor Council's Annual Budget with reference to its overall financial position and its Long Term Financial Plan (LTFP) to ensure Council continues to be financially sustainable.

➤ Legal Implications

The undertaking of formal budget reviews is a requirement of the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

➤ Risk Management Implications

Conducting the budget review process as required by Regulations will assist in mitigating the risk of:

Failure to conduct the budget review process as required by Regulations results in inaccurate budgets and unforecasted deficits leading to inadequate resourcing for current and future activities.

Inherent Risk	Residual Risk	Target Risk
Medium (4D)	Low (2E)	Low (2E)

It ensures that financial resources are deployed in areas that align with Council's Strategic Management Plans, are affordable and support Council's Long Term Financial Plan.

➤ Financial and Resource Implications

The proposed operating variations will result in the current budgeted Operating Surplus of \$302k increasing to \$398k.

In terms of capital, it is proposed to increase capital income by \$9.719m and reduce total capital expenditure by \$291k. Together with the increased operating surplus, this has resulted in Council's current Net Borrowing Result of \$4.513m changing to a Net Lending result for the financial year of \$5.993m.

As a consequence, this has had a significant flow on effect reducing Council's Net Financial Liabilities and Ratio.

➤ Customer Service and Community/Cultural Implications

Not applicable.

➤ **Environmental Implications**

Not applicable.

➤ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Council Committees: Not Applicable

Advisory Groups: Not Applicable

Administration: The budget review and comparison to the 2017-18 end of year result was prepared in consultation with Directors and Managers to obtain detailed information for each budget area

Community: Not Applicable

2. BACKGROUND

The Regulations require Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require, or offer opportunities for changes to the budget during the year. This report presents the second Budget Review of the 2018-19 financial year.

At the Council meeting held on the 18 December 2018, Council adopted the 2018-19 Budget Review 1 (BR1) with a Budget Operating Surplus before Capital Revenue of \$302k and an estimated Net Borrowings of \$4.513m.

Council's 2018-19 Original Annual Business Plan and Budget was adopted on 26 June 2018 with a further update relating to 2017-18 Preliminary End of Year Results and Carry Forward Report presented to Council on 11 September 2018. The update resulted in Council approving a revision of the 2018-19 budget for carry forwards of \$2.091m relating to capital expenditure and \$1.451m of capital income.

Where possible Council's customary practice is to include Budget Reviews as an agenda item at Audit Committee meetings prior to consideration of Council.

Budget Review Presentation

In accordance with the Local Government (Financial Management) Regulations, the Budget Review presentation for BR2 for the year needs to include the full budgeted financial statements presented in a manner consistent with the Model Financial Statements.

In addition, a council must also include in this report revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators (**Appendix 2**).

3. ANALYSIS

BR2 has been prepared in consultation with Directors and Managers who have provided information for each budget area.

The BR1 Report noted that with the end of year financial statements being finalised, a detailed review would be undertaken to assess the 2017-18 end of year result to ensure that the 2018-19 budget is consistent with these results and identify any future budget changes. As such, the results of this review, along with the adjustments required for the sale of the retirement village portfolio and Adelaide Hills Business Tourism Centre sale of the southern side are addressed as part of BR2.

Budget Review 2 Proposed Adjustments

\$000s	Adopted Budget	Proposed BR2 Adjustments	Revised Budget after BR2
Operating Income	44,470	34	44,504
Operating Expenditure	44,168	(62)	44,106
Operating Surplus	302	96	398
Depreciation	8,358	400	8,758
Capital income	4,744	9,719	14,463
Capital Expenditure	(17,917)	291	(17,626)
Net (Borrowing)/Lending Position	(4,513)	10,506	5,993

Operating

To assist in understanding the proposed adjustments, the table below has separated out the retirement village and depreciation budget changes from all other operating changes.

The retirement village budget has been adjusted to reflect the divestment of the retirement villages in October 2018 and therefore removes the last 8 months of operation and also includes the impact on cash flow as a result of the sale.

Depreciation budgets for infrastructure assets have been increased for 2018-19 based on revaluation work currently being undertaken.

Proposed Budget Changes \$000s	Retirement Villages	Depreciation	Other	Total
Rates			85	85
Statutory charges			20	20
User charges	(320)		4	(316)
Grants and contributions			25	25
Investment income	10			10
Reimbursements			111	111
Other income			99	99
Operating Income	(310)	-	344	34
Employee costs	(31)		(129)	(160)
Materials, contracts & other expenses	(82)		(20)	(102)
Depreciation	(78)	478		400
Finance costs	(200)			(200)
Operating Expenses	(391)	478	(149)	(62)
Operating Surplus	81	(478)	493	96

In terms of the proposed “Other” operating variations, key adjustments are as follows:

Operating Income

- Rates revenue has exceeded budget by \$69k as a result of growth from new development at both Woodforde and Inverbrackie as well as additional CWMS rates income of \$16k.
- Statutory income budget has been increased for Development Act fees as a result of Actuals Year-to-date (YTD) and trends from previous years.
- The proposed increase in Grants and Contributions largely relates to unbudgeted CWMS connection fee contributions received in the 2018-19 financial year.
- Reimbursements increases relate to the grossing up of utility costs for AHBTC of \$68k (contra on the expenditure side as well) and \$48k received from Mt Barker Council as a reimbursement for Hills Sculpture Trail costs.
- Other income changes largely relate to additional income in relation to Fuel Tax credits \$64k and unbudgeted insurance distributions received of \$35k.

Operating Expenditure

- For employee costs the proposed decrease largely relates the reallocation of field staff costs for work undertaken internally on the Unsealed and Shoulder Capital Works Program of \$144k, not budgeted in Council’s current 2018-19 budget.
- For Materials, Contract and Other, proposed reductions in expenditure in:
 - Planning & Development of \$55k, largely relating to legal & court costs,
 - Policy & Planning function contractors and light vehicle costs totalling \$36k, and
 - waste disposal costs to AHRWMA of \$53k and landfill monitoring costs of \$36k,offset the grossing up of utilities of \$68k for AHBTC as discussed above and additional costs relating to the Ashton landfill site of \$85k.

There has been no change to the CEO contingency which remains at \$40k.

Capital

The net impact resulting from proposed changes in the capital works program increases capital income by \$9.719m and reduces total capital expenditure by \$291k as summarised below:

Capital Income - increase of \$9.719m

- Accounting for Proceeds from Sale of Surplus Assets - \$9.282m (Retirement Village and AHBTC Divestments).
- Capital Grants for New & Upgraded Assets - \$437k increase relating to a Sport & Recreation grant.

Capital Expenditure –reduction of \$291k

- Increase in capital renewals of \$132k.
- Reduction in new capital expenditure of \$423k.

Details of the Capital Program proposed changes are included at **Appendix 1**.

Movements in Budgeted Borrowings

As a result of proposed BR2 changes, forecast borrowings have been revised downwards from \$19.5m to \$12.1m including Council's short term drawdown. Council had previously budgeted for New Borrowings of \$4.6m for the 2018-19 financial year.

The forecast borrowing movements are shown below.

Borrowings \$000s	Opening Balance July 2018	New Borrowings	Repayments	Forecast June 2019
CAD (Short Term Drawdown)	4,900	-	(2,785)	2,115
Current Fixed Term Borrowings	18		(18)	-
Non-Current Fixed Term Borrowings	10,000	-	-	10,000
Total Borrowings	\$14,918	-	(2,803)	\$12,115

Summary

The proposed budget changes increase the Operating Surplus from \$302k to \$398k.

The net impact resulting from proposed adjustments from Budget Review 2 for capital is \$10.010m, being an increase in capital income of \$9.719m, largely as a result of Council's retirement village divestment and a reduction in total capital expenditure of \$291k.

A summary of the impact on Council's Net Borrowing Position is shown below:

\$000s	
Current Adopted Budget Net Borrowings	(4 513)
Impact of Operating Budget Adjustments for BR2	96
Impact of Capital Budget Adjustments for BR2	10,010
Change in Depreciation – non cash item	400
BR2 Revised Net Lending Position	5,993

Financial Indicator Analysis

The BR2 Revised Budget Financial Indicators are shown with reference to both the 2018-19 Original Budget adopted in June 2018 and the Current Adopted Budget for 2018-19 adopted in December 2018.

Financial Indicator	Target	Original Adopted Budget for 2018-19	Current Adopted Budget for 2018-19 (BR1 Dec 2018)	Proposed Revised Budget 2018-19
Operating Surplus Ratio	0% to 10%	0.7%	0.7%	0.9%
Net Financial Liabilities Ratio	0% to 100%	63%	65%	41%
Asset Renewal Funding Ratio	90% to 110%	91%	103%	104%

Contributing factors that have impacted on the changes in ratios per the table above are as follows:

Operating Surplus Ratio

The slight increase in the Operating Surplus Ratio is as a direct result of the increase in Operating Surplus from \$302k as per Original Budget and Budget Review 1 to \$398k as proposed in BR2.

Net Financial Liabilities Ratio

There has been a significant decrease in this ratio from the currently adopted budget as a result of adjusting for the proceeds from the retirement villages divestment with net proceeds of over \$9m. This allowed the short term draw down facility to be paid off as well as accounting for the transfer of the Retirement Villages debenture deposit liabilities to the new owner thus significantly reducing forecast Net Financial Liabilities to 41% at 30 June 2019.

The small increase in this ratio between the Original Budget and the Current Adopted Budget was as a result of accounting for the carry forward of capital projects from 2017-2018 to the current financial year.

Asset Renewal Funding Ratio

As the Asset Renewal Funding Ratio uses budgeted renewal capital expenditure in the calculation the proposed increase of \$132k in capital renewal results in a minor increase in the ratio from 103% to 104%.

This ratio also increased from the Original Budget to BR1 as a result of accounting for the carry forwards from 2017-18 which included over \$1.1m of renewals.

4. OPTIONS

The Audit Committee is limited to receiving and noting this report.

5. APPENDICES

- (1) Capital Works Budget Review 2 Proposed Changes
- (2) Budget Review 2 Statutory Financial Statements

Appendix 1

Capital Works Budget Review 2 Proposed Changes

Project Name		BR1 Budget	2018-19 Proposed BR2 Revised Budget	Proposed BR2 Adjustment/ (Increase)/ Decrease	Comment
RENEWAL CAPITAL EXPENDITURE					
Buildings					
3665	Gumeracha Retirement Village-Roof Renewal of full roof	\$108,000	\$Nil	\$108,000	Due to the sale of the retirement villages, this project will not proceed.
3113	Retirement Villages Refurbishment-Region wide	\$120,000	\$25,000	\$95,000	Due to the sale of the retirement villages, this project will not incur further costs.
Library					
New	Trolley for external chute at Coventry library	\$Nil	\$7,480	(\$7,480)	Current automated trolley is over 11 years old and is failing intermittently resulting in issues with capacity, bin jamming and WHS impacts.
New	RFID wand	\$Nil	\$5,974	(\$5,974)	Current wand used for stocktaking and for regular checking of shelves for missing items is eight years old and no longer works. Wand saves considerable staff time on a regular basis.
Roads					
3707	Seal Renewals-Regionwide based on Asset Management Plan assessment	\$852,176	\$1,002,176	(\$150,000)	Significant increase is due to additional works on Montacute Rd.
Stormwater					
New	Sturt Valley Road, culvert replacement	\$Nil	\$21,509	(\$21,509)	A major culvert under Sturt Valley Rd collapsed, creating a sink hole under the road. This was repaired via replacing the culvert and reinstating the road, as an urgent road safety project.
New	Balhannah Train Station Stormwater renewal	\$Nil	\$ 150,000	(\$150,000)	Renewal of failed stormwater in easement under train tracks at Balhannah Train Station
Proposed Capital Renewal Adjustments				(\$131,963)	

Project Name		BR1 Budget	2018-19 Proposed BR2 Revised Budget	Proposed BR2 Adjustment/ (Increase)/ Decrease	Comment
NEW CAPITAL EXPENDITURE					
Buildings					
3505	AHBTC Masterplan and Divestment Project Capital Expenditure	\$1,985,000	\$900,000	\$1,085,000	Revised costings for 2018-19. Next Financial Year proposed budget will increase BY \$205k to \$700k
New	Crafers Hall site works	\$Nil	\$35,000	(\$35,000)	Due to winter flooding, proposed to construct new drainage and retaining wall infrastructure at Crafers Hall canteen and shed.
Sport & Recreation					
New	Stirling Tennis Club and Heathfield Netball Club Courts	\$Nil	\$437,000	(\$437,000)	To redevelop existing courts and construct new courts at the Stirling Tennis Club and resurface courts at Heathfield Netball Clubs funded by grant received from Office of Recreation and Sport under Sporting Surfaces Program
Stormwater					
New	Bridgewater Cox Creek - Rectification Works	\$Nil	\$150,000	(\$150,000)	Cox Creek adjacent Bridgewater Oval suffered significant damage as part of the 2016 storm events. In particular, the creek banks were badly eroded and flood wall compromised. This project seeks to construct rock armouring to the creek banks as well as reinstate the flood wall.
New	Gould Rd Stormwater	\$Nil	\$40,000	(\$40,000)	Construction of stormwater infrastructure within an existing easement, to formalise discharge of Gould Rd and adjacent properties.
Proposed New Capital Adjustments				\$423,000	

Project Name		BR1 Budget	2018-19 Proposed BR2 Revised Budget	Proposed BR2 Adjustment/ Increase/ (Decrease)	Comment
CAPITAL INCOME					
Buildings					
	AHBTC Masterplan and Divestment Project – Proceeds	\$3,404,950	\$3,500,000	\$95,050	Division and sale of new allotments for the various tenancy areas of the AHBTC site (except the identified Arts & Heritage Hub) - this project reflects the forecast revenue from the sales of the new allotments.
	Sale of Retirement Villages	\$Nil	\$9,187,129	\$9,187,129	Proceeds from the Sale of Retirement Villages (excluding Bridgewater) including cash and transfer of debentures to new owner.
Proceeds from Sale of Surplus Assets Adjustments				\$9,282,179	
Sport & Recreation					
New	Stirling Tennis Club and Heathfield Netball Club Courts Grant Funding from Office of Recreation and Sport	\$Nil	\$437,000	\$437,000	Funding to redevelop existing courts and construct new courts at the Stirling Tennis Club and resurface courts at Heathfield Netball Clubs from Office of Recreation and Sport under Sporting Surfaces Program
Capital Grants for New and Upgraded Assets				\$437,000	

Appendix 2

2018-19 Budget Review 2 – Statutory Financial Statements

Adelaide Hills Council

BUDGETED UNIFORM PRESENTATION OF FINANCES 2018-19 Revised Budget

	2018-19 Original Budget \$'000	Carry Forwards	BR1	BR2	2018-19 Revised Budget \$'000
Total Income	44,270	-	200	34	44,504
Total Expenses	43,968	-	200	(62)	44,106
NET BUDGETED SURPLUS / (DEFICIT) BEFORE CAPITAL AMOUNTS	302	-	-	96	398
Net Outlays on Existing Assets					
Capital Expenditure on Renewal and Replacement of Existing Assets	(10,408)	(1,115)	(215)	(132)	(11,870)
Proceeds from Sale of Replaced Assets	501	-	35	-	536
Depreciation	8,358	-	-	400	8,758
NET OUTLAYS ON EXISTING ASSETS	(1,549)	(1,115)	(180)	268	(2,576)
Net Outlays on new and Upgraded Assets					
Capital Expenditure on New and Upgraded Assets & Remediation costs	(5,203)	(976)	-	423	(5,756)
Capital Grants and Monetary Contributions for New and Upgraded Assets	500	241	-	437	1,178
Proceeds from Sale of Surplus Assets	2,257	1,210	-	9,282	12,749
NET OUTLAYS ON NEW AND UPGRADED ASSETS	(2,446)	475	-	10,142	8,171
Net Lending/ (Borrowing) for Financial Year	(3,693)	(640)	(180)	10,506	5,993
Net Financial Liabilities at Beginning of Year	(24,298)	-	-	-	(24,298)
Non Cash Equity Movement	(100)	-	-	-	(100)
Net Financial Liabilities at End of Year	(28,091)	(640)	(180)	10,506	(18,405)

Adelaide Hills Council

STATEMENT OF COMPREHENSIVE INCOME 2018-19 Revised Budget

2017-18 Actuals		2018-19 Original Budget \$'000	BR1	BR2	2018-19 Revised Budget \$'000
\$'000					
INCOME					
35,512	Rates	37,101	-	85	37,186
1,069	Statutory charges	1,080	-	20	1,100
1,479	User charges	1,207	-	(316)	891
5,508	Grants, subsidies and contributions	4,109	200	25	4,334
30	Investment income	28	-	10	38
447	Reimbursements	266	-	111	377
488	Other income	379	-	99	478
-	Net gain - equity accounted Council businesses	100	-	-	100
44,533	Total Income	44,270	200	34	44,504
EXPENSES					
14,956	Employee costs	16,621	-	(160)	16,461
19,961	Materials, contracts & other expenses	18,121	200	(102)	18,219
8,246	Depreciation, amortisation & impairment	8,358	-	400	8,758
646	Finance costs	868	-	(200)	668
216	Net loss - equity accounted Council businesses	-	-	-	-
44,025	Total Expenses	43,968	200	(62)	44,106
508	OPERATING SURPLUS / (DEFICIT)	302	-	96	398
(2,401)	Asset disposal & fair value adjustments	-	-	1,867	1,867
867	Amounts received specifically for new or upgraded assets	500	241	437	1,178
2068	Physical Resources Received Free of Charge	-	-	-	-
1,042	NET SURPLUS / (DEFICIT)	802	241	2,400	3,443
55,488	Changes in revaluation surplus - infrastructure, property, plant & equipment <i>Amounts which will be reclassified subsequently to operating result</i>	5,000	-	-	5,000
20	Other Comprehensive Income	-	-	-	-
32	Share of Other Comprehensive Income JV	-	-	-	-
55,540	Total Other Comprehensive Income	5,000	-	-	5,000
56,582	TOTAL COMPREHENSIVE INCOME	5,802	241	2,400	8,443

Adelaide Hills Council
STATEMENT OF FINANCIAL POSITION
2018-19 Revised Budget

2017-18 Actuals		2018-19 Revised Budget
\$'000	ASSETS	\$'000
	Current Assets	
	491 Cash and cash equivalents	491
	2,853 Trade & other receivables	2,853
	- Other financial assets	-
	13 Inventories	13
	3,357	3,357
	1,260 Non-current Assets held for Sale	-
	4,617 Total Current Assets	3,357
	Non-current Assets	
	50 Financial assets	28
	838 Equity accounted investments in Council businesses	938
	370,815 Infrastructure, property, plant & equipment	374,525
	371,703 Total Non-current Assets	375,491
	376,320 Total Assets	378,848
	LIABILITIES	
	Current Liabilities	
	8,645 Trade & other payables	5,533
	4,900 Borrowings - Short Term Draw Down	2,115
	18 Borrowings - Other	-
	3,478 Provisions	3,478
	17,041 Total Current Liabilities	11,126
	Non-current Liabilities	
	10,000 Borrowings	10,000
	651 Provisions	651
	- Other Non-current Liabilities	-
	10,651 Total Non-current Liabilities	10,651
	27,692 Total Liabilities	21,777
	348,628 NET ASSETS	357,071
	EQUITY	
	137,081 Accumulated Surplus	140,524
	210,121 Asset Revaluation Reserves	215,121
	1,426 Other Reserves	1,426
	348,628 TOTAL EQUITY	357,071
	24,298 NET FINANCIAL LIABILITIES	18,405

Adelaide Hills Council

STATEMENT OF CHANGES IN EQUITY AND FINANCIAL RATIOS 2018-19 Revised Budget

	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
2018-19	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period	137,081	210,121	1,426	348,628
Net Surplus / (Deficit) for Year	3,443	-	-	3,443
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment	-	5,000	-	5,000
Transfers between reserves	-	-	-	-
Balance at end of period	140,524	215,121	1,426	357,071

2017-18 Budget Review

Balance at end of previous reporting period	135,571	154,633	1,842	292,046
Restated opening balance				
Net Surplus / (Deficit) for Year	1,042			1,042
Other Comprehensive Income				
Changes in revaluation surplus - infrastructure, property, plant & equipment		55,488		55,488
Share of Other Comprehensive Income JV	32			32
Share of other comprehensive income - equity accounted Council businesses	20			20
Transfers between reserves	416		(416)	-
Balance at end of period	137,081	210,121	1,426	348,628

FINANCIAL RATIOS

	2018-19 Revised Budget
Operating Surplus Ratio	
<u>Operating Surplus</u>	0.9%
Total Operating Revenue	
Net Financial Liabilities Ratio	
<u>Net Financial Liabilities</u>	41%
Total Operating Revenue	
Asset Sustainability Ratio	
<u>Net Asset Renewals</u>	104%
Infrastructure & Asset Management Plan required expenditure	

Adelaide Hills Council

CASH FLOW STATEMENT

2018-19 Revised Budget

2017-18 Actuals		2018-19 Revised Budget
\$'000	<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	\$'000
	<u>Receipts</u>	
35,348	Rates - general & other	37,186
1,069	Fees & other charges	1,100
1,479	User charges	891
6,322	Grants	4,334
30	Investments	38
447	Reimbursements	377
246	Other revenues	478
	<u>Payments</u>	
(15,199)	Employee costs	(16,461)
(17,386)	Materials, contracts & other expenses	(18,219)
(646)	Finance payments	(668)
11,710	NET CASH USED IN OPERATING ACTIVITIES	9,056
	<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
	<u>Receipts</u>	
-	Proceeds from Borrowings	-
1	Proceeds from Bonds & Deposits deposits	-
-	Proceeds from Aged Care facility deposits	-
	<u>Payments</u>	
(33)	Repayment from Borrowings	(18)
(90)	Repayments of Aged Care facility deposits	(3,112)
(122)	NET CASH USED IN FINANCING ACTIVITIES	(3,130)
	<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
	<u>Receipts</u>	
867	Grants for new or upgraded assets	1,178
489	Sale of replaced assets	536
	Sale of surplus assets	12,749
43	Repayment of loans to Community Groups	22
	Distributions received from Equity Accounted Businesses	-
	<u>Payments</u>	
(4,251)	Expenditure on new/ upgraded assets	(5,756)
(10,493)	Expenditure on renewal/ replacement of assets	(11,870)
-	Loans Made to Community Group loans	-
(18)	Capital Contributed to Equity Accounted Businesses	-
(13,363)	NET CASH USED IN INVESTING ACTIVITIES	(3,141)
(1,775)	NET INCREASE / (DECREASE) IN CASH HELD	2,785
(2,634)	CASH AT BEGINNING OF YEAR	(4,409)
(4,409)	CASH AT END OF YEAR	(1,624)
491	Cash & Investments	491
(4,900)	Short Term Drawdown	(2,115)
(4,409)		(1,624)

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 18 February 2019
AGENDA BUSINESS ITEM**

Item: 6.4

Originating Officer: Mike Carey, Manager Financial Services

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Long Term Financial Plan Review

For: Information

SUMMARY

Prior to commencement of the budget process each year a review of the Long Term Financial Plan (LTFP) is undertaken. This review ensures that the LTFP is updated to reflect movements in key economic indicators as well as any revised strategies or plans considered by Council.

The LTFP was last considered by the Audit Committee on 20 February 2018 and was ultimately endorsed for public consultation by Council prior to the budget setting process in 2018.

A workshop of Council was held on 12 December 2018 to provide an overview of the process undertaken to develop the LTFP as well as a review the key inputs and resulting sustainability ratios.

The LTFP will be submitted to Council for consideration on 26 February 2019 prior to community consultation being undertaken.

RECOMMENDATION

The Audit Committee:

- 1. Receives and notes the report.**
 - 2. Notes the updated Long Term Financial Plan.**
 - 3. Recommends Council endorse the Long Term Financial Plan, as contained in Appendix 1 for community consultation in accordance with *Section 122 of the Local Government Act 1999*.**
-

1. GOVERNANCE

➤ Strategic Management Plan/Council Policy

Goal Organisational Sustainability
Key Issue Risk and Responsibility

➤ Legal Implications

The Long Term Financial Plan is prepared as a part of the Strategic Management Plan and in accordance with Section 122(1)(a) of the *Local Government Act 1999* (the Act).

➤ Risk Management Implications

Preparing a Long Term Financial Plan as required by the Act and Regulations will assist in mitigating the risk of:

Inability to discharge role and functions of a local government entity leading to a breach of legislation and loss of stakeholder confidence.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (4D)	Medium (3D)

It ensures that financial resources are deployed in areas that align with Council's Strategic Management Plans, are affordable and supported within the Council's Long Term Financial Plan.

➤ Financial and Resource Implications

Satisfactory internal financial controls provide the foundation for ensuring Council's ongoing financial sustainability. The LTFP is a financial model that aims to achieve long term financial sustainability, using the key financial indicators and benchmarks for guidance, projected over 10 years using inputs from the Strategic Management Plan, Asset Management Plan and other key Strategies.

A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

The LTFP is based on continuing existing service levels including infrastructure renewal and upgrade and is regularly updated to account for any changes.

➤ Customer Service and Community/Cultural Implications

There is an expectation that Council has appropriate corporate governance processes in place including an effective internal control environment.

➤ Environmental Implications

Not applicable.

➤ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

<i>Council Committees:</i>	Not applicable
<i>Advisory Groups:</i>	Not Applicable
<i>Administration:</i>	The Executive Leadership Team (ELT) has reviewed the updated LTFP and endorsed for presentation to Council.
<i>Community:</i>	Public consultation will be undertaken following consideration by Council on 26 February 2019.

2. BACKGROUND

The Act requires Council to prepare a LTFP as part of its Strategic Management Plan, and to update it on the same basis. Members of the public are to be given a reasonable opportunity to be involved in the development and review of the Council's plan.

Council considers that its LTFP is a fundamental instrument of accountability and provides projections for Council's planned activities over a ten year timeframe.

The key objective of Council's LTFP is financial sustainability in the medium to long term, while still achieving Council's corporate objectives as specified in its Strategic Plan and Corporate Plans. At the same time the LTFP ensures that there is an understanding of the impact of decisions made today on future sustainability. This means ensuring the cost effective delivery of works and services, and the appropriate maintenance and renewal of our asset base in a financially sustainable manner.

The purpose of this plan is not to provide specific detail about individual works or services. It does however provide a decision making tool that allows various assumptions and sensitivity analysis to be carried out that will indicate the ability of Council to deliver cost effective services to our community in the future in a financially sustainable manner.

A Council's LTFP must contain a summary of the proposed operating and capital investment activities in the Uniform Presentation of Finance format for a period of at least ten years. It should include estimates of the key ratios, operating surplus, net financial liabilities and asset sustainability. This illustrates the expected long term financial performance of the Council, and hence whether financial sustainability is being achieved.

The model is a fluid document, continually reviewed, modified and refined as new information is discovered, usually at each Budget Review and during the construction and adoption of the annual budget.

3. ANALYSIS

The LTFP is prepared using a number of assumptions, with regard to projected rate income, projected fees, charges and grants and also includes assumptions about future operational and capital expenditure. Given that long term financial plans are derived from an estimate of future performance, it should be appreciated that actual results are likely to vary from the information contained in the LTFP.

The Long Term Financial Plan will continue to be amended to incorporate feedback from different sources (Management, Council Members, Public, new initiatives, new legislation and identified savings).

The LTFP is based upon 2018/19 adopted budget that has been revised for amendments required by Budget Review 1 (BR1) and Budget Review 1 (BR2) considerations. Indices have been applied to categories within the LTFP to produce an uplifted 2019/20 LTFP budget that is capable of being used as a “target” for the 2019/20 budget setting process.

Intuitively, if the LTFP demonstrates sustainability over a ten year period, and the 2019/20 LTFP target budget is embedded within the LTFP, then the development of a 2019/20 budget that aligns with the LTFP target also demonstrates financial sustainability.

Key considerations

Whilst the projected Operating Surplus in Year 1 of the LTFP (i.e. 2019/20) at \$300k is lower than the forecast of \$416k in the last review of the LTFP in 2018, there are a number of key variations that have been accounted for that are outlined in the following table:

Description \$000s	Variance Fav / (Unfav)
Impact of the ‘China Sword’ on the disposal of recyclable waste. This was included as part of the development of the 2018/19 budget with a decision not to increase rates until such time as the ongoing impact was assessed.	(338)
Base Rate revenue exceeded forecast as revised CPI for last year was higher than anticipated in the LTFP. Growth from new development at both Woodforde and Inverbrackie also exceeded expectations as well as additional CWMS rates income of \$16k. However this is offset by lower CPI estimates for 2019-20	190
Depreciation forecasts for infrastructure assets have been increased based revaluation work currently being undertaken	(250)
Net operating impact of divestment strategy associated with Retirement Villages and AHBTC (noting that finance charges and capital expenditure forecasts have been reduced to more than offset this cost)	(270)
Inclusion of a provision for additional ‘ongoing’ operating initiatives of \$200,000 to account for items that will be considered during the development of the 2019/20 budget (including community consultation feedback). Current initiatives have also been reviewed and reduced by approximately \$100,000 to reflect updated expenditure forecasts	(100)
Reduction in the increase in CWMS charges from 10% to 5% following the completion of additional financial modelling against the principles established by Essential Services Commission of South Australia. This modelling has indicated that recovery can be achieved over time with a lower level of increase.	(80)
Significant reductions in the level of interest expense following the sale of the Retirement Villages and land parcels at AHBTC	315
Increased funding advised for Roads to Recovery over the next 4 years	55
Reduced forecasted expenditure for FABRIK to reflect those items that are captured as corporate costs (previously only captured in 2018/19 budget)	40
Removal of an additional maintenance provision in Year 1 forecasts based on current year expenditure requirements	53
Removal on an annual accrual for LG Election costs. These are now captured within the relevant year of the LTFP based on the election cycle	40
In addition to the above items, a detailed review of all 2018/19 budgets was undertaken as part of BR2 to reflect outcomes achieved in 2017/18 as well as year-to-date revenue and expenditure to provide for an improved ongoing financial position (refer to separate report on agenda)	230

Key Outcomes:

Importantly the current LTFP demonstrates that the Council is financially sustainable over the 10 year term of the LTFP, whilst achieving the objectives outlined in the Strategic Plan.

This includes:

- Implementation and funding of the appropriate level of maintenance and renewal of the portfolio of infrastructure assets
- Meeting the ongoing expectations of service delivery to our community
- Managing the impact of cost shifting from other levels of government
- The appropriate use of debt as a means of funding asset renewal
- Ensuring the financial sustainability of Council's operations.

Financial sustainability has been demonstrated through adherence to the agreed target ranges in all of the following three key ratios:

- Operating Surplus Ratio, target range 0% to 10%
- Net Financial Liabilities Ratio, target range 0% to 100%
- Asset sustainability Ratio, target range 90% to 110%

In achieving these targets, which are explained in more detail within the LTFP, there is a level of certainty provided to the community that financial sustainability will be maintained.

4. OPTIONS

Audit Committee is limited to receiving and noting this report and providing any additional comments for consideration by Council.

5. APPENDIX

(1) Draft Long Term Financial Plan (February 2019)

Appendix 1

Draft Long Term Financial Plan
February 2019



Adelaide Hills
COUNCIL

2019-20

DRAFT Long Term Financial Plan



Draft Long Term Financial Plan

February 2019



Why does Council prepare a Long Term Financial Plan?

The *Local Government Act 1999* requires Council to prepare a Long Term Financial Plan (LTFP) as part of its Strategic Management Plan. This means that members of the public are to be given a reasonable opportunity to be involved in the development and review of the Council's plan.

Council considers that its Long Term Financial Plan (LTFP) is a fundamental instrument of accountability and provides projections for Council's planned activities over a ten year timeframe.

The key objective of Council's LTFP is financial sustainability in the medium to long term, while still achieving Council's corporate objectives as specified in its Strategic Plan, Corporate Plans and Functional Strategies. At the same time the LTFP ensures that there is an understanding of the impact of decisions made today on future sustainability. This means ensuring the cost effective delivery of works and services, and the appropriate maintenance and renewal of our asset base in a financially sustainable manner.

The purpose of this plan is not to provide specific detail about individual works or services. The LTFP provides a decision making tool that allows various assumptions and sensitivity analysis to be carried out that will indicate the ability of Council to deliver cost effective services to our community in the future in a financially sustainable manner.

A Council LTFP must contain estimated financials for a period of at least ten years. It should include estimates of the key ratios, operating surplus, net financial liabilities and asset renewal funding. This illustrates the expected long term financial performance of the Council, and hence whether financial sustainability is being achieved.

The model is a fluid document, continually reviewed, modified and refined as new information is discovered, usually at each Budget Review and during the construction and adoption of the annual budget.

How does Council prepare the plan?

The 10 year LTFP is prepared using a number of assumptions, with regard to projected rate income, projected fees, charges and grants and also includes assumptions about future operational and capital expenditure. Given that long term financial plans are derived from an estimate of future performance, it should be appreciated that actual results are likely to vary from the information contained in the LTFP.

The LTFP is based on a model which projects Council's future financial performance based on a very large range of variables applied to its performance in recent years. Because there are a large number of variables the model is quite complex. In order to use it to guide each year's budget setting process, the key variables have been divided into two groups:

- » Controllable variables – items that Council can control such as service levels, capital expenditure, rate increases and wage increases
- » Non-controllable variables – items outside Council's control, such as interest rates, inflation and economic growth (eg. residential development, new businesses, etc).

For controllable variables, Council is able to model different levels of activity to see what effect they have on financial performance. The long term effects of each decision can then be assessed.

For non-controllable variables, the plan uses reasonable long term estimates which do not change (except to update them at the beginning of each budget cycle). In this way the impact of different choices about the controllable variables can be assessed. For instance, inflation measured by CPI has fluctuated substantially in recent years. Because inflation works differently on different elements of Council's income and expense it can quickly and materially distort the LTFP, especially in its later years.

What key conclusions may be drawn from the plan?

Importantly the current LTFP demonstrates that the Council is financially sustainable over the 10 year term of the LTFP, whilst achieving the objectives outlined in the Strategic Plan. This includes:

- » Implementation and funding of the appropriate level of maintenance and renewal of the portfolio of infrastructure assets
- » Meeting the ongoing expectations of service delivery to our community
- » Managing the impact of cost shifting from other levels of government
- » Enabling the delivery of strategies identified within the Strategic Plan as well as other endorsed Functional Strategies
- » The appropriate use of debt as a means of funding new capital expenditure
- » Ensuring the financial sustainability of Council's operations.

Financial sustainability has been demonstrated through adherence to the agreed target ranges in all of the following three key ratios:

1. **Operating Surplus Ratio, target range 0% to 10%**
2. **Net Financial Liabilities Ratio, target range 0% to 100%**
3. **Asset Renewal Funding Ratio, (formerly titled Asset Sustainability Ratio) target range 90% to 110%**

In achieving these targets, which are explained in more detail below, there is a level of certainty provided to the community that financial sustainability will be maintained.

How to provide feedback....

The LTFP is available for inspection from 6 March to 29 March 2019 at Council's Libraries and Community Centres, and on Council's website ahc.sa.gov.au.

Feedback can be provided at engage.ahc.sa.gov.au or by a written submission to PO Box 44, Woodside SA 5244 or mail@ahc.sa.gov.au. Submissions must be sent to the Chief Executive Officer not later than 5.00pm Friday, 29 March 2019.

The results of the feedback provided will be discussed with Council and incorporated into the Final Long Term Financial Plan prior to consideration of the 2019/20 Annual Business Plan and Budget.

Ratios

Operating Surplus Ratio

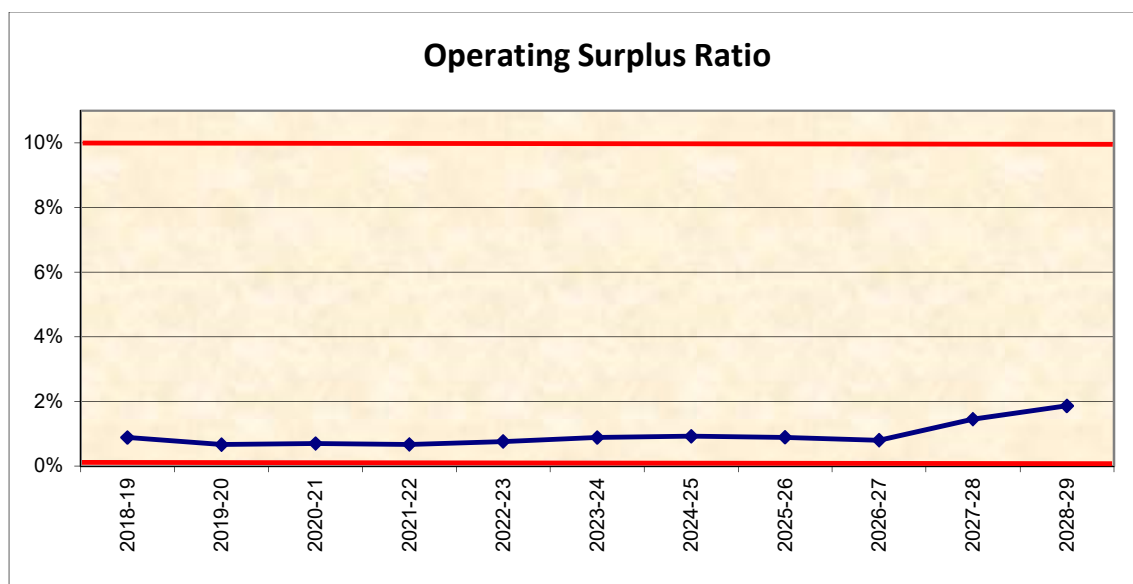
The operating surplus ratio indicates the extent to which operating revenue is sufficient to meet all operating expenses and whether current ratepayers are paying for their consumption of resources.

The Operating Surplus ratio expresses the operating surplus as a percentage of total operating income. A negative ratio indicates the percentage increase in total operating income required to achieve a break-even operating result. A positive ratio indicates the percentage of total rates available to fund capital expenditure over and above the level of depreciation expense without increasing council's level of net financial liabilities.

Target: 0–10%

10 Year Result Range: 0.7% - 1.9%

The ratio indicates the cost of services provided to ratepayers is being met from operating revenues with surplus's being used to fund infrastructure works in line with our LTFP projections.



Net Financial Liabilities Ratio

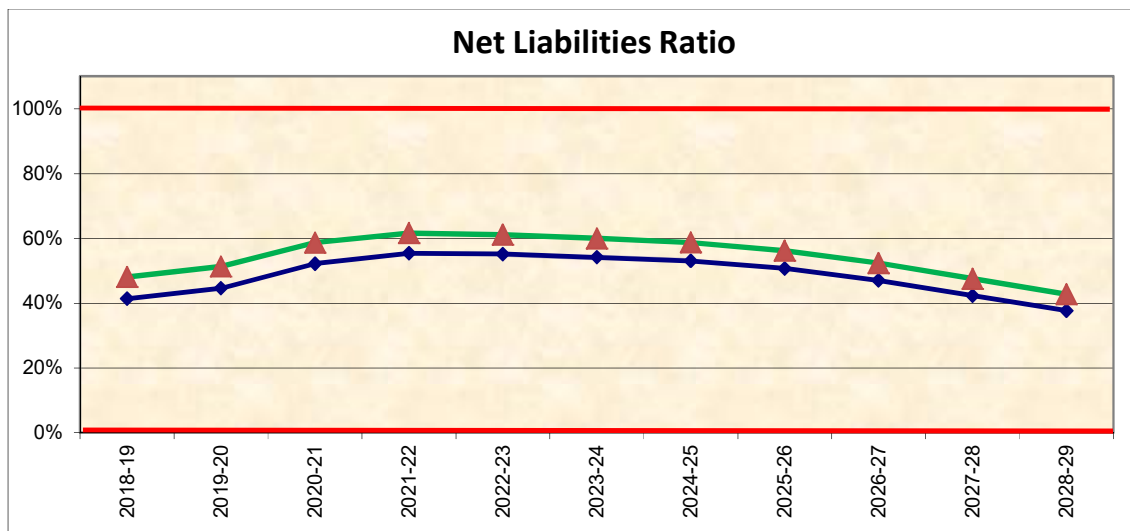
Net Financial Liabilities is an indicator of the Council's total indebtedness and includes all Council's obligations including provisions for employee entitlements and creditors.

This ratio indicates the extent to which the net financial liabilities of the Council can be met by the Council's total operating revenue. Where the ratio is falling, it indicates that the Council's capacity to meet its financial obligations from operating revenues is strengthening. Where the ratio is increasing, it indicates that a greater amount of Council's operating revenues is required to service its financial obligations.

Target: 0–100%

10 Year Result Range: 38% - 55%

This ratio demonstrates that council's total indebtedness (including borrowings) can be met by operating revenue.



Note: The additional liabilities ratio included above in 'green' projects the financial impact should a significant event (i.e. fire or storm) in the order of \$10m impact on the region.

Asset Renewal Funding Ratio (formerly titled Asset Sustainability Ratio)

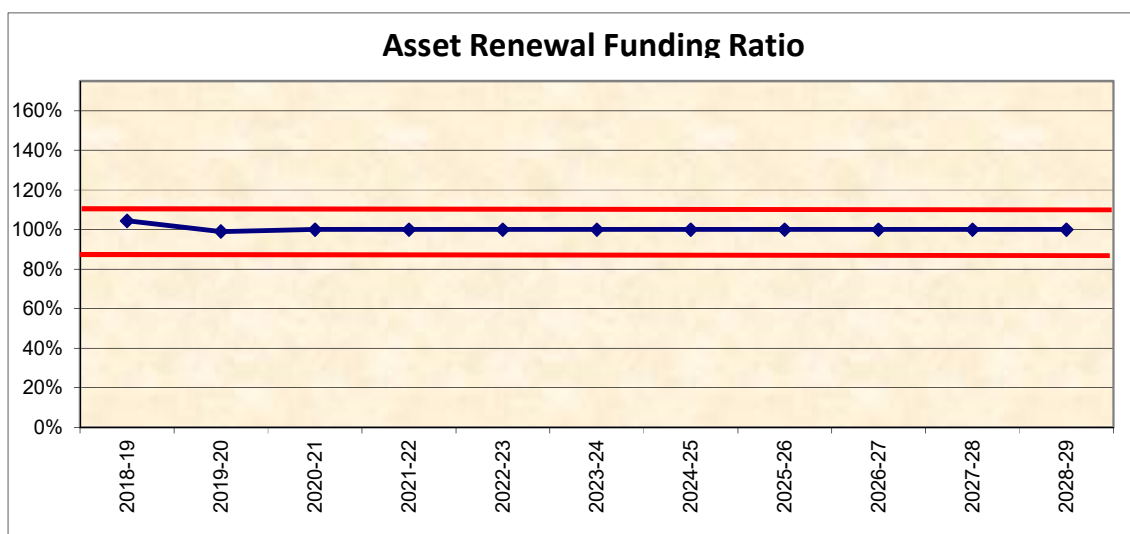
This ratio indicates whether a Council is renewing or replacing existing infrastructure assets at the same rate that its asset management plan requires.

The target for this ratio is to be between 90% and 110% in any given year, with 100% on average over five years. This would mean that Council is replacing 100% (or all) of the assets that require renewal.

Target: 90–110%

10 Year Result Range: 99% - 100%

The result achieved for this measure only varies minimally throughout the 10 year horizon of the LTFP as the amount of future renewal expenditure is based on the required asset management expenditure.



Key sections explained.....

Uniform Presentation of Finances

In accordance with the *Local Government (Financial Management) Regulations 2011* this section of the LTFP presents the financial position for the next 10 years in a manner consistent with the note in the *Model Financial Statements* entitled "Uniform Presentation of Finances".

This section of the LTFP is broken into three key elements as follows:

- » A summary of all operating income and expenditure to highlight the Net Operating Surplus
- » Net Outlays on Existing Assets after providing for depreciation and proceeds from any replacement asset sales
- » Net outlays on new and upgraded assets after providing for grants received and proceeds from any surplus asset sales

The result of these three elements for each forecast year represents the impact on Council's net financial liabilities whereby a net lending result reduces net financial liabilities, and a net borrowing result increasing net financial liabilities.

Statement of Comprehensive Income

This Statement provides a 10 year projection of operating income and expenditure using the 2018/19 adjusted Budget as the base year. The projections result from the application of the indices mentioned in a subsequent section of this Plan.

Key points of note include:

- » Rates revenue is shown to increase by CPI +1.75% from 2019/20 through 2022/23. The 1.75% in initial years is attributable to:
 - growth from new development of 0.75%, and
 - a 1% increase to support increased levels of renewal of capital works as forecast within current Asset Management Plans.After 2022/23 the increase applied is CPI + 0.5% (growth).
- » Projected Grant income falls significantly for 2019/20 as a result of the following:
 - Reduced levels of Supplementary Local Roads Funding
 - Removal of 'once off' disaster recovery funding received as a result of storm damage that occurred during 2016/17
- » Employee costs increase by 2.7% throughout the 10 years in line with forecasts for average weekly earnings and a provision for revaluation of current provisions and grade step increases. An allowance has been made for the proposed increase in Superannuation Guarantee levy from 2021-22.
- » Materials, Contractors and Other costs increased by CPI as well as being driven by projected movements in the cost of Power, Water and Waste.

Statement of Financial Position

This Statement provides a 10 year projection of Council's assets and liabilities using the projected 30 June 2019 Budget as the base year. The projections result from proposed capital expenditure emanating from the Asset Management Plans and adopted strategies, together with borrowings necessary to meet those capital requirements, and net funding generated by operations.

Key points of note include:

- » The Written Down Value (WDV) of Infrastructure and Fixed Assets increases from \$375m to \$443m over the ten year term.
- » Borrowings (both short term including draw down and long term) peak at \$23.0m in 2024/25.

Capital Investment by Asset Category

The Asset Management Plans are currently being reviewed given the previous adopted Plans were completed seven years ago in 2012 (refer to Council's website for details).

This review has highlighted the need for additional renewal expenditure in some of the infrastructure categories which has been provided for within the current LTFP.

Key points of note include:

- » Total capital expenditure projected over the 10 year period totals \$121m of which \$105m has been allocated to the renewal of current assets.
- » \$16m allocated to new, capacity/upgraded assets is derived from the adopted Strategic Plan and endorsed Functional Strategies. A separate summary of this amount broken down into each goal or strategy is provided in a subsequent section of the LTFP.

Summary of New Strategic Initiatives Expenditure

This section provides a detailed breakdown of all new expenditure that has been included within the LTFP to ensure that the current Strategic Plan and Functional Strategies can be delivered. Information is broken down into each goal area and strategic objective within the Plan, as well as each Functional Strategy.

At the end of this section the amounts that have been brought into each year of the LTFP for both operating and capital expenditure are provided and show that the 10 year forecast requires \$15.2m in capital and \$13.5m in operating.

The overall total includes an amount of \$200k for each year as an allowance for Strategic Initiatives identified as part of the 2019-20 Annual Business Plan and Budget Build. This will be refined as part of Budget Workshops to be conducted in the last quarter of the 2018-19 financial year.

Economic Indicators

A key element of the LTFP relates to the economic indicators and indices used to project future year's income and expenditure. All the indices are changeable, and the effects of any amendment will flow through to the financial projections and associated graphs.

A summary of these indices is as follows:

- » Consumer Price Index (CPI) is used as a primary driver for income and expenditure in the model.
- » 'Rates' indices are adjustable for growth (new development) or rate increase over CPI. As previously indicated rates revenue is shown to increase by CPI +1.75% from 2019/20 through 2022/23. The 1.75% in initial years is attributable to growth from new development of 0.75% in addition to a 1% increase to support increased levels of renewal of capital works as forecast within current Asset Management Plans. After 2022/23 the increase applied is CPI + 0.5% (growth).
- » Employee costs increase by 2.7% throughout the 10 years in line with forecasts for average weekly earnings and a provision for revaluation of current provisions and grade step increases.
- » For materials contracts and other expenditure, unique indices have been applied where it is expected costs will vary significantly from CPI. In the current model separate indices have been included for waste collection, power and water.
- » Estimated future interest rates relating to loans (borrowings) and Cash Advance Debenture (CAD) interest have been included.

Risks Associated with the Long Term Financial Plan

The LTFP has been developed based on the best information and assumptions available at the time. However, users of this information should be aware that there are risks associated with using estimated increases to Consumer Price Index (CPI), Local Government Price Index (LGPI), Average Weekly Earnings (AWE) and predictions in finance costs and interest rates. In addition, the LTFP may be impacted by future changes such as new legislation that could materially affect the projected outcomes and results of the LTFP.

In order to reduce risk the plan is reviewed and updated annually to incorporate the best available information for a given point in time. In addition, the LTFP and its assumptions are reviewed by Council's Audit Committee.

Adelaide Hills Council 10 Year Financial Plan for the Years ending 30 June 2029 UNIFORM PRESENTATION OF FINANCES 2019-20 Long Term Financial Plan for Consultation	Current Year 2018/19 \$'000	Projected Years									
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Activities											
Income	44,504	44,657	46,292	48,205	50,031	51,506	52,990	54,517	56,089	57,707	59,372
Expenses	(44,106)	(44,357)	(45,967)	(47,880)	(49,647)	(51,046)	(52,497)	(54,027)	(55,637)	(56,868)	(58,262)
Operating Surplus / (Deficit)	398	300	325	324	384	459	493	490	452	839	1,110
Capital Activities											
(Net Outlays) on Existing Assets											
Capital Expenditure on Renewal and Replacement of Existing Assets	(11,870)	(9,450)	(10,757)	(10,901)	(10,680)	(10,884)	(10,598)	(10,520)	(10,058)	(10,263)	(10,928)
<i>add back</i> Depreciation, Amortisation and Impairment	8,758	8,948	9,248	9,591	9,894	10,200	10,503	10,822	11,141	11,470	11,805
<i>add back</i> Proceeds from Sale of Replaced Assets	536	512	581	500	652	545	614	488	638	604	661
(Net Outlays) on Existing Assets	(2,576)	10	(928)	(810)	(134)	(140)	520	790	1,722	1,811	1,538
(Net Outlays) on New and Upgraded Assets											
Capital Expenditure on New and Upgraded Assets											
(including Investment Property & Real Estate Developments)	(5,756)	(4,402)	(3,790)	(2,193)	(1,295)	(783)	(1,123)	(717)	(795)	(613)	(507)
<i>add back</i> Amounts Received Specifically for New and Upgraded Assets	1,178	250	250	250	250	250	-	-	-	-	-
<i>add back</i> Proceeds from Sale of Surplus Assets											
(including Investment Property & and Real Estate Developments)	12,749	2,422	-	-	-	-	-	-	-	-	-
(Net Outlays) on New and Upgraded Assets	8,171	(1,730)	(3,540)	(1,943)	(1,045)	(533)	(1,123)	(717)	(795)	(613)	(507)
Net Lending / (Borrowing) for Financial Year	5,993	(1,421)	(4,143)	(2,428)	(795)	(214)	(111)	563	1,378	2,037	2,141

In a year the financing transactions identified below are associated with either applying surplus funds stemming from a net lending result or accommodating the funding requirement stemming from a net borrowing result.

Financing Transactions											
New Borrowings	-	2,500	9,900	3,400	2,000	1,850	7,000	2,100	1,300	1,000	1,000
Principal Repayments on Borrowings	(18)	-	(5,203)	(1,006)	(1,324)	(1,544)	(6,763)	(2,385)	(2,666)	(2,902)	(3,129)
(Increase)/Decrease in Cash & Drawdown	(2,695)	(96)	17	56	143	(24)	(83)	(237)	8	(61)	38
(Increase)/Decrease in Working Capital	93	81	57	61	76	32	57	59	79	26	51
Community Loans repaid to us	22	16	17	17	-	-	-	-	-	-	-
Increase/(Decrease) in Remediation Provision	-	(200)	(545)	-	-	-	-	-	-	-	-
Repayment of Aged Care Facility Deposits	(3,295)	(780)	-	-	-	-	-	-	-	-	-
Non Cash Equity Movement	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
How the Net Borrowing/(Lending) is accommodated/(applied)	(5,993)	1,421	4,143	2,428	795	214	111	(563)	(1,378)	(2,037)	(2,141)

Adelaide Hills Council 10 Year Financial Plan for the Years ending 30 June 2029 STATEMENT OF COMPREHENSIVE INCOME 2019-20 Long Term Financial Plan for Consultation	Current Year 2018/19 \$'000	Projected Years									
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income											
Rates	37,186	38,525	40,007	41,624	43,307	44,600	45,914	47,268	48,662	50,098	51,576
Statutory Charges	1,099	1,119	1,144	1,171	1,199	1,229	1,260	1,291	1,324	1,357	1,391
User Charges	891	658	706	885	908	961	985	1,010	1,035	1,061	1,087
Grants, Subsidies and Contributions	4,334	3,631	3,699	3,774	3,851	3,934	4,032	4,133	4,236	4,342	4,450
Investment Income	38	26	26	26	26	26	26	26	26	26	26
Reimbursements	377	200	204	209	214	219	225	230	236	242	248
Other Income	479	398	407	417	427	437	448	459	471	483	495
Net gain - equity accounted Council businesses	100	100	100	100	100	100	100	100	100	100	100
Total Income	44,504	44,657	46,292	48,205	50,031	51,506	52,990	54,517	56,089	57,707	59,372
Expenses											
Employee Costs	16,529	17,179	17,644	18,251	18,828	19,500	20,092	20,702	21,239	21,791	22,358
Materials, Contracts & Other Expenses	18,152	17,626	18,300	19,169	19,950	20,334	20,808	21,384	22,150	22,565	23,151
Depreciation, Amortisation & Impairment	8,758	8,948	9,248	9,591	9,894	10,200	10,503	10,822	11,141	11,470	11,805
Finance Costs	668	604	774	869	975	1,013	1,094	1,119	1,107	1,042	949
Net loss - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	44,106	44,357	45,967	47,880	49,647	51,046	52,497	54,027	55,637	56,868	58,262
Operating Surplus / (Deficit)	398	300	325	324	384	459	493	490	452	839	1,110
Asset Disposal & Fair Value Adjustments	1,867	779	-	-	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	1,178	250	250	250	250	250	-	-	-	-	-
Physical Resources Received Free of Charge	-	-	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	3,443	1,329	575	574	634	709	493	490	452	839	1,110
Other Comprehensive Income											
Amounts which will not be reclassified subsequently to operating result											
Changes in Revaluation Surplus - I,PP&E	5,000	5,109	5,240	5,385	5,534	5,693	5,856	6,024	6,197	6,375	6,558
Share of Other Comprehensive Income - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Amounts which will be reclassified subsequently to operating result											
Other	-	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	5,000	5,109	5,240	5,385	5,534	5,693	5,856	6,024	6,197	6,375	6,558
Total Comprehensive Income	8,443	6,437	5,815	5,959	6,168	6,402	6,349	6,515	6,649	7,214	7,668

Adelaide Hills Council 10 Year Financial Plan for the Years ending 30 June 2029 STATEMENT OF FINANCIAL POSITION 2019-20 Long Term Financial Plan for Consultation	Current Year 2018/19 \$'000	Projected Years									
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS											
Current Assets											
Cash & Cash Equivalents	500	540	540	500	500	500	500	500	500	500	500
Trade & Other Receivables	2,783	2,678	2,782	2,908	3,019	3,114	3,193	3,288	3,389	3,487	3,591
Inventories	13	13	13	13	13	13	13	13	13	13	13
Non-current assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	3,296	3,231	3,335	3,421	3,532	3,627	3,706	3,801	3,902	4,000	4,104
Non-Current Assets											
Financial Assets	34	17	-	-	-	-	-	-	-	-	-
Equity Accounted Investments in Council Businesses	938	1,038	1,138	1,238	1,338	1,438	1,538	1,638	1,738	1,838	1,938
Infrastructure, Property, Plant & Equipment	374,525	382,383	392,341	400,729	407,692	414,307	420,767	426,718	431,989	437,166	442,692
Total Non-Current Assets	375,497	383,438	393,479	401,967	409,030	415,745	422,305	428,356	433,727	439,004	444,630
TOTAL ASSETS	378,793	386,669	396,814	405,387	412,562	419,372	426,011	432,157	437,628	443,004	448,734
LIABILITIES											
Current Liabilities											
Cash Advance Debenture	2,214	2,159	2,176	2,192	2,335	2,312	2,229	1,991	2,000	1,938	1,976
Trade & Other Payables	5,379	4,573	4,734	4,938	5,126	5,252	5,387	5,541	5,720	5,845	5,999
Borrowings	-	5,203	1,006	1,324	1,544	6,763	2,385	2,666	2,902	3,129	3,369
Provisions	3,413	2,745	2,684	2,678	2,672	2,666	2,660	2,654	2,648	2,642	2,636
Total Current Liabilities	11,006	14,679	10,600	11,132	11,677	16,992	12,661	12,852	13,270	13,555	13,980
Non-Current Liabilities											
Borrowings	10,000	7,297	16,191	18,267	18,723	13,810	18,425	17,860	16,258	14,129	11,760
Provisions	716	1,184	700	706	712	718	724	730	736	742	748
Total Non-Current Liabilities	10,716	8,481	16,890	18,973	19,434	14,528	19,149	18,590	16,994	14,870	12,508
TOTAL LIABILITIES	21,722	23,161	27,491	30,105	31,112	31,520	31,810	31,442	30,264	28,425	26,487
Net Assets	357,071	363,508	369,323	375,282	381,450	387,852	394,201	400,716	407,365	414,579	422,247
EQUITY											
Accumulated Surplus	140,524	141,853	142,428	143,002	143,636	144,345	144,838	145,328	145,779	146,618	147,728
Asset Revaluation Reserves	215,121	220,230	225,469	230,854	236,388	242,081	247,938	253,962	260,159	266,534	273,092
Other Reserves	1,426	1,426	1,426	1,426	1,426	1,426	1,426	1,426	1,426	1,426	1,426
Total Equity	357,071	363,508	369,323	375,282	381,450	387,852	394,201	400,716	407,365	414,579	422,247

Adelaide Hills Council											
10 Year Financial Plan for the Years ending 30 June 2029											
SUMMARY OF TOTAL STRATEGIC INITIATIVES EXPENDITURE											
2019-20 Long Term Financial Plan for Consultation											
PROSPER											
1.01 - World Heritage	0	0	0	0	0	0	0	0	0	0	0
1.02 - Pest Free Area Status	0	0	0	0	0	0	0	0	0	0	0
1.03 - Favoured Tourism Destination	0	0	0	0	0	0	0	0	0	0	0
1.04 - International Mountain Bikes	10	0	0	0	0	0	0	0	0	0	0
1.05 - Easier to do Business	0	0	0	0	0	0	0	0	0	0	0
1.06 - Transport Needs for Business	0	40	40	60	60	0	0	0	0	0	0
1.07 - Key Walking & Cycling Trails	150	375	275	275	275	275	275	275	275	275	275
1.08 - Easier Farming through Development Plan	0	0	0	0	0	0	0	0	0	0	0
1.09 - Age friendly	0	0	0	0	20	0	0	0	0	0	0
1.10 - More Housing opportunities	0	0	0	0	0	0	0	0	0	0	0
1.11 - Nature Play Concepts	0	0	0	0	0	0	0	0	0	0	0
1.12 - Community Wellbeing & Resilience	15	50	50	80	80	80	80	80	80	80	80
1.13 - Road Users Safety	100	399	300	300	300	300	300	300	100	100	0
NET EXPENDITURE FOR PROSPER	275	864	665	715	735	655	655	655	455	455	355
CONNECT											
2.01 - Reconciliation Actions	0	0	10	15	15	15	15	15	15	15	15
2.02 - Social Inclusion & Diversity	3	3	3	0	0	90	110	110	110	110	110
2.03 - Community Leadership Program	0	0	0	0	0	0	0	0	0	0	0
2.04 - AHBTC Masterplan	5	108	948	559	267	261	585	585	585	585	585
2.05 - Community Learning	47	41	39	47	41	39	47	41	39	47	41
2.06 - Events	20	15	15	50	50	50	50	50	50	50	50
2.07 - Improve Transport Options	0	580	0	0	0	0	0	0	0	0	0
2.08 - Youth Participation & Engagement	15	11	11	11	11	11	11	11	11	11	11
NET EXPENDITURE FOR CONNECT	89	757	1,026	682	384	466	818	812	810	818	812
PLACE											
3.01 - Sustainable Living	53	43	36	30	30	30	30	30	30	30	30
3.02 - Carbon Neutrality	70	145	210	70	20	20	20	20	10	10	10
3.03 - Conservation & biodiversity management	0	0	0	0	0	0	0	0	0	0	0
3.04 - Amy Gillett Bikeway	500	0	500	0	0	0	0	0	0	0	0
3.05 - Infrastructure Maintenance & Renewal	100	100	100	100	100	100	100	100	100	100	100
3.06 - Cat impact reduction	0	0	30	30	0	0	0	0	0	0	0
3.07 - Landfill waste reduction	0	40	10	0	0	0	0	0	0	0	0
3.08 - Northern Freight Train Bypass Options	0	0	0	0	0	0	0	0	0	0	0
3.09 - Community-led place making	90	650	150	100	50	50	0	0	0	0	0
3.10 - Off grid Power Opportunities	15	0	0	0	0	0	0	0	0	0	0
NET EXPENDITURE FOR PLACE	828	978	1,036	330	200	200	150	150	140	140	140
EXPLORE											
4.01 - Engagement	0	0	0	0	0	0	0	0	0	0	0
4.02 - Emerging Technologies	0	0	0	0	0	0	0	0	0	0	0
4.03 - Service Access including On line	25	0	100	60	60	60	60	60	60	60	60
4.04 - Creativity	0	0	0	0	0	0	0	0	0	0	0
4.05 - Council boundaries serving community	0	20	20	0	0	0	0	0	0	0	0
4.06 - Partnering & Resource Sharing	0	0	0	0	0	0	0	0	0	0	0
NET EXPENDITURE FOR EXPLORE	25	20	120	60	60	60	60	60	60	60	60

Adelaide Hills Council 10 Year Financial Plan for the Years ending 30 June 2029 SUMMARY OF TOTAL STRATEGIC INITIATIVES EXPENDITURE 2019-20 Long Term Financial Plan for Consultation											
	Current Year	Projected Years									
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ORGANISATIONAL SUSTAINABILITY											
5.01 - Our organisation	35	0	0	0	0	0	0	0	0	0	0
5.02 - Work health and safety	18	28	29	29	0	0	0	0	0	0	0
5.03 - Financial sustainability	0	0	0	0	0	0	0	0	0	0	0
5.04 - Customer service commitment	75	40	210	10	10	10	10	10	10	10	10
5.05 - Risk and responsibility	0	17	0	0	0	0	0	0	0	0	0
5.06 - Collaboration on public policy setting	0	0	0	0	0	0	0	0	0	0	0
5.07 - Governance	40	55	0	20	193	10	0	20	212	10	0
NET EXPENDITURE FOR ORGANISATIONAL	168	140	239	59	203	20	10	30	222	20	10
STRATEGIC PLAN TOTAL	1,385	2,759	3,086	1,846	1,582	1,401	1,693	1,707	1,687	1,493	1,377
FUNCTIONAL STRATEGIES											
Asset Management Plan	0	850	710	610	450	100	500	100	390	200	200
Communications & Marketing Plan	55	33	43	33	33	33	33	33	33	33	33
Positive Ageing Strategy	0	0	0	0	0	0	0	0	0	0	0
Waste Management Strategy	0	0	0	0	0	0	0	0	0	0	0
Animal Management Plan	0	0	0	0	0	0	0	0	0	0	0
Corporate Plan	25	25	15	10	10	15	10	10	15	10	10
Emergency Management Plan	40	40	35	10	10	10	30	10	10	30	10
Economic Development Strategy	0	0	100	100	100	100	100	100	100	100	100
Community Strategy	0	0	0	0	0	0	0	0	0	0	0
Biodiversity Strategy	75	130	97	97	97	85	77	75	57	57	57
Sport & Recreation Strategy	0	0	0	0	0	0	0	0	0	0	0
Trails Strategy	0	0	0	0	0	0	0	0	0	0	0
Climate Change Adaptation Plan	110	60	60	130	100	100	0	0	0	0	0
Water Management Plan	110	222	510	300	100	0	0	0	0	0	0
FUNCTIONAL STRATEGIES TOTALS	415	1,360	1,570	1,290	900	443	750	328	605	430	410
STRATEGIC PLAN OUTCOMES PROVISION	0	200	200	200	200	200	200	200	200	200	200
TOTAL	1,800	4,319	4,856	3,336	2,682	2,044	2,643	2,235	2,492	2,123	1,987
ALLOCATION TO LTFP	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
TOTAL NET NEW, CAPACITY/UPGRADE CAPITAL INITIATIVES	855	3,402	3,790	2,193	1,295	783	1,123	717	795	613	507
TOTAL OPERATING INITIATIVES	945	917	1,066	1,143	1,387	1,261	1,520	1,518	1,697	1,510	1,480
GRAND TOTAL STRATEGIC INITIATIVES	1,800	4,319	4,856	3,336	2,682	2,044	2,643	2,235	2,492	2,123	1,987

Adelaide Hills Council											
10 Year Financial Plan for the Years ending 30 June 2029											
ECONOMIC INDICATORS											
2019-20 Long Term Financial Plan for Consultation											
GENERAL INDEXATION:											
CPI - Adelaide	1.70%	1.80%	2.20%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
LGPI - Operating	2.07%	2.17%	2.57%	2.77%	2.77%	2.87%	2.87%	2.87%	2.87%	2.87%	2.87%
CPI - LGPI diff	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%
LGPI - Capital	2.07%	2.17%	2.57%	2.77%	2.77%	2.87%	2.87%	2.87%	2.87%	2.87%	2.87%
Index Applied to General Revenue	1.70%	1.80%	2.20%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Index Applied to General Expenditure	1.70%	1.80%	2.20%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Index Applied to Depreciation & Capital	2.07%	2.17%	2.57%	2.77%	2.77%	2.87%	2.87%	2.87%	2.87%	2.87%	2.87%
EMPLOYMENT COSTS:											
AWE - Australia	1.70%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Enterprise Agreement	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Leave Revaluation	0.75%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Grade Step Increases	0.00%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Index Applied to LTFP	3.45%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%
Superannuation	9.50%	9.50%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%	12.00%	12.00%	12.00%
Superannuation Increase in % Terms				5.26%	5.00%	4.76%	4.55%	4.35%	0.00%	0.00%	0.00%
RATES INCOME											
Renewal Catch Up	1.00%	1.00%	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Growth	0.75%	0.75%	0.75%	0.75%	0.75%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Index Applied to CWMS Revenue	10.00%	5.00%	2.20%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
ELECTRICITY COSTS											
Anticipated price variation to CPI	(6.90%)	(7.70%)	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Anticipated change in consumption	0.00%	0.00%	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)
Index Applied to LTFP (excl CPI)	(6.90%)	(7.70%)	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
WATER COSTS											
Anticipated price variation to CPI	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Anticipated change in consumption	1.00%	1.00%	(0.50%)	(0.50%)	(0.50%)	(0.50%)	(0.50%)	(0.50%)	(0.50%)	(0.50%)	(0.50%)
Index Applied to LTFP (excl CPI)	1.00%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
WASTE COSTS											
Anticipated price variation to CPI	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Anticipated change in consumption	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)
Index Applied to LTFP (excl CPI)	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Estimate Loan rate	4.50%	4.50%	4.75%	5.00%	5.25%	5.50%	5.75%	6.00%	6.00%	6.00%	6.00%
Estimate Cash Advance Rate	4.25%	3.60%	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%	5.00%	5.00%	5.00%
Average Diff	0.25%	0.90%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 18 February 2019
AGENDA BUSINESS ITEM**

Item: 6.5

Originating Officer: Steven Watson, Governance and Risk Coordinator

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: Risk Management Plan Update

For: Information

SUMMARY

This report provides the Audit Committee with an update on Risk Management activities including the current status of the Strategic Risk Profile and Management Plan.

In relation to the Strategic Risk assessments, there has been no change to the Inherent, Residual or Target risk ratings for the quarter.

In relation to the implementation of Mitigation Actions to manage the Strategic Risks, the following results have been achieved which is an improvement on the November 2018 results:

- There is no change in the Residual risk rating of the Strategic Risks during the period
- There is no change in the mitigations identified during the period
- Completed: 64% (50) up from 62% (48) due to the completion of two actions
- In Progress: Reduced to 35% (27) from 37% (29)
- There is no change in the Not Commenced status during the period

RECOMMENDATION

The Audit Committee resolves that the report be received and noted.

1. GOVERNANCE

Goal	Organisational Sustainability
Strategy	Governance

Updating the risk management framework, which addresses workplace health and safety, emergency management, business continuity, public liability and legislative accountability assists in meeting legislative and good governance responsibilities and obligations

➤ **Legal Implications**

A number of sections of the *Local Government Act 1999* require councils to identify and manage the risks associated with its functions and activities. Further, s125 requires council to have appropriate internal controls.

Similarly the *Work Health & Safety Act 2012* is structured around the protection of workers and others against harm to their health, safety and welfare through the elimination or minimisation of risk arising from work or specified substances or plant.

➤ **Risk Management Implications**

Improvements in the implementation of the risk management framework will assist in mitigating the risk of:

A lack of effective risk management occurs which leads to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (4D)	Medium (4D)

Note that there are many other controls that assist in mitigating this risk.

➤ **Financial and Resource Implications**

While there are no direct financial or resource implications from this report, a number of Strategic Risk Profile and Management Plan treatments are impacted by funding limitations.

➤ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate corporate governance processes in place including an effective corporate risk management system.

➤ **Environmental Implications**

Environmental matters have been considered within the development of the Strategic Risk Profile and Management Plan.

➤ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Consultation has occurred internally with the Strategic Risk Owners.

<i>Council Committees:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>Administration:</i>	Director Corporate Services Director Community Capacity Director Development & Regulatory Services Director Infrastructure & Operations Executive Manager Governance & Performance Executive Manager Organisational Development Manager ICT
<i>Community:</i>	Not Applicable

2. BACKGROUND

Council adopted the revised Risk Management Policy at its 25 February 2014 Council meeting. The Audit Committee considered the key elements of the Corporate Risk Management Framework at its May 2014 meeting and suggested a number of enhancements. The revised Framework was adopted by Council at its 24 June 2014 meeting.

A Strategic Risk Profile and Management Plan was developed documenting eleven strategic risks (SR), with SR 9 broken into three sub risks.

The Strategic Risk Profile and Management Plan, including controls and treatment plans against each strategic risk, was initially received by the Audit Committee at its meeting on 22 February 2016 and subsequently by Council at its ordinary meeting on 23 February 2016. This process has since continued each quarter

In February 2017, the Executive Leadership Team reviewed the ownership of the strategic risks to more appropriately align the risks with functional responsibilities with the first round of assessments conducted by the new risk owners for the May 2017 assessment.

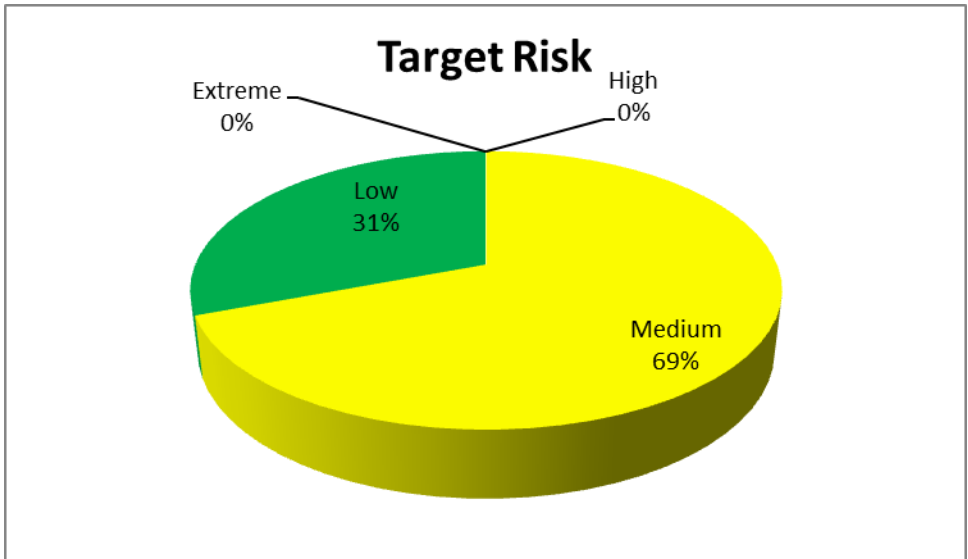
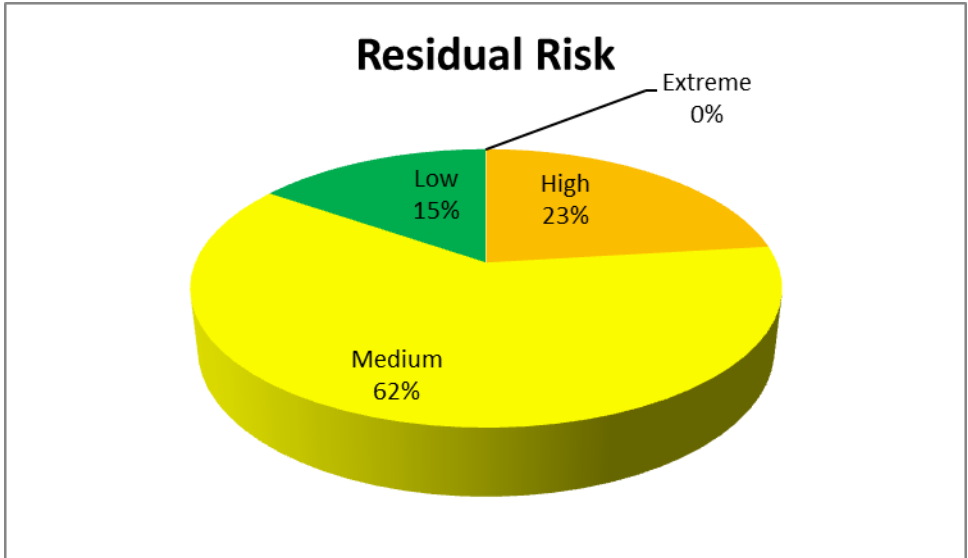
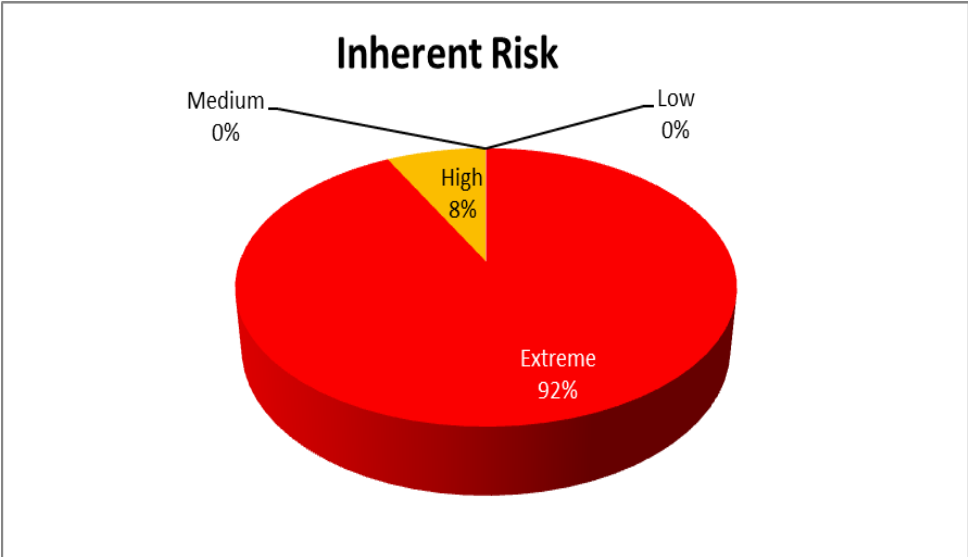
3. ANALYSIS

Strategic Risk Profile

The Strategic Risks are regularly reviewed by the risk owners responding to triggers in the risk environment, changes in causation or impact, changes in the control environment and on the completion of mitigation actions (which then form part of the control environment) which collectively can impact the likelihood and/or consequence of the risk.

The Strategic Risks were recently reassessed and the following diagrams depict the Inherent, Residual and Target ratings. There has been no change to the Inherent or Target risk ratings from the last (November 2018) assessment.

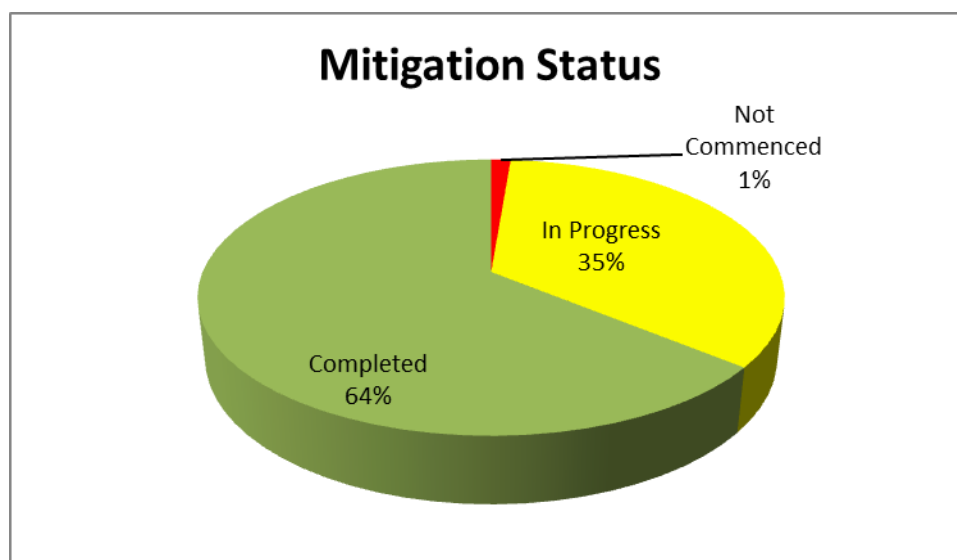
There has been no change in the Residual Risk rating for the reporting period. Whilst this may be problematic if the risk were not being reviewed, officers regularly review their risks and mitigations, although the Residual Risk rating identifies no change for the reporting period.



The implementation of Mitigation Actions has been progressing steadily. The current status is:

Status	April 2018	August 2018	November 2018	February 2019
Completed	60% (45 actions)	61% (46 actions)	62% (48 actions)	64% (50 actions)
In Progress	40% (30 actions)	39% (29 actions)	37% (29 actions)	35% (27 actions)
Not Commenced	0% (0 actions)	0% (0 actions)	1% (1 action)	1% (1 action)
New Initiatives (in above totals)	1 action	1 action	2 actions	Nil actions

This is shown diagrammatically below:



4. OPTIONS

The Audit Committee has the following options:

- I. To note the update on the Strategic Risk Profile as presented (recommended),
- II. To determine not to note either or both updates and/or identify additional actions to be undertaken.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 18 February 2019
AGENDA BUSINESS ITEM**

Item: 6.6

Originating Officer: Steven Watson, Governance and Risk Coordinator

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: Audit Committee Terms of Reference Review

For: Information

SUMMARY

In February 2017, the Audit Committee reviewed its Terms of Reference (TOR) as scheduled in the Audit Committee 2017 Work Program.

The Committee did not identify any changes to the role and function as defined in the existing TOR but did recognise the potential to refine and streamline some of the operational and structural arrangements for the Committee.

In July 2017, Council considered a report on its s41 Committee arrangements and resolved a number of changes to the Audit Committee TOR. The key change being to stagger the independent member terms to minimise the potential for the loss of all of the independent members 'corporate knowledge' at one time.

The TOR came into effect on 1 September 2017 and the Audit Committee's Workplan has a review scheduled once again.

RECOMMENDATION

That the Audit Committee resolves to receive and note the report.

1. GOVERNANCE

Goal	Organisational Sustainability
Strategy	Governance

The maintenance of an appropriate and prudent TOR for the Audit Committee assists in meeting legislative and good governance responsibilities and obligations.

➤ **Legal Implications**

Section 126 of the *Local Government Act 1999* requires councils to have an audit committee and it provides guidelines on the membership of the committee and the functions of the committee.

The above legislative obligations are further expanded by Part 5 of the *Local Government (Financial Management) Regulations 2011* which provide additional guidance on the number of members, the requirement for at least one independent member and the prohibition of a council's external auditor being a member.

The *Local Government (Procedures at Meetings) Regulations 2013* provide guidance on the meeting procedures that must apply to committees (such as Audit Committees).

➤ **Risk Management Implications**

Structuring the terms of reference for the Audit Committee in a manner that is legislatively compliant and reflects good practice will assist in mitigating the risk of:

Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (3D)	Medium (3D)

Note that there are many other controls that assist in mitigating this risk.

➤ **Financial and Resource Implications**

There are no direct financial or resource implications from the review of the Audit Committee TOR.

➤ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate governance arrangements in place such as a well-structured and functioning Audit Committee.

➤ **Environmental Implications**

Not applicable

➤ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Council Committees: Audit Committee – 11 February 2019

Advisory Groups: Not Applicable

Administration: Executive Manager Governance and Performance

Community: Not Applicable

2. BACKGROUND

Committee Terms of Reference

An annual review of the TOR was scheduled in the Audit Committee 2017 Work Program. The Committee undertook the review at the February 2017 meeting and did not identify changes to the role and function.

Review of s41 committees

At its 25 July 2017 meeting, Council considered a report on all of its s41 Committees as part of the wider Review of S41 Committees and Advisory Groups which recommended changes to the suite of TORs.

Committee Terms of Reference

The key changes to Council for the Audit Committee's TOR related to the membership terms. The three (3) independent members' terms, which were of three (3) years duration, were synchronised which was problematic as it could have resulted in the loss of all of the independent members 'corporate knowledge' at the same time. For this reason, Council resolved to introduce staggered terms (i.e. one independent member appointed on a different cycle to the other two members).

Other changes adopted by Council were:

- that decisions regarding the membership of the Committee are to include skills, experience and diversity considerations
- a number of standard clauses with respect to the presiding member, sitting fees, reporting arrangements, meeting procedure, public access to meetings and documents were incorporated into all of the Committee TORs.
- Committee members may participate in the meeting by telephone or other electronic means provided that members of the public can hear the discussion between all Committee members.

In consideration of the report, Council resolved as:

To enable the appropriate transition arrangements to be put in place, the Council resolved that the new Audit Committee TOR will come into effect on 1 September 2017.

3. ANALYSIS

Committee Terms of Reference

A review of the Terms of Reference has been undertaken and no change is proposed at this time. It is highlighted that in the not too distant future a further review of the Terms Of Reference may be presented to the Committee given the introduction of the Public Interest Disclosure (PID) Act 2018. The PID Act which is not yet in force, is expected to commence in the first half of 2019 aiming to replace the framework for the protection of appropriate disclosures about public interest information currently set out in the Whistleblowers Protection Act 1992 (Whistleblowers Act). A copy of the Local Government Association Public Interest Disclosure Act 2018 – Update for Councils is attached at **Appendix 2** which provides further details.

4. OPTIONS

As an information report, the Committee is limited to receiving and noting the report:

5. APPENDICES

- (1) Audit Committee Terms of Reference – effective 1 September 2017
- (2) LGA Update - Public Interest Disclosure Act 2018

Appendix 1

Audit Committee Terms Of Reference 2017

ADELAIDE HILLS COUNCIL

Audit Committee



TERMS OF REFERENCE

Effective from 1 September 2017

1. ESTABLISHMENT

- 1.1 The Audit Committee (the Committee) of Council is established under Section 41 of the *Local Government Act 1999* (the Act), for the purposes of Section 126 of the Act and in compliance with regulation 17 of the *Local Government (Financial Management) Regulations 2011*.
- 1.2 The Audit Committee does not have executive powers or authority to implement actions in areas which management has responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and is therefore independent from management.

2. ROLE

- 2.1 The overall role of the Audit Committee will be to assist Council to accomplish its objectives by monitoring and providing advice on the adequacy and effectiveness of the systems and processes regarding financial management and reporting, internal control and risk management, internal audit and governance functions through the following functions:

3. SPECIFIC FUNCTIONS

- 3.1 Financial Reporting and Prudential Requirements

The Committee shall:

- 3.1.1 Provide comment on the assumptions underpinning Council's Strategic Management Plans (Strategic Plan, Annual Business Plan and Budget and Long Term Financial Plan), the consistency between plans and the adequacy of Council's plans in the context of maintaining financial sustainability;
- 3.1.2 Review and provide advice to Council on the degree to which the annual financial statements present fairly the state of affairs of the Council;
- 3.1.3 Monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain.;
- 3.1.4 Review and challenge where necessary:
 - 3.1.4.1 The consistency of, and/or any changes to, accounting policies;
 - 3.1.4.2 The methods used to account for significant or unusual transactions where different approaches are possible;
 - 3.1.4.3 Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

3.1.4.4 The clarity of disclosure in the Council's financial reports and the context in which statements are made; and

3.1.4.5 All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);

3.1.5 Review prudential reports prepared under Section 48(1) of the Act and provide advice to Council, upon request, on other prudential matters.

3.2 Internal Controls and Risk Management Systems

The Committee shall:

3.2.1 Ensure that appropriate policies, practices and procedures of internal control (and other financial and risk management systems) are implemented, reviewed and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives;

3.2.2 Review Council's risk management framework and monitor the performance of Council's risk management program;

3.2.3 Monitor the corporate risk profile and significant risk exposures for the organisation to ensure that there are appropriate management plans to manage and mitigate this business risk; and

3.2.4 Ensure an appropriate legislative compliance framework exists to identify risks and controls over compliance with applicable legislation and regulations.

3.3 Whistle blowing

The committee shall:

3.3.1 Review annually the Council's Whistleblower Protection Policy

3.3.2 Provide recommendations to Council regarding the Whistleblower Protection Policy to ensure that:

3.3.2.1 There are adequate arrangements for Council employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; and

3.3.2.2 The policy allows independent investigation of such matters and appropriate follow-up action in a manner that is in accordance with the Independent Commissioner Against Corruption Act 2012 and Regulations 2013.

3.4 Internal Audit

The Committee shall:

- 3.4.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- 3.4.2 Consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
- 3.4.3 Review all reports on the Council's operations from the internal auditors;
- 3.4.4 Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 3.4.5 Where appropriate, meet the "head" of internal audit (internal or outsourced) at least once a year, without management being present, to discuss any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Principal Member of the Council and to the Presiding Member of the committee.

3.5 External audit

The Committee shall:

- 3.5.1 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 3.5.2 Oversee Council's relationship with the external auditor including, but not limited to:
 - 3.5.2.1 Recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
 - 3.5.2.2 Recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;
 - 3.5.2.3 Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services;
 - 3.5.2.4 Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business);

- 3.5.2.5 Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - 3.5.2.6 Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the audit committee's own internal quality procedures);
 - 3.5.3 Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year, without management being present; to discuss the external auditor's report and any issues arising from the audit;
 - 3.5.4 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
 - 3.5.5 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - 3.5.5.1 a discussion of any major issues which arose during the external audit;
 - 3.5.5.2 any accounting and audit judgements; and
 - 3.5.5.3 Levels of errors identified during the external audit. The committee shall also review the effectiveness of the external audit.
 - 3.5.6 Review any representation letter(s) requested by the external auditor before they are signed by management;
 - 3.5.7 Review the management letter and management's response to the external auditor's findings and recommendations.
- 3.6 Economy and Efficiency Audits
- The Committee shall:
- 3.6.1 Propose and review the exercise of powers under Section 130A of the Act; to examine and report on any matter relating to financial management, or the efficiency and economy with which the council manages or uses its resources to achieve its objectives,
- 3.7 Service Improvement
- The Committee shall:
- 3.7.1 Monitor the benefits achieved through Council's Service Improvement Program with a focus on efficiency and effectiveness.

4. OTHER MATTERS

The Committee shall:

- 4.1 Have access to reasonable resources in order to carry out its duties, recognising the constraints within Council's Budget;
- 4.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 4.3 Give due consideration to laws and regulations of the Act;
- 4.4 Make recommendations on co-ordination of the internal and external auditors;
- 4.5 Oversee any investigation of activities which are within its terms of reference;
- 4.6 Oversee action to follow up on matters raised by the external and internal auditors;
- 4.7 Invite Council's external auditors and internal auditors to attend meetings of the Committee, as considered appropriate; and
- 4.8 At least once in its term, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

5. MEMBERSHIP

- 5.1 The Committee will comprise 5 members as follows:
 - 5.1.1 Three (3) Independent Members; and
 - 5.1.2 Two (2) Council Members
- 5.2 All members of the Committee will be appointed by the Council.
- 5.3 Independent Member(s) of the Committee shall have recent and relevant skills and experience in professions such as, but not limited to accounting, financial management, risk management, law, compliance, internal audit and governance.
- 5.4 It is desirable for the Council Members to be appointed to the Committee to have a sound understanding of financial management, risk management and governance.
- 5.5 In considering appointments to the Committee, Council should give consideration to the diversity of the membership.
- 5.6 Appointments to the Committee shall be for a period of up to three (3) years.
- 5.7 Members of the Committee are eligible for reappointment at the expiration of their term of office.
- 5.8 The terms of appointment of the Independent Members should be arranged to ensure the orderly rotation and continuity of membership despite changes to the composition of the Council.

6. SITTING FEES

- 6.1 The applicable Remuneration Tribunal (or its successor) Determination outlines the applicable allowance for Council Members on the Committee.
- 6.2 The Independent Members are to be paid a sitting fee as determined by Council for attendance at meetings and authorised training sessions. Council may determine a higher sitting fee for the presiding member.

7. PRESIDING MEMBER

- 7.1 The Council will appoint the Presiding Member of the Committee.
- 7.2 The Council authorises the Committee to determine if there will be a Deputy Presiding Member of the Committee and, if so, authorises the Committee to make the appointment to that position for a term determined by the Committee.
- 7.3 If the Presiding Member of the Committee is absent from a meeting the Deputy Presiding Member (if such position exists) will preside at that meeting. If there is no position of Deputy Presiding Member, or both the Presiding Member and the Deputy Presiding Member of the Committee are absent from a meeting of the Committee, then a member of the Committee chosen from those present will preside at the meeting until the Presiding Member (or Deputy Presiding Member, if relevant) is present.
- 7.4 The role of the Presiding Member includes:
 - 7.4.1 overseeing and facilitating the conduct of meetings in accordance with Act and the *Local Government (Procedures at Meetings) Regulations 2013* (the Regulations);and
 - 7.4.2 Ensuring all Committee members have an opportunity to participate in discussions in an open and encouraging manner.

8. REPORTING RESPONSIBILITIES

- 8.1 For the purposes of Section 41(8) of the Act, the Committee's reporting and accountability requirements are:
 - 8.1.1 The minutes of each Committee meeting will be included in the agenda papers of the next ordinary meeting of the Council;
 - 8.1.2 The Presiding Member will attend a meeting of the Council at least once per annum to present a report on the activities of the Committee;
 - 8.1.3 The Committee shall make whatever recommendations to the Council it deems appropriate on any area within its terms of reference where in its view action or improvement is needed; and
 - 8.1.4 The Presiding Member may attend a Council meeting at any time that the Presiding Member sees fit to discuss any issue or concern relating to the Committee's functions. Depending on the nature of the matter, this may be held in confidence in accordance with Section 90 of the Act and staff may be requested to withdraw from the meeting.

9. MEETING PROCEDURE

- 9.1 Meeting procedure for the Committee is as set out in the Act, Parts 1, 3 and 4 of the Regulations. Insofar as the Act, the Regulations, or these Terms of Reference do not prescribe the procedure to be observed in relation to the conduct of a meeting of the Committee, the Committee may determine its own procedure.
- 9.2 In accordance with Section 90(7a), one or more Committee members may participate in the meeting by telephone or other electronic means provided that members of the public can hear the discussion between all Committee members.
- 9.3 Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for decision.
- 9.4 Council Employees may attend any meeting as observers or be responsible for preparing papers for the committee.

10. SECRETARIAL RESOURCES

- 10.1 The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.

11. FREQUENCY OF MEETINGS

- 11.1 The Committee shall meet at least four times a year at appropriate times and places as determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.
- 11.2 If after considering advice from the CEO or delegate, the Presiding Member of the Committee is authorised to cancel the respective Committee meeting, if it is clear that there is no business to transact for that designated meeting.

12. NOTICE OF MEETINGS

- 12.1 Notice of the meetings of the Committee will be given in accordance with Sections 87 and 88 of the Act. Accordingly, notice will be given:
 - 12.1.1 To members of the Committee by email or as otherwise agreed by Committee members at least 3 clear days before the date of the meeting; and
 - 12.1.2 To the public as soon as practicable after the time that notice of the meeting is given to members by causing a copy of the notice and agenda to be displayed at the Council's offices and on the Council's website.

12.2 PUBLIC ACCESS TO MEETINGS & DOCUMENTS

- 12.3 Members of the public are able to attend all meetings of the Committee, unless prohibited by resolution of the Committee under the confidentiality provisions of Section 90 of the Act.
- 12.4 Members of the public have access to all documents relating to the Committee unless prohibited by resolution of the Committee under the confidentiality provisions of Section 91 of the Act.

13. MINUTES OF MEETINGS

- 13.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance are minuted and that the minutes otherwise comply with the requirements of the Regulations.
- 13.2 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and will (in accordance with legislative requirements) be available to the public.

Appendix 2

LGA Update - Public Interest Disclosure Act 2018

Public Interest Disclosure Act 2018 – Update for Councils

The South Australian Government recently passed the Public Interest Disclosure Act 2018 (PID Act) as part of a package of new legislation and amendments arising from recommendations by the Independent Commissioner Against Corruption (Commissioner) after his review of the existing legislative framework in 2014.

The PID Act - which is not yet in force, but is expected to commence in the first half of 2019 - will replace the framework for the protection of appropriate disclosures about public interest information currently set out in the Whistleblowers Protection Act 1992 (Whistleblowers Act). Whilst many of the concepts remain the same or very similar, there are a few key differences between the regimes that Councils should be mindful of, which are discussed in further detail below.

Overview

The PID Act is intended to:

- protect disclosures about wrongdoing in the private or public sector, in circumstances where the information is disclosed to an appropriate recipient and the information disclosed relates to a substantial risk to public health or safety or the environment;
- facilitate appropriate disclosures about public administration information by public officers or former public officers;
- ensure that those disclosures are properly assessed and, where necessary, investigated and acted upon; and
- ensure that those who make appropriate disclosures are protected against reprisals.

A public officer (which includes Council officers and employees) can make an appropriate disclosure pertaining to either environmental and health information, or public administration information. Members of the public will only be afforded protection from liability for appropriate disclosures with respect to environmental and health information.

Disclosures can only be made to 'relevant authorities' as defined in the Act, or to journalists or members of Parliament when a relevant authority fails to properly deal with the disclosure.

Impact

The impact of the PID Act can be summarised as follows:

- where an appropriate disclosure is made to a relevant authority, the informant will be protected from all liability, despite any duties of secrecy or confidentiality or any other restriction on disclosure (statutory or otherwise) which would otherwise apply;
- relevant authorities (which in some cases can include Councils) have a duty to act promptly upon receipt of an appropriate disclosure to assess the information, decide what action (if any) to take, and notify the informant and the Office for Public Integrity (OPI) of the outcome of that assessment;
- if relevant authorities fail to act in the required timeframes, informants will be similarly protected from liability in relation to a subsequent disclosure of that information to a journalist or a member of Parliament;

- penalties of up to \$20,000 or 2 years' imprisonment can apply:
 - if persons to whom appropriate disclosures are made knowingly, and without the consent of the informant, disclose an informant's identity (other than to the extent required to properly investigate the information disclosed, or as permitted by any guidelines prepared by OPI);
 - for victimising (causing detriment to) someone who has made or intends to make an appropriate disclosure;
 - for preventing or hindering a person from making an appropriate disclosure; and/or
 - for making false or misleading disclosures (note - this was the only penalty provision under the former regime);
- CEOs of councils and presiding officers of public sector agencies (described in the PID Act as 'principal officers') are required, within 3 months of commencement of the PID Act, to designate 'responsible officers' in accordance with any guidelines prepared by OPI, and to ensure the contact details of the responsible officers are made available to officers and employees of the council/agency;
- responsible officers, once appointed by principal officers of councils and public sector agencies, are required to:
 - receive appropriate disclosures, and ensure compliance with the PID Act in relation to any such disclosures; and
 - make appropriate recommendations for dealing with any such disclosures; and
 - provide advice to officers and employees of the agency or council in relation to the administration of the PID Act; and
- In addition, the principal officers of public sector agencies are also required to prepare and maintain (including making available on the internet) a document describing the applicable procedures for persons making appropriate disclosure, and for officers and employees required to deal with any such disclosure, including the steps required to protect informants and to minimise risks of detrimental action against informants and persons the subject of an appropriate disclosure. Councils are not legally obliged to prepare and maintain this document, but may nonetheless wish to do so as a matter of best practice and in order to reduce the risk of non-compliance with the timeframes for responding to appropriate disclosures; and

An overview of a number of key changes and definitions is set out in the table attached to this note at Annexure A. The table at Annexure B sets out the 'relevant authority' for the various categories of information about which an appropriate disclosure may be made.

Key changes - further detail

Scope of disclosure

One of the most significant changes in the PID Act is that it narrows the scope of public interest disclosure that can be made and protected.

The PID Act provides that disclosure of 'public interest information' will only be protected where it is made to a 'relevant authority'. This is narrower than the Whistleblowers Act, which protected disclosures of public interest information made by informants to any 'person to whom it is, in the circumstances of the case, reasonable and appropriate to make the disclosure.'

The narrowing of the scope is supplemented by the introduction of specific duties to act which are placed on the authority to which the disclosure is made. In particular, the Act imposes specific requirements to take appropriate action within certain timeframes (30 days for the initial assessment, and 90 days - or such longer time as is notified in writing - for subsequent action). If no response to the disclosure is provided or the appropriate steps are not taken within those timeframes, an informant's subsequent disclosure to a journalist or a member of Parliament will also be protected.

However, if the relevant authority determines that no action is required in relation to an appropriate disclosure (either because the information disclosed doesn't justify the taking of further action, or the information relates to a matter that has already been investigated and there is no reason to re-examine the matter, or there is another good reason why no action should be taken), then any subsequent disclosure of the same matter (other than to a member of Parliament or the OPI) will no longer be protected.

Duties of principal officers and responsible officers

One of the key matters for Councils to note is the requirement for the principal officer of a public sector agency or council, within 3 months of commencement of the PID Act, to ensure that one or more officers or employees are designated as 'responsible officers'. For the purposes of the PID Act, a Council's principal officer is its chief executive officer.

This is similar to the obligation currently set out in section 302B of the Local Government Act 1999 - which will be repealed upon the commencement of the PID Act - that requires councils to ensure a member of staff (with the qualifications prescribed by the regulations) is designated as the responsible officer for the purposes of the Whistleblowers Act.

The PID Act also expressly notes that the regulations may prescribe qualifications for responsible officers. At this stage, however, no regulations have been released. It is also anticipated that the OPI's guidelines (which have also not yet been released) will address this issue and provide further guidance as well.

The PID Act also requires principal officers of public sector agencies to ensure that a document setting out the agency's procedures for making, receiving and addressing appropriate disclosures is prepared and maintained in accordance with the OPI's guidelines (which, as noted above, have not yet been released). That document must:

- be made available on the internet and for inspection by members of the public at the agency's premises;
- include the name and contact details of the responsible officer for the agency;
- detail the clear obligations on the agency and its officers and employees in relation to appropriate disclosures; and
- describe the risk management steps to be taken to assess and minimise detrimental action arising from public interest disclosure.

Although the obligation to appoint responsible officers is directed to the principal officers of both Councils and public sector agencies, the obligation with respect to this "disclosure document" is directed solely at public sector agencies. That being the case, Councils are not legally obliged to prepare and maintain that document. However, Councils may still, as a matter of best practice and in the interest of increasing transparency and accountability, wish to develop a document of this nature. Having a document of this nature will also assist to reduce the risk that an appropriate disclosure may

not be assessed and actioned in the time frames provided for in the PID Act (which could then result in the informant escalating the matter by speaking to a journalist about it).

Other differences of note

The existing obligations on recipients of appropriate disclosures to keep the identity of informants confidential have not changed. Nor have the provisions relating to victimisation, save that:

- victimisation is, in addition to being considered a tort and an act of victimisation under the Equal Opportunity Act 1984, now also considered an offence (in relation to which proceedings can be commenced by the Commissioner of Police or the Director of Public Prosecutions); and
- the definition of 'detriment' has changed slightly, to identify that:
 - loss or damage includes damage to reputation;
 - injury or harm includes psychological harm; and
 - a threat of reprisal may be express or implied, conditional or unconditional, and in any proceedings dealing with an act of victimisation (including the prosecution of any offence), it is not necessary to prove that the person threatened actually feared that the threat would be carried out.

It remains an offence to make a false disclosure, although the definition of the offence has changed slightly in the PID Act, and now provides that a false or misleading disclosure must be knowingly made - recklessness is no longer captured. The PID Act also creates a new offence of preventing or hindering disclosure, which has a maximum penalty of \$20,000 or imprisonment for 2 years.

Unlike under the Whistleblowers Act, there is now no longer a requirement for an informant to assist with any official investigations arising from their disclosure (at the risk of forfeiting the right to protection should the individual fail to do so). It appears the purpose behind the removal of this requirement is to encourage individuals to report disclosures by making the consequences of doing so less onerous and serious.

There is also now some additional guidance as to what may be included in the regulations, including that the regulations may prescribe fines not exceeding \$5,000 for offences against the regulations, and that the regulations are to be a matter for the discretion of the Commissioner.

What next?

The PID Act has received assent from both Houses, but has not yet commenced. Whilst it is anticipated that the PID Act will commence in the first half of 2019, no date has yet been given.

The PID Act also provides for guidelines to be issued by the OPI, and recipients of appropriate disclosures will need to have regard to and comply with such guidelines in relation to:

- the information that needs to be provided to OPI in the event of an appropriate disclosure;
- any required action in the event of such a disclosure;
- the appointment of responsible officers (noting that qualifications may also be prescribed by regulations, which have also not yet been made); and
- the policies and procedures that councils and public sector agencies need to have in place for dealing with appropriate disclosures.

Those guidelines have not yet been prepared or released, and it is expected that the commencement date for the PID Act will not be announced until they are ready.

Once the guidelines are released, LGA will provide follow-up documentation dealing with those matters in more detail and advising as to the practical steps that will be required, including a revised Model Public Information Disclosure Policy.

Annexure A

Key differences between the legislative regimes

Topic	Under the Whistleblowers Act	Under the PID Act
Immunity	A person who makes an appropriate disclosure of public interest information incurs no civil or criminal liability by doing so.	<p>If:</p> <ul style="list-style-type: none"> a person makes an appropriate disclosure of environmental and health information; or a public officer makes an appropriate disclosure of public administration information, <p>the person is not subject to any liability as a result of that disclosure, despite any duty of secrecy or confidentiality or any other restriction on disclosure (whether or not imposed by an Act) applicable to the person.</p>
Public Interest Information	<p>information that tends to show:</p> <p>(a) that an adult person (whether or not a public officer), body corporate or government agency is or has been involved (either before or after the commencement of this Act):</p> <ul style="list-style-type: none"> (i) in an illegal activity; or (ii) in an irregular and unauthorised use of public money; or (iii) in substantial mismanagement of public resources; or (iv) in conduct that causes a substantial risk to public health and safety, or to the environment; or <p>(b) that a public officer is guilty of maladministration in or in relation to the performance (either before or after the commencement of this Act) of official functions; (replaced by public administration + interest information sections)</p>	<p>environmental and health information</p> <ul style="list-style-type: none"> information that raises a potential issue of a substantial risk to the environment or to the health or safety of the public generally or a significant section of the public (whether occurring before or after the commencement of the PID Act); or <p>public administration information</p> <ul style="list-style-type: none"> information that raises a potential issue of corruption, misconduct or maladministration in public administration (whether occurring before or after the commencement of the PID Act)

Topic	Under the Whistleblowers Act	Under the PID Act
Appropriate disclosure	<p>a disclosure of public interest information made to a person to whom it is, in the circumstances of the case, reasonable and appropriate to make the disclosure, where the person making the disclosure:</p> <ul style="list-style-type: none"> believes on reasonable grounds that the information is true; or isn't in a position to form a belief on reasonable grounds about the truth of the information, but believes on reasonable grounds that the information may be true; and is of sufficient significance to justify its disclosure to enable its truth to be investigated. 	<ul style="list-style-type: none"> in relation to environmental and health information, means a disclosure to a relevant authority where the person making the disclosure: <ul style="list-style-type: none"> believes on reasonable grounds that the information is true; or isn't in a position to form a belief on reasonable grounds about the truth of the information, but believes on reasonable grounds that the information may be true; and is of sufficient significance to justify its disclosure to enable its truth to be investigated. in relation to public administration information, means a disclosure by a public officer to a relevant authority where the public officer reasonably suspects that the information raises a potential issue of corruption, misconduct or maladministration in public administration (where corruption, misconduct and maladministration have the same definition as in the <i>ICAC Act</i>). otherwise means a disclosure to a journalist, or a member of Parliament other than a Minister of the Crown, <u>in circumstances where the person has</u>: <ul style="list-style-type: none"> already made an appropriate disclosure (as defined above) of substantially the same environmental and health or public administration information; and in making that earlier disclosure, made their identity known to the relevant authority; and either: <ul style="list-style-type: none"> has not, within 30 days of making that earlier disclosure, received notification from the relevant authority that the disclosure has been assessed and that either action is being taken (and what

Topic	Under the Whistleblowers Act	Under the PID Act
		<p>that action is) or that no action is being taken and why; or</p> <ul style="list-style-type: none"> ▪ has not, within 90 days of making that earlier disclosure (or such longer time as the relevant authority may advise by written notice), received notification from the relevant authority ; and - reasonable grounds to believe that the information is true.
False disclosure	<p>A person who makes a disclosure of false public interest information knowing it to be false or being reckless about whether it is false is guilty of an offence.</p> <p>Penalty: Division 5 fine or division 5 imprisonment.</p> <p>A person who makes a false disclosure of public interest information is not protected by this Act.</p>	<p>A person must not make a disclosure of public interest information knowing that it is false or misleading in a material particular (whether by reason of the inclusion or omission of a particular).</p> <p>Maximum penalty: \$20,000 or 2 years' imprisonment.</p> <p>A person who makes a false or misleading disclosure of public interest information is not protected by this Act.</p>
Notification of informant as to outcome of disclosure	<p>If an appropriate disclosure of public interest information is made to a public official, that official must, wherever practicable and in accordance with the law, notify the informant of the outcome of any investigation into the matters to which the disclosure relates.</p>	<p>A person to whom an appropriate disclosure of public interest information is made must assess the information as soon as practicable after the disclosure is made and, after that assessment, must:</p> <ul style="list-style-type: none"> • take action in accordance with any applicable guidelines or as is appropriate in the circumstances; • take reasonable steps to notify the informant (if their identity is known) that an assessment has been made and to advise: <ul style="list-style-type: none"> - of the action being taken; or - if no action is being taken, of the reasons why; • provide OPI with information relating to the disclosure in accordance with any applicable guidelines. <p>A person who takes action in relation to public interest information (or, if that action consists of referring the disclosure to</p>

Topic	Under the Whistleblowers Act	Under the PID Act
		<p>another person, the person to whom the disclosure is referred) must:</p> <ul style="list-style-type: none"> • take reasonable steps to notify the informant (if their identity is known) of the outcome of that action; and • provide OPI with information relating to the outcome of that action in accordance with any applicable guidelines.

Annexure B

Relevant Authorities

Where the information relates to...	the relevant authority is...
<p>a public officer*</p> <p>*as defined and set out in Schedule 1 of the <i>Independent Commissioner Against Corruption Act 2012</i> - relevantly, this includes members, officers and employees of local government bodies</p>	<p>either:</p> <ul style="list-style-type: none"> the person who is designated by the Guidelines as being taken to be responsible for management or supervision of the public officer; or the person who is in fact responsible for the management or supervision of the public officer; or the relevant responsible officer (as designated by the Council in accordance with section 12 of the PID Act)
a public sector agency or public sector employee	<p>either:</p> <ul style="list-style-type: none"> the Commissioner for Public Sector Employment; or the responsible officer for the relevant public sector agency
an agency to which the <i>Ombudsman Act 1972</i> applies	the Ombudsman
a location within the area of a particular council established under the <i>Local Government Act 1999</i>	a member, officer or employee of that Council
a risk to the environment	the Environment Protection Authority
an irregular and unauthorised use of public money or substantial	the Auditor-General
the commission, or suspected commission, of any offence	a member of the police force
a judicial officer	the Judicial Conduct Commissioner
a member of Parliament	the Presiding Officer of the House of Parliament to which the member belongs
a person or a matter of a prescribed class ¹	an authority declared by the regulations to be a relevant authority in relation to such information

¹ at this stage, no prescribed persons or classes have been identified

Where the information relates to...	the relevant authority is...
<p>public interest information - being:</p> <ul style="list-style-type: none"> environmental and health information (information that raises a potential issue of a substantial risk to the environment or to the health or safety of the public generally or a significant section of the public); or public administration information (information that raises a potential issue of corruption, misconduct or maladministration in public administration) 	<ul style="list-style-type: none"> the OPI; a Minister of the Crown; or any other prescribed person or person of a prescribed class

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 18 February 2019
AGENDA BUSINESS ITEM**

Item: 6.7

Originating Officer: Mike Carey, Manager Financial Services

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Quarterly Debtors Report

For: Information

SUMMARY

The Audit Committee has previously requested and received a list of outstanding debtors on a quarterly basis.

This report covers the period ending 31 December 2018.

RECOMMENDATION

The Audit Committee resolves that the report be received and noted.

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal	Organisational Sustainability
Key Issue	Risk and Responsibility

➤ **Legal Implications**

Council may obtain funds by recovering fees, charges, penalties or other money payable to it under S133 of the *Local Government Act 1999*.

Council also has obligations specified within the current Community Wastewater Management Scheme (CWMS) licence that require an endorsed hardship policy for customers. Failure to establish this policy will result in Council breaching current licence conditions.

➤ **Risk Management Implications**

Monitoring the balances of Debtors through regular reporting will assist in mitigating the risk of:

Poor debt recovery practices which lead to increased levels of overdue debtors will negatively impact on Council's current cash flow as well as reduce the likelihood of future debt recovery.

Inherent Risk	Residual Risk	Target Risk
Extreme (4B)	Medium (3D)	Medium (3D)

➤ **Financial and Resource Implications**

Close monitoring of debt supported by an agreed Policy will ensure that any cash flow impact on Council is minimised.

➤ **Customer Service and Community/Cultural Implications**

Nil

➤ **Environmental Implications**

Nil

➤ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Council Committees: Not applicable

Advisory Groups: Not applicable

Administration: Operational areas have been involved in the development of this report to provide specific details, where necessary. Financial Services have overall responsibility for the Accounts Receivable function within Council, being involved in invoicing and follow up of amounts where they are not paid in a timely basis.

Community: Not applicable

2. **BACKGROUND**

Council generates income from a variety of sources including rates, grants, fines (infringements), development applications and fees and charges for the provision of goods and services to individuals, businesses and other organisations in the community.

This income is managed using financial management systems which also enables recording of amounts owing to Council and information relating to amounts paid. Appropriate action can be taken to collect amounts owing where they are not paid in a timely manner.

The Debtors report covering balances as at 30 September 2018 was last presented to the Audit Committee on 5 November 2018.

3. ANALYSIS

Rates Debtors

Council's rates debtor balances is dominated by rates that are struck in full in July, then quarterly fluctuations of receipts, which makes comparison of rates debtors within the year difficult to interpret. As such, this debtor is reported on an annual basis to the first Audit Committee after 30 June of each year and was provided to the Audit Committee on 13 August 2018.

Sale of Land for Non-Payment of Rates Update

A Debt Recovery Policy adopted in December 2015 supports the sale of land for unpaid rates where arrears are in excess of the 3 year requirement outlined within s184 of the *Local Government Act 1999*.

As previously advised a process has being commenced to progress a further 8 properties to sale with the current owners of these properties being issued a notice of intent to sell and Council endorsing the sale of those properties at the 24 April 2018 Council meeting.

Of the eight properties, seven have now been paid in full with regular discussion with the remaining ratepayer. This ratepayer is applying for the early release of his superannuation balance and has made two reasonably significant payments to Council while this superannuation process is pending.

We are currently investigating the next tranche of Section 184 properties with our internal Property Services department, with many of these relating to deceased estates. As a number of these require further investigation, it is anticipated that a report seeking endorsement from Council will be provided to the May 2019 Council meeting.

Sundry Debtors

Table 1 – Aged Debtors Summary as at 31 December 2018

A summary of the Aged Debtors as at 31 December 2018 has been provided within Table 1 of this report below with the total Sundry debtors outstanding totalling \$205k.

As requested by the Audit Committee the previously reported Miscellaneous category has been broken down into the subcategories of AHBTC, Outdoor Dining, Councils, Maintenance and Other to assist review and follow up.

Description	TOTAL	<30 Days	<60 Days	<90 Days	<120 Days	<150 Days	>150 Days
Additional Bins	1,543	0	0	0	0	0	1,543
Burial Fees	18,481	12,344	0	2,550	0	660	2,927
Fire Hazard Reduction	1,644	0	0	0	0	0	1,644
Food Premises Inspection	7,970	1,147	0	3,388	180	354	2,901
Grants Receivable	5,500	5,500	0	0	0	0	0
Private Works	65	0	0	0	0	0	65
Road Rents	1,950	0	0	0	0	1,525	425
AHBTC	120,475	99,040	17,874	0	0	1,182	2,379
Outdoor Dining Licences	5,932	0	0	3,918	0	0	2,014
Other Councils	23,506	23,506	0	0	0	0	0
Maintenance	9,660	9,660	0	0	0	0	0
Miscellaneous (Other)	8,651	7,558	596	383	0	0	114
TOTAL: 31/12/2018	205,377	158,755	18,470	10,239	180	3,721	14,012

The comparison of Debtor movement for quarters presented to the Audit Committee is shown below.

Quarter	TOTAL	<30 Days	<60 Days	<90 Days	<120 Days	<150 Days	>150 Days
TOTAL: 30/9/2018	148,342	106,593	10,608	13,594	593	1,398	15,556
TOTAL: 30/6/2018	422,464	324,485	27,931	0	3,003	22,558	44,488
TOTAL: 31/3/2018	432,477	249,847	60,051	26,493	13,385	3,698	79,003
TOTAL: 31/12/2017	346,257	129,349	30,041	27,212	6,593	62,701	90,361
TOTAL: 30/9/2017	1,376,429	1,184,457	72,348	42,496	1,131	12,962	63,035
TOTAL: 30/6/2017	620,677	479,988	35,699	2,966	1,045	252	100,727
TOTAL: 31/3/2017	235,285	98,615	608	2,612	1,282	5,880	126,288
TOTAL: 31/12/2016	264,684	88,943	11,508	3,221	22,118	8,226	130,668
TOTAL: 30/9/2016	295,149	121,555	9,053	69,335	6,290	13,671	75,245
TOTAL: 30/6/2016	369,569	160,809	63,538	36,181	7,055	20,976	81,011
TOTAL: 30/11/2015	481,456	131,857	181,985	27,707	(3,288)	1,434	141,761

Importantly the balance > 150 days continues to be the lowest it has been since regular reporting to the Audit Committee has occurred. In relation to **Table 1**, the following points of clarification are provided:

- The Additional bins debt balance is now made up of 5 debtors, the largest of which is \$1,117 and has had their waste service ceased by East Waste and has been sent to our debt collection agency.
- Letters have been sent to eight debtors with long outstanding Food Premises Inspection debts and depending on the response, the next step will be consideration of referral to Council's debt collection agency.

- The AHBTC >150 days balance relates to a former tenant that is currently with our debt collection agency. The Property department have recently advised the debtor that if payment is not received shortly then Council will issue a claim in the Magistrates Court.
- The Outdoor Dining Licence >150 days balance includes 2 businesses that have recently been advised that if the debts are not paid, revocation of their current licences will be considered in accordance with Council's Outdoor Dining Policy.

The CEO and delegated officers have not used their delegation in terms of writing off any debts for the quarter ending 31 December 2018.

4. OPTIONS

The Audit Committee is limited to receiving this report.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 18 February 2019
AGENDA BUSINESS ITEM**

Item: 6.8

Originating Officer: Lachlan Miller, Executive Manager Governance & Performance

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: Internal Audit Quarterly Update

For: Decision

SUMMARY

This report provides the Audit Committee with an update on progress of internal audits nominated in the 2018/19-21/22 Strategic Internal Audit Plan (the Plan).

To date, none of the three audits scheduled year-to-date for 2018/19 has been commenced due to conflicting priorities primarily relating to the conduct of the 2018 Local Government Election and a significantly higher than average number of s270 Internal Reviews of Council Decisions.

RECOMMENDATION

The Audit Committee resolves to receive and note the report.

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal 5	Organisational Sustainability
Strategy 5.7	Governance

Monitoring the implementation of the Strategic Internal Audit Plan and audit assists in meeting legislative and good governance responsibilities and obligations.

➤ **Legal Implications**

Section 125 of the *Local Government Act 1999* (the Act) requires councils to ensure that appropriate policies, practices and procedures of internal controls 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 Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.

The Internal Audit program is an important tool to provide an objective appraisal of the adequacy on internal controls in managing our risk and supporting the achievement of council objectives.

➤ **Risk Management Implications**

The implementation of the internal audit program will assist in mitigating the risk of:

Internal control failures occur which lead to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
High (4C)	Medium (3C)	Medium (3C)

➤ **Financial and Resource Implications**

The Internal Audit budget for this financial year includes funding to resource the proposed audits and enable them to be outsourced under the oversight of the Executive Manager Governance and Performance. Given the range of demands on this role, and the specialised nature of a number of the audits, it is not possible to undertake audits internally.

➤ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate corporate governance processes in place including an effective internal control environment.

➤ **Environmental Implications**

Not applicable

➤ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Consultation in the preparation of the current internal audit scopes was as follows:

<i>Council Committees:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>Workshops:</i>	Not Applicable
<i>Administration:</i>	No Applicable
<i>Community:</i>	Not Applicable

2. **BACKGROUND**

Strategic Internal Audit Plan

At its 30 April 2018 meeting, the Committee recommended to Council to adopt the draft Strategic Internal Audit Plan 2018/19 – 2021/22 (SIAP).

The Council subsequently adopted the SIAP v1.0 at its 22 May 2018 meeting. The adopted SIAP is at **Appendix 1**.

3. ANALYSIS

Due to competing priorities including, but not limited to: induction of new Departmental, staff, conduct of the 2018 Local Government Election, Council Member induction and a significantly higher than average number of s270 Internal Reviews of Council Decisions, there has been no progress on the implementation of the scheduled 2018/19 Internal Audit projects.

It is anticipated that procurement activity will be undertaken in February and March to enable two-three of the scheduled audits to be undertaken in 2018/19.

4. OPTIONS

The Committee has the following options:

- I. To note the status of the Internal Audit Update report as presented; or
- II. To identify additional actions to be undertaken.

5. APPENDIX

- (1) Strategic Internal Audit Plan 2018/19 – 21/22 v1.0

Appendix 1

Strategic Internal Audit Plan 2018/19 – 21/22 v1.0

Strategic Internal Audit Plan 2018/19 - 21/22

Audit Engagement	Scope	Strategic/Corporate Risk Linkage	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Year 4 2021/22
Recruitment & Retention Practices	Focusing on the role analysis, authorisation, recruitment process, remuneration determination, reward and recognition processes.	SR9a - Failure to manage, improve and develop the human resources available to the Council.	Q1			
Budgetary Management	Focussing on financial planning, control and reporting. Relationship of budget with LTFP, legislative and regulatory compliance.	SR9c - Failure to manage, improve and develop the financial resources available to the Council.	Q2			
Payroll Function	Focussing on the payroll operation, including a review of the processes, systems, activities, controls and risks. The extent to the audit engagement will consider aspects from commencement of employment to termination of individuals, including payment of wages, leave, changes to position security, administration and payroll reporting. Including PIR from 2014 audit.	SR9c - Failure to manage, improve and develop the financial resources available to the Council.	Q3			
Major Projects Review	Focussing on processes, activities associated with the project, including scoping, planning, implementation, monitoring, post project review, risk management, development of maintenance program and operations.	SR2 - Failure to deliver projects, programs and services in accordance with plans (time, budget, quality).	Q4 (AHBTC Divestment)		Q2	Q2
Capital Works Programming & Delivery	Focussing on the planning, scheduling, approval, monitoring, and reporting processes and practices regarding the Capital Works Program. The procurement and contract management processes will be out of scope due to other scheduled audits on these subjects.	SR2 - Failure to deliver projects, programs and services in accordance with plans (time, budget, quality). SR6 - Failure to provide appropriate infrastructure for the community. SR4 - Failure to take measures to protect the community from natural and other hazards		Q1		
Treasury Management	Focusing on the processes, practices and policies regarding Treasury Management including compliance with legislative obligations.	SR9c - Failure to manage, improve and develop the financial resources available to the Council.		Q2		
Cyber Security	Focussing on the systems, processes and controls associated with securing and protection Council's IC&T network from penetration and data corruption/denial of service from external parties. Including PIR from 2015 audit.	SR9b - Failure to manage, improve and develop the information resources available to the Council.		Q2		
Emergency Management	Focussing on Emergency Management Plans, identification of risks associated with various types of disasters and the controls and processes to mitigate those risks, status of preparedness in the event of an emergency, recovery process and association with the Community and other Emergency Services.	SR4 - Failure to take measures to protect the community from natural and other hazards		Q4		
Business Continuity Plan	Focussing on the review of Business Continuity Plan (Disaster Recovery and Disruption) to key activities of Council including the identification, development, implementation of recovery plans and testing of conditions in the event of a disaster.	SR4 - Failure to take measures to protect the community from natural and other hazards			Q1	
Economic Development Strategy Implementation	Focusing on the strategy development and revisions processes, determination of actions and initiatives, funding of strategy implementation and evaluation of outcomes against strategy objectives.	SR7 - Failure to promote the Council area and provide an attractive climate and locations for the development of business, commerce, industry and tourism.			Q1	
Debt Management	Focusing on the processes, practices and policies regarding Debt Management including compliance with legislative obligations.	SR9c - Failure to manage, improve and develop the financial resources available to the Council.			Q2	
Procurement	Focussing on processes, activities, controls, risk, compliance through stages of the function, including planning, assessment, selection, and contract execution. Including the use of payment methods such as credit cards and petty cash. Including PIR from 2014 & 2015 audits. The contract management processes will be out of scope due to another scheduled audit on this subject.	SR2 - Failure to deliver projects, programs and services in accordance with plans (time, budget, quality). SR9c - Failure to manage, improve and develop the financial resources available to the Council.			Q4	
Training & Development Practices	Focusing of the identification of training and development (T&D) needs, sourcing of T&D options, scheduling and support of activities, assessment of transfer into workplace and evaluation of T&D initiatives. This will include development activities such as coaching & mentoring.	SR9a - Failure to manage, improve and develop the human resources available to the Council.				Q1
Asset Operation	Focussing on Asset operation, processes, activities, controls, risk, service levels, planned work, maintenance programs, monitoring performance, asset registers and reporting. Including PIR from 2016 audit.	SR2 - Failure to deliver projects, programs and services in accordance with plans (time, budget, quality). SR6 - Failure to provide appropriate infrastructure for the community. SR8 - Failure to manage and develop public areas vested in, or occupied by the Council.				Q2
Contract Management	Focussing on the post-procurement processes, activities, controls, risk, compliance through stages of the function, including induction, payment approval, monitoring, superintending, reporting, contractual close and evaluation. The procurement processes will be out of scope due to another scheduled audit on this subject.	SR2 - Failure to deliver projects, programs and services in accordance with plans (time, budget, quality). SR11 - Failure to exercise, perform and discharge the powers, functions and duties under legislation, contracts, leases and policies.				Q4
Number of Audits			4	4	5	4

Version Control

Date Adopted	Version Comments	No.
30/04/2018	Initial plan considered by Audit Committee	1.0a
22/05/2018	Adopted by Council	1.0

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 18 February 2019
AGENDA BUSINESS ITEM**

Item: 6.9

Originating Officer: Lachlan Miller, Executive Manager Governance & Performance

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: Audit Actions Implementation Quarterly Update

For: Information

SUMMARY

The implementation status of actions arising from previous Internal and External Audits is provided in ***Appendix 1***.

RECOMMENDATION

The Audit Committee resolves:

- 1. To receive and note the report.**
 - 2. To note the implementation status of Internal and External Audit actions.**
-

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal 5	Organisational Sustainability
Strategy 5.5	Risk & Responsibility
Strategy 5.7	Governance

Monitoring the implementation of internal and external audit actions facilitates the effective management of risk exposures and improves the overall governance environment.

➤ **Legal Implications**

Accounts, Financial Statement and Audit, *Local Government Act 1999*

Section 125 of the *Local Government Act 1999* (the Act) requires councils to ensure that appropriate policies, practices and procedures of internal controls 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 Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.

The Internal Audit program is an important tool to provide an objective appraisal of the adequacy on internal controls in managing our risk and supporting the achievement of council objectives.

Testing of Council's transactions and internal controls by the external auditor coincides with Council's own Risk Management Framework. The External Auditor's annual inspection and certification of Council's financial position and performance provides the community with an assurance of Council's internal financial control environment in managing our risk and supporting the achievement of council objectives.

➤ **Risk Management Implications**

The implementation of actions arising from internal and external audits will assist in mitigating the risk of:

Internal control failures occur which lead to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
High (4C)	Medium (3C)	Medium (3C)

Note there are many other controls that contribute to managing this risk.

➤ **Financial and Resource Implications**

Actions arising from internal and external audits are generally accommodated in existing functional budgets. Where an agreed action requires unbudgeted funds, this will be managed through Council's budget review processes

➤ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate corporate governance processes in place including an effective internal control environment.

➤ **Environmental Implications**

Not applicable

➤ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Consultation on the implementation of actions to address the audit findings was as follows:

Council Committees: The Audit Committee receives the reports from each Internal and External Audit conducted.

Advisory Groups: Not Applicable

Workshops: Not Applicable

Administration: Managers and staff with actions allocated from completed audit reports.

Community: Not Applicable

2. BACKGROUND

The Audit Committee was last provided an update of outstanding actions at its August 2018 meeting.

3. ANALYSIS

The status of the outstanding actions from Internal and External Audit is at ***Appendix 1***.

4. OPTIONS

The Committee has the following options:

- I. To note the implementation status of the Internal and External Audit actions as presented; or
- II. To identify additional actions to be undertaken.

5. APPENDIX

- (1) Audit Actions Implementation Status – February 2019

Appendix 1

Audit Actions Implementation Status – February 2019

Audit Name	Reference	Issue	Recommendation	Response	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Asset Management - May 2014 - Creative Auditing	6.1.1.1	Policy	That a procedure be documented on how compliance with the policy is going to be monitored.	Accepted	New policy recently adopted and review of necessary procedure underway The set up and development of the Confirm Asset Management system will consider traking of tasks and actions to align with Policy	David Collins	30/12/2017	In Progress	29/03/2019	significant data sets being finalised for inport to production including all transport and buildings - asset mangement plan review being undertaken by new Senior Infrastructure Planning Engineer
Asset Management - May 2014 - Creative Auditing	6.1.2.1	Registers	That all asset data be transferred into a computerised asset register.	Accepted	Data Validation of existing spreadsheet and GIS information ongoing as part of transfer into Confirm Enterprise Asset Register. Business Review process and data transfer specification for bridges complete. Business Review Process for roads complete. Data transfer specification for roads in progress. specification development has identified a number of data elements that require validation prior to transfer into new system. Bridge data has been uploaded into the new register. Building Data has been uploaded into the test environment and under review. Stormwater data review and data transfer specification underway.	David Collins	30/06/2017	In Progress	28/06/2019	Road data is current being transferred into test. Safety Barriers and retaining walls ar ein Production Financial reporting for the 2017/18 financial year was completed from the data held in Confirm. The vast majority of Council assets are recorded in Conquest and subsequent spreadsheets and GIS. Implementation of Confin Asset Management System currently underway. Business Review Process complete for Playgrounds, Transport Assets (Seals, Pavements, Footpaths, Unsealed) and Bridges. Data Tranfer of Playgrounds complete and data tranfer specification being finalised for Transport and Bridges. Bridges data has been in the test envirnment and expected to be live by September 2018. Bridges are in the live environemnt. Business Review Process for Building and Data Transfer Specification has been finalised and data clensing and review by consultant underway. Buliding Data is in the Test environment and under review. The integration between system CRM, GIS and Confirm has commenced. Initial GoLive of CRM and Confirm is in place for Arborculture. This framework will be used to set up asset category integrations progressively.
Asset Management - May 2014 - Creative Auditing	6.5.1	Asset Condition	That now that the existing condition has been documented, subsequent condition assessments need to be used to reassess the effective life of assets.	Accepted	A rolling program of audit and condition assessments will be included in updated asset management plans and condition assessment cycles are being implemented in Asset Management system upgrade - for example monthly and 3 monthly observations are occurring on the playground assets. bridge inspection observations are also being testing via the system. Currently Building Asset and CWMS Asset complete. Review of useful lives as part of AMP update. Condition assessment of footpaths completed in December 2017. Peer review work required to validate initial AMP review investigations of useful lives, unit rates and subsequent depreciation. Council is undertaking an external review of its bridge asset data condition and useful lives in 2108/19. A review of Unit rates for roads, retaining walls and footpaths is being completed in 2018/19.	David Collins	30/06/2017	In Progress	30/03/2019	A schedule of asset revaluations has been developed to ensure asset categories are revalued at least every four years. The schedule is now under review given recent appointment of Manager Sustainable Assets. High level review of the Asset Management Plans and associated data was completed in January 2018. Unit rates and useful lives are currently being reviewed as data cleansing is occurring with data specification works associated with the transfer of data in Confirm. Consultant reviewing rates in line with revaluation schedule discussed with auditors
Bentleys Internal Audit Report August 2018 – Customer Service Standard Reporting	Finding 6	Roles and responsibilities	We recommend management: • Prioritise resources to ensure smooth transition of the reporting responsibility; • Build up a backup capacity in the future to ensure no interruption of the process; and • Identify, document and communicate the relevant data reporting responsibilities with the managers and team leaders of the business areas to engage stakeholders in the process.	Accepted	• Quarter 3 Reporting was undertaken by the new staff member, no issues were identified. • Engaging with relevant Managers and Team Leaders will be undertaken as part of the response in Finding 5 Proposed Action: Train the ‘Executive Assistant Community Capacity’ to undertake the Quarterly CSS reporting as a back-up.	Hari Argiro	31/12/2018	Completed		Training for the Executive Assistant Community Capacity took place in January 2019 and will be ongoing in compiling future reports.

Audit Name	Reference	Issue	Recommendation	Response	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act “to establish and enforce cost-effective technical requirements”; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	Accepted	1. Establish the payment of Development Application fees on-line payment portal to reduce gaps between lodgement and payment.	Deryn Atkinson	30/06/2019	In Progress	30/06/2019	Test Version of Payment Tile received and feedback given on tile alignment. Ok for deployment to live but waiting on date for this to occur from Open Open
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act “to establish and enforce cost-effective technical requirements”; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	Accepted	3. Review and develop new standard operating procedures for electronic development tasks, including lodgement, initial assessment, referrals, public notification, final assessment and CAP report preparation, decision generation and notification private certification, and fee refunds to achieve improved process consistency and efficiency.	Deryn Atkinson	30/06/2019	In Progress	30/06/2019	Completed development of new standard operating procedures for lodgement, initial assessment, referrals, public notification, CAP report preparation, decision generation, private certification and fee refunds. Final assessment procedure still to be finalised.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act “to establish and enforce cost-effective technical requirements”; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	Accepted	4. Review standard templates and checklists on an annual basis and as legislation changes occur.	Deryn Atkinson	30/06/2019	In Progress	30/06/2019	As part of the development of new procedures the templates have been reviewed. As part of the website information review checklists have been updated and a new development application checklist developed and uploaded. The next reviewed will be scheduled for mid June 2019 when statutory fees are released.

Audit Name	Reference	Issue	Recommendation	Response	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act “to establish and enforce cost-effective technical requirements”; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	Accepted	5. Develop a new assessment process flowchart for staff and customers.	Deryn Atkinson	30/12/2018	In Progress	30/06/2019	Draft flow chart developed for internal workflow. Flow chart for customers yet to be developed.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act “to establish and enforce cost-effective technical requirements”; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	Accepted	7. Provide training for all staff as new standard operating procedures are rolled out and when amended. Document through team meeting agendas.	Deryn Atkinson	30/06/2019	In Progress	31/03/2019	Training session held with all of team on 19 September 2018 Training session held with all planners 11 October 2018 on action entry and monitoring and planning inspection recording procedure. Training sessions on action entry and monitoring and building inspection recording procedure scheduled for 1 November 2018.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 2	Attainment of statutory timelines		Accepted	2. Ensure the statutory timelines are operating in Open Office through enhanced functionality.	Deryn Atkinson	28/02/2019	In Progress	31/03/2019	This is a complex piece of work. E-development officer and Open Office are still working on ensuring the front end timeframes are correctly loaded before testing of the backend can occur.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 2	Attainment of statutory timelines	We recommend management: Include the requirements of the statutory timelines into the Council’s policies and procedures; Review the system Open Office to ensure the requirements of the statutory timelines are built in; Provide refresher training of the updated procedures and system functions to the relevant responsible officers and ensure they are capable to meet the statutory timeline requirements; and Set up relevant Key Performance Indicators (KPI) to monitor compliance of the statutory timeline requirements.	Accepted	3. Provide refresher training on updated procedures and system functions to responsible officers as required.	Deryn Atkinson	30/06/2019	In Progress	31/03/2019	Training is on-going. Training session held with all of team on 19 September 2018 Training session held with all planners 11 October 2018 on action entry and monitoring and planning inspection recording procedure. Training sessions on action entry and monitoring and building inspection recording procedure scheduled for 1 November 2018.

Audit Name	Reference	Issue	Recommendation	Response	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 2	Attainment of statutory timelines	We recommend management: Include the requirements of the statutory timelines into the Council’s policies and procedures; Review the system Open Office to ensure the requirements of the statutory timelines are built in; Provide refresher training of the updated procedures and system functions to the relevant responsible officers and ensure they are capable to meet the statutory timeline requirements; and Set up relevant Key Performance Indicators (KPI) to monitor compliance of the statutory timeline requirements.	Accepted	4. Report on requests for information quarterly as a KPI for planners.	Sam Clements	30/12/2018	In Progress		Ongoing
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 3	Tracking the progress of applications	We recommend management: <ul style="list-style-type: none">Effectively and consistently apply the “Action” function in Open Office to monitor and track the progress of the applications;Perform regular (at least quarterly) monitoring and reporting of the status and number of applications in the system, and the time of applications by type to complete assessment or milestones, etc.; andContinuously investigate the monitoring and reporting functions of the system and utilise them consistently to meet the legislative requirements and improve the efficiency of the process and customer satisfaction.	Accepted	1. Build in action functionality to development assessment tasks in the review of procedures.	Deryn Atkinson	30/12/2018	In Progress	31/03/2019	Actions are being progressively introduced into the system as development tasks are reviewed. This is work in progress.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 3	Tracking the progress of applications	We recommend management: <ul style="list-style-type: none">Effectively and consistently apply the “Action” function in Open Office to monitor and track the progress of the applications;Perform regular (at least quarterly) monitoring and reporting of the status and number of applications in the system, and the time of applications by type to complete assessment or milestones, etc.; andContinuously investigate the monitoring and reporting functions of the system and utilise them consistently to meet the legislative requirements and improve the efficiency of the process and customer satisfaction.	Accepted	2. All planners to be trained in monitoring their overdue action requests.	Deryn Atkinson	30/12/2018	In Progress	31/03/2019	Staff are progressively adapting to working from a list of actions. This is work in progress. Overdue actions for Further Information was the focus of action training for planning staff on 11 October 2018.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 3	Tracking the progress of applications	We recommend management: <ul style="list-style-type: none">Effectively and consistently apply the “Action” function in Open Office to monitor and track the progress of the applications;Perform regular (at least quarterly) monitoring and reporting of the status and number of applications in the system, and the time of applications by type to complete assessment or milestones, etc.; andContinuously investigate the monitoring and reporting functions of the system and utilise them consistently to meet the legislative requirements and improve the efficiency of the process and customer satisfaction.	Accepted	4. Regularly monitor planners’ overdue actions. Report monthly on the number of outstanding information requests older than 6 months initially (reducing to 3 months over time) and to prepare reports for each planner to prioritise follow-up and reduce open file loads.	Sam Clements	30/12/2018	In Progress		First report provided to planners on 16/10/18- outstanding further information requests older than 6mths. Ongoing

Audit Name	Reference	Issue	Recommendation	Response	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 3	Tracking the progress of applications	We recommend management: <ul style="list-style-type: none">Effectively and consistently apply the “Action” function in Open Office to monitor and track the progress of the applications;Perform regular (at least quarterly) monitoring and reporting of the status and number of applications in the system, and the time of applications by type to complete assessment or milestones, etc.; andContinuously investigate the monitoring and reporting functions of the system and utilise them consistently to meet the legislative requirements and improve the efficiency of the process and customer satisfaction.	Accepted	5. Initiate regular meetings between Team Leader Statutory Planner/Senior Planner with statutory planners to discuss progress of applications.	Sam Clements	30/12/2018	In Progress		Ongoing
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 4	Urban Tree Fund management	We recommend management: <ul style="list-style-type: none">Formalise the process focusing on developing a management plan to use the specific reserve Urban Tree Fund, including – Conditions, restrictions and obligations on the use of the fund Options to use the fund for tree maintenance and/or purchase with consideration given to cost, outcome, and time frame etc.;– Comparison of options and consult relevant utility organisations such as SA Power Network where relevant; and– Approval from delegates;Review and update the management plan on an as needs basis;Implement the management plan and monitor the use of fund; andRetain records of and report the fund movements and significant activities to the relevant stakeholders/governance bodies.	Accepted	1. Planning, Open Space and Finance staff to develop an Urban Tree Fund Management Plan for the use of fund contributions paid by development applicants.	Deryn Atkinson	30/06/2019	Not Commenced	30/06/2019	
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 4	Urban Tree Fund management	We recommend management: <ul style="list-style-type: none">Formalise the process focusing on developing a management plan to use the specific reserve Urban Tree Fund, including – Conditions, restrictions and obligations on the use of the fund Options to use the fund for tree maintenance and/or purchase with consideration given to cost, outcome, and time frame etc.;– Comparison of options and consult relevant utility organisations such as SA Power Network where relevant; and– Approval from delegates;Review and update the management plan on an as needs basis;Implement the management plan and monitor the use of fund; andRetain records of and report the fund movements and significant activities to the relevant stakeholders/governance bodies.	Accepted	2. Implement, monitor & review (as required) the Urban Tree Fund Management Plan.	Chris Janssan	31/01/2020	In Progress	21/12/2018	Internal discussion held to ensure allocation of operational responsibilities clearly aligned between Development and Financial Services. Action assigned to Manager Open Space for implementation and ongoing monitor & review.

Audit Name	Reference	Issue	Recommendation	Response	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 4	Urban Tree Fund management	We recommend management: <ul style="list-style-type: none">• Formalise the process focusing on developing a management plan to use the specific reserve Urban Tree Fund, including – Conditions, restrictions and obligations on the use of the fund Options to use the fund for tree maintenance and/or purchase with consideration given to cost, outcome, and time frame etc.;– Comparison of options and consult relevant utility organisations such as SA Power Network where relevant; and– Approval from delegates;• Review and update the management plan on an as needs basis;• Implement the management plan and monitor the use of fund; and• Retain records of and report the fund movements and significant activities to the relevant stakeholders/governance bodies.	Accepted	3. Retain records and report on the Urban Tree Fund movements as part of the Annual Business Plan.	Mike Carey	30/08/2019	In Progress	30/04/2019	Internal discussion undertaken to ensure allocation of operational responsibility clearly articulated between Development Services, Financial Services and Governance & Performance
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 5	Quality review of Open Office	We recommend management: <ul style="list-style-type: none">• Enhance controls for the user access in Open Office where possible, such as use expiry dates on user set up;• Review user access on a regular basis using a formal process, at least annually;• Incorporate user deletion as part of termination;• Improve data quality in the system via regular independent review and reporting, at least quarterly; including verifying that the mandatory fields for record entry are accurate and still valid.	Accepted	1. Review Open Officer user access on a 6-monthly basis (December and June) and confirm users with full access are required to have this	Deryn Atkinson	30/12/2018	In Progress	30/06/2019	A review of users was undertaken in March 2018 and obsolete users were inactivated.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 5	Quality review of Open Office	We recommend management: <ul style="list-style-type: none">• Enhance controls for the user access in Open Office where possible, such as use expiry dates on user set up;• Review user access on a regular basis using a formal process, at least annually;• Incorporate user deletion as part of termination;• Improve data quality in the system via regular independent review and reporting, at least quarterly; including verifying that the mandatory fields for record entry are accurate and still valid.	Accepted	2. Investigate with Open Office user access expiry dates functionality and the ability for resetting these	Deryn Atkinson	30/12/2018	Not Commenced	31/03/2019	
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 5	Quality review of Open Office	We recommend management: <ul style="list-style-type: none">• Enhance controls for the user access in Open Office where possible, such as use expiry dates on user set up;• Review user access on a regular basis using a formal process, at least annually;• Incorporate user deletion as part of termination;• Improve data quality in the system via regular independent review and reporting, at least quarterly; including verifying that the mandatory fields for record entry are accurate and still valid.	Accepted	3. Work with Organisational Development to include Open Office user deletion in the employee exit process	Deryn Atkinson	30/12/2018	In Progress	30/06/2019	Request made 22/10/18 to Organisational Development for inclusion of Open Office User Inactivation in the Employee Termination Checklist for People Leader

Audit Name	Reference	Issue	Recommendation	Response	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 5	Quality review of Open Office	We recommend management: <ul style="list-style-type: none">Enhance controls for the user access in Open Office where possible, such as use expiry dates on user set up;Review user access on a regular basis using a formal process, at least annually;Incorporate user deletion as part of termination;Improve data quality in the system via regular independent review and reporting, at least quarterly; including verifying that the mandatory fields for record entry are accurate and still valid.	Accepted	4. Improve data quality in the Open Office system with 6 monthly internal performance review and reporting on assessment data accuracy to Manager Development Services Note quarterly reviewing and reporting on data quality is considered onerous and is unable to be resourced. Internal reviews are considered adequate to improve data quality.	Deryn Atkinson	31/01/2019	In Progress	31/03/2019	First 6 monthly review scheduled for early January 2019
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	We recommend management: <ul style="list-style-type: none">Reinforce the record management policy requirements via induction and refresher training; andStrengthen the records management via performance review and regular independent quality review within Council.	Accepted	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 1. Review the Land Management Register for accuracy of information and electronic register access rather than reliance on hardcopy information.	Deryn Atkinson	30/06/2019	Not Commenced	30/06/2019	Review to be commenced in early 2019
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	We recommend management: <ul style="list-style-type: none">Reinforce the record management policy requirements via induction and refresher training; andStrengthen the records management via performance review and regular independent quality review within Council.	Accepted	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 2. Review the standard procedure for entering agreements in the Land Management Register annually.	Deryn Atkinson	30/06/2019	Not Commenced	30/06/2019	Review of procedure to commence by the end of November 2019
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	We recommend management: <ul style="list-style-type: none">Reinforce the record management policy requirements via induction and refresher training; andStrengthen the records management via performance review and regular independent quality review within Council.	Accepted	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 3. Undertake induction and refresher training on the Land Management Agreement Register procedure annually or as required.	Deryn Atkinson	30/06/2019	Not Commenced	30/06/2019	Commence refresher training on LMA procedure.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	We recommend management: <ul style="list-style-type: none">Reinforce the record management policy requirements via induction and refresher training; andStrengthen the records management via performance review and regular independent quality review within Council.	Accepted	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 4. Implement annual internal review of the Land Management Agreement Register.	Deryn Atkinson	30/08/2019	Not Commenced	30/06/2019	Commence annual internal review of the LMA register early January 2019

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Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	We recommend management: <ul style="list-style-type: none"> Reinforce the record management policy requirements via induction and refresher training; and Strengthen the records management via performance review and regular independent quality review within Council. 	Accepted	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 5. Implement a standard procedure for recording site inspections and reasons why a site inspection was unnecessary. Build the system functionality and undertake training of planning officers in the procedure.	Deryn Atkinson	30/12/2018	In Progress	30/06/2019	Training session held with all planners 11 October 2018 on planning inspection recording procedure. Training sessions building inspection recording procedure scheduled for 1 November 2018. Refinements to the procedure to be made by end of November 2018
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 7	Data access	We recommend management: <ul style="list-style-type: none"> Ensure mechanism is in place to authorise and cancel the system access; Ensure the system access is consistent with the employee's responsibilities; and Deactivate the employees' system access in a timely manner when they have left the Council. 	Accepted	<ul style="list-style-type: none"> Process in place where IT department are advised of staff exits. Access is removed upon receipt of this information and leaving staff member no longer has access to SharePoint or CRM. Accounts also have a lockout policy when there are 3 attempts to enter the password. New SharePoint environment will only enable new users to be added via 'active directory' groups, and no longer separately to the different SharePoint pages. This will mean removing access will be undertaken in one single easy step 	Deryn Atkinson		Completed		
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Improvement Opportunities	Credit card details security management	We recommend management <ul style="list-style-type: none"> Contact the Council's founding payment brand member to obtain their own PCI compliance programs for the protection of their affiliated payment card account data; and Improve the relevant controls to be compliant with the PCI DSS requirements, including: <ul style="list-style-type: none"> Identify and document the existence of all cardholder data in the environment; Use the results to select appropriate PCI DSS scope and apply the guidelines; Implement the PCI DSS activities as part of the Council's overall security strategy to ensure cardholder data security controls continually implemented; and Retain documentation for assessor review and/or fore reference for at least one year. 	Accepted	Undertake an internal review of PCI compliance and implement relevant controls for best practice.	Mike Carey	31/08/2019	In Progress	31/08/2019	A coordinated approach has been undertaken in conjunction with Council's banker NAB, together with Customer Service, ICT and Financial Services to ensure that controls over cardholder data is appropriate. A monitoring process has been set up with all record keeping areas to ensure that credit card details are not stored in corporate systems and the banking PCI compliance survey has now commenced.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Improvement Opportunities	Issuing an invoice	We recommend management <ul style="list-style-type: none"> Investigate and implement a system function to issue the invoice with the coordination of the Planner and the Administration Officer; and Measure and monitor the outcome of the new process to ensure continuous improvement of the efficiency and effectiveness. 	Accepted	3. Review initial assessment process to monitor the efficiency and effectiveness of the new process.	Deryn Atkinson	30/04/2019	Not Commenced	30/04/2019	Review will be undertaken as part of the 6 monthly internal performance scheduled for early January 2019
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Improvement Opportunities	Conflict of interest in Job Description of responsible employees	We recommend management <ul style="list-style-type: none"> Reinforce the need of disclosure of conflict of interest in the performance review of the responsible manager and employees and/or in the induction of new employees. 	Accepted	Section 56 (A) of the Development Act only refers to Council Assessment Panel Members and not Council staff who make planning decisions under delegation. Therefore recommendation 1 and 2 are not required. 1. Reinforce the need of disclosure of a conflict of interest in performance reviews with staff as good professional and ethical practice, and as a requirement for members of the Planning Institute of Australia.	Deryn Atkinson	30/12/2018	Completed		Conflict of interest provisions applying to staff are set out in s120 of the Local Government Act 1999. All new staff have training in s120 as part of their induction.

Audit Name	Reference	Issue	Recommendation	Response	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Galpins Financial Controls Review Interim Management Letter August 2018	2.1.1 Absence of Documented Processes for Purchase Orders	Purchase, Procurement and Contracting	Processes and framework for raising a purchase order, including details of when a purchase or payment is exempt from a contract and/or purchase order, are documented and appropriately communicated to staff. After establishing these processes, management periodically produces a report containing all payments with no purchase order to be reviewed to identify any instances of noncompliance. Audit supports council's current plans to develop a more robust procurement framework.	Accepted	Agree with finding and the Procurement Framework will address this issue.	James Greenfield	28/03/2019	In Progress	28/03/2019	Framework and Procedures currently at Approx. 75% complete
Galpins Financial Controls Review Interim Management Letter August 2018	2.1.2 Evidence of Procurement Procedures Undertaken	Purchase, Procurement and Contracting	All documentation related to procurement procedures undertaken (e.g. request for tenders, tender responses, evaluation forms detailing the decision made, etc) are retained on file. When procurement procedures are not undertaken and an exemption is provided, reasons for the exemption are documented and approved by the appropriate delegated officer in accordance with the procurement policy.	Accepted	Agree with finding and will ensure Procurement Framework and supporting procedures emphasise the need for appropriate documentation to be retained to substantiate procurement decisions and adherence to process.	James Greenfield	28/03/2019	In Progress	28/03/2019	Procurement Framework and supporting procedures will emphasise the need for appropriate documentation to be retained. Currently discussing with Records. Exemption Register has been created
Galpins Financial Controls Review Interim Management Letter August 2018	2.1.3 Absence of Formal Contracts and Agreements	Purchase, Procurement and Contracting	Council ensures that procedures to enter into a contract are documented within the new procurement framework currently being developed. Council to ensure that there are formal agreements with suppliers with significant cumulative spend, and that works are not commenced prior to signing of contracts.	Accepted	Agree with finding and will ensure Procurement Framework and supporting procedures emphasise the need for appropriate documentation to be retained to substantiate procurement decisions and adherence to process.	James Greenfield	22/02/2019	In Progress	28/03/2019	Regular review of yearly spending patterns will be undertaken to identify cumulative spend.
Galpins Financial Controls Review Interim Management Letter August 2018	2.1.6 Conflict of Interest Declaration	Purchase, Procurement and Contracting	Panel members are required to provide conflict of interest declarations when assessing a procurement / tendering process.	Accepted	This requirement will be built into the Framework/procedures documentation.	James Greenfield	23/11/2018	In Progress	30/03/2019	Conflict of Interest form has been developed and will be included in Framework and Procedures
Galpins Financial Controls Review Interim Management Letter August 2018	2.2.2 Asset Management Plan	Fixed Assets	The Transport Asset Management plan is finalised and adopted by Council. Asset Management Plans are prepared for other major asset classes.	Accepted	As part of the migration of data into a new asset management system Council has undertaken extensive review of its data and in particular Transport Assets. Council has undertaken an internal review of the Transport Asset Class that has informed current long term planning. Council is currently in the process of formally updating the 2012 Transport Asset Management Plan by January 2019.	David Collins	29/03/2019	Not Commenced	29/03/2019	Council is currently in the process of formally updating the 2012 Transport Asset Management Plan
Galpins Financial Controls Review Interim Management Letter August 2018	2.2.3 Capitalised Asset (Accounting Policy)	Fixed Assets	The Capitalised Asset (Accounting Policy) is reviewed and updated to reflect current and desired practice.	Accepted	This document has been removed as a formal Policy of Council but is used as an operational guideline for the capitalisation of assets. It is agreed that this document should be updated to reflect current accounting standards.	Mike Carey	30/01/2019	In Progress	30/06/2019	This procedure document has been discussed with Asset Management and it is agreed that the document will be updated as part of the Asset Management Planning update over the next six months.

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Galpins Financial Controls Review Interim Management Letter August 2018	2.2.5 Asset Maintenance	Fixed Assets	Ensure that maintenance schedules are in accordance with Asset Management Plans, and steps are taken to progress towards more proactive maintenance plans.	Accepted	<p>Council has approved additional resources to undertake planning of future maintenance works.</p> <p>Council is reviewing service levels (initial priority – Stormwater) to identify the required maintenance activities to ensure the required performance of those assets. The clarity regarding the agreed service level will allow better planning and the associated scheduling of proactive maintenance.</p> <p>Council is currently ensuring integration between its CRM system (customer requests) and the Confirm Enterprise Asset Management System to ensure alignment with reactive requests and planned maintenance.</p>	David Collins	31/12/2019	In Progress		Council is currently ensuring integration between its CRM system (customer requests) and the Confirm Enterprise Asset Management System to ensure alignment with reactive requests and planned maintenance.
Galpins Financial Controls Review Interim Management Letter August 2018	2.3.3 Business Continuity Plan	General Ledger	The Business Continuity Plan is updated.	Accepted	Following the review of resources and functions in the Governance & Performance Department, the review of the BCP has been scheduled in 2018/19.	Lachlan Miller	26/09/2018	In Progress	30/06/2019	Project is currently being scoped and will link in with ABP development.
Governance Legislative Compliance Audit May 2016	Rec 11	Section 50 - Public Consultation Policy	The Council review the Public Consultation Policy (PCP) to ensure it correctly reflects the requirements of Section 50 throughout.	Accepted	Programmed into policy review schedule.	David Waters	28/03/2018	In Progress	31/03/2019	<p>The Policy is in the Council Policy Review Schedule for review in February 2019. It was moved from October 2018 to avoid the election period in accordance with Caretaker Policy provisions.</p> <p>Staff have attended an LGA workshop (September 2018) on the latest legal advice for constructing a legislatively compliant Public Consultation Policy. This will be incorporated in the review.</p>
Governance Legislative Compliance Audit May 2016	Rec 4	Section 43 - Ability of Council to Establish a Regional Subsidiary	Follow up the status of the review of the AHRWMA and SHLGA.	Accepted	These points will be considered in Status of Charter reviews to be determined	Lachlan Miller	30/09/2018	In Progress	31/12/2019	AHRWMA and SHLGA Charter reviews scheduled to occur in 2019.
ICT Security Risk Assessment - August 2015 - CQR	REC 3	Policy and Governance	Business Continuity Planning	Accepted	ICT to action - (ICT BCP Plan only) included in 2015/16 Capital Works Program	James Sinden	28/02/2017	In Progress	28/02/2019	<p>Work on the final stages of Councils ICT BCP Systems is progressing now that contracts for Telecommunications Services from Telstra have been agreed upon.</p> <p>Services have been ordered and are waiting installation here at Stirling. The next stages are reliant upon works being delivered by Telstra for us to progress further.</p> <p>Once completed Council's ICT BCP Systems will be able to operate outside the Adelaide Hills District.</p> <p>Work Commenced with Telstra for the provision of services at Datacentre and Stirling Sites</p> <p>The appointment of a contractor for implementation services has been completed and the program of works to completed tasks is scheduled for January 2019</p> <p>The contractor is currently completing the final stages of activities with a view to be finalised, all going to plan February 2019</p>
ICT Security Risk Assessment - August 2015 - CQR	REC 4	Policy and Governance	Incident Management	Accepted	ICT to action - create a security incident management procedure	James Sinden	29/12/2017	In Progress	28/02/2019	<p>A draft Incident Management procedure has been developed and is to be progressed through the IISIP group for adoption.</p> <p>Scheduled for IISIP Meeting 19th December 2018</p> <p>The scheudled IISIP Meeting in December was cancelled and this item will be presented in the February 2019 meeting</p>
Montacute Road Project - September 2017 - Ray Pincombe	REC 1	Emergency Projects Decision Making Porcess Rules	Consideration of developing some rules around the decision-making processes in emergency projects and provision of authority for staff and potential partners to act on Council’s behalf	Accepted	Development of mechanism to clarify rules and delegations in regards to Emergency Projects and situations.	Peter Bice	30/03/2019	In Progress	30/03/2019	Council staff are exploring the most effective mechanism to incorporate appropriate rules and delegations, including project and contractor management templates.
Montacute Road Project - September 2017 - Ray Pincombe	REC 3	Emergency Management Plan	The current review of the Strategic Management Risk Register has identified the need for an Emergency Management Plan and zone based preventative maintenance programs. This appears to cover the types of events that can impact upon Council assets and infrastructure, though perhaps more emphasis might be placed on flood events given the recent experience		Stage 1 of the EMP development is in progress	John McArthur	28/02/2019	In Progress	1/11/2019	Responsibility for EM has transferred to the Infrastructure & Assets Directorate, a handover of the Plan has occurred.

Audit Name	Reference	Issue	Recommendation	Response	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Montacute Road Project - September 2017 - Ray Pincombe	REC 4	WHS & IM arrangements with external project managers	As WHS & IM is the responsibility of the asset owner, Council could consider the development of an agreement in similar situations to ensure the protection of the people involved in projects in these circumstances	Accepted	Develop protocols around clarifying roles and responsibilities in Emergency situations where external project managers are involved.	Ashley Curtis	30/06/2019	In Progress	28/06/2019	29/01/19 - update - no change. Council staff are in the process of reviewing Emergency Manaement Planing and developing a Project Management Framework which will incorporate protocols which clarify roles and responsibilities in Emergency situations where external project managers are involved.
Montacute Road Project - September 2017 - Ray Pincombe	REC 5	Post Project Review	A review could provide good feedback on the beneficial elements of the project and the potential improvements that could be made. The outcome of the review could be used to better inform any potential emergency management planning	Accepted	Review the learnings from the project to identify potential improvements.	Peter Bice	29/03/2019	In Progress	31/12/2018	Council staff, and other stakeholders are currently reviewing the outcomes of the project. Learnings will help inform the current review of Council's Emergency Planning approach.
Procurement Audit May 2014	4.2.1	Compliance with Applicable Policies and Procedures	That procedures should be documented for: <ul style="list-style-type: none">• the use and selection of preferred suppliers• Procurement Committee annual review procedure for preferred suppliers• tender opening• tender evaluation process• Procurement Committee policy compliance review procedures• determination of the staff delegations• approval process from the Procurement Committee if staff wish to deviate from the procurement and purchasing policy	Accepted	Develop procedures as recommended	James Greenfield	28/03/2019	In Progress	28/03/2019	Framework and Procedures are currently being developed. Estimated to be 80% complete. Consultation process will being soon.
Procurement Audit May 2014	4.3.2	Use of Preferred Contractors	That a procedure be developed for the acceptance of new suppliers. Council should determine what supplier details are required and who signs off on the Credit Application, which is effectively a council guarantee.	Accepted	Develop procedures as recommended	James Greenfield	30/11/2018	In Progress	30/06/2019	To be developed in conjunction with with 4.2.1. This forms part of the Procurement Framework which is proposed to be signed off by ELT in early 2019.
Procurement Audit May 2014	4.8.1	Inventory	That the inventory management procedures for stores, small plant and fuel at the Depot be documented to ensure compliance when the Works Storeman is absent	Accepted		Chris Janssan	31/03/2018	In Progress	29/03/2019	The fuel process has been completed and we will continue to work through the stores and small plant.