



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 13 May 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 13 May 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 – 15 April 2019

Recommendation

That the minutes of the Audit Committee meeting held on 15 April 2019, 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

The Audit Committee resolves that the report be received and noted

6.2. 2018/19 End of Year Financial Reporting Timetable

That the Audit Committee:

1. *Receives and notes the report.*
2. *Endorses the proposed end of year reporting timetable for 2018/19 financial year.*

6.3. Internal Financial Controls Update

That the Audit Committee:

1. *Receives and notes the report.*
2. *Notes the further developments that have been undertaken in the reporting of internal financial controls.*

6.4. Risk Management Plan Update

The Audit Committee resolves that the report be received and noted

6.5. Strategic Internal Audit Plan Review and Quarterly Update

The Audit Committee resolves to receive and note the report.

6.6. Quarterly Debtors Report

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

6.7. Public Interest Disclosure Act 2018

The Audit Committee resolves that the report be received and noted

6.8. Risk Management Policy Review

The Audit Committee resolves that:

1. *The report be received and noted.*
2. *The Audit Committee recommends the Risk Management Policy, Appendix 1 to Council for consideration.*

7. NEXT MEETING

The next Audit Committee meeting will be held on Monday, 12 August 2019 at 63 Mount Barker Road, Stirling.

8. CLOSE MEETING

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 15 APRIL 2019
63 MT BARKER ROAD STIRLING**

In Attendance

Members:

| | |
|---------------------|--------------------|
| Cr Malcolm Herrmann | Presiding Member |
| Peter Brass | Independent Member |
| Geoff Purdie | Independent Member |
| Paula Davies | Independent Member |
| Cr Leith Mudge | Council Member |

In Attendance:

| | |
|-------------------------|--|
| Andrew Aitken | Chief Executive Officer |
| Terry Crackett | Director Corporate Services |
| Lachlan Miller | Executive Manager Governance & Performance |
| Bernadette Walsh | Corporate Planning & Performance Coordinator |
| Mayor Jan-Claire Wisdom | Council Member |

1. COMMENCEMENT

The meeting commenced at 6.00pm

2. APOLOGIES/LEAVE OF ABSENCE

2.1. Apology

2.2. Leave of Absence

Nil

2.3. Absent

Nil

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 15 APRIL 2019
63 MT BARKER ROAD STIRLING**

3. MINUTES OF PREVIOUS MEETINGS

3.1. Audit Committee Meeting – 18 February 2019

Moved Peter Brass
S/- Geoff Purdie

11/AC19

That the minutes of the Ordinary Council meeting held on 18 February 2019, as supplied, 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. The Recommendations in Item 8.1 are to be submitted to Council for consideration.

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

Nil

6. QUESTIONS ON NOTICE

6.1. Cheques Issued by Council

7. MOTIONS ON NOTICE

7.1. Council Corporate Purchase Cards

Moved Cr Malcolm Herrmann
S/- Peter Brass

12/AC19

That the CEO provides a report to the Audit Committee on the use of Council Corporate Purchase Cards within the context of the Corporate Procurement Framework.

| |
|----------------|
| Carried |
|----------------|

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 15 APRIL 2019
63 MT BARKER ROAD STIRLING**

8. OFFICER REPORTS – DECISION ITEMS

8.1. Draft Annual Business Plan

Moved Peter Brass
S/- Geoff Purdie

13/AC19

The Audit Committee resolves:

1. That the report be received and noted.
2. To advise Council that the Committee is satisfied that the assumptions underpinning the draft 2019-20 Annual Business Plan are consistent with the Long Term Financial Plan and are adequate to maintain the Council's financial sustainability.

| |
|----------------|
| Carried |
|----------------|

9. CONFIDENTIAL ITEMS

Nil

10. NEXT MEETING

Moved Paula Davies
S/- Lachlan Miller

14/AC19

That the next ordinary meeting of the Adelaide Hills Council Audit Committee will be held on Monday 13 May 2019 from 6.00pm at 63 Mt Barker Road, Stirling.

| |
|----------------|
| Carried |
|----------------|

11. CLOSE MEETING

The meeting closed at 7.10pm

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 13 May 2019
AGENDA BUSINESS ITEM**

Item: 6.1

Originating Officer: Lachlan Miller, Executive Manager Governance and Performance

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 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
Governance & Risk Coordinator

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 are six (6) completed items and two (2) outstanding items on the Audit Committee Action Report (**Appendix 1**) arising from the February and April 2019 Committee meetings. Commentary against each of the items is provided for the Committee's information.

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 |
| Budget Review 3 | Budget Review 3 is currently being finalised for presentation to Council in May. We propose providing the Audit Committee with the Council Report out of session. |
| End of financial year reporting timetable | See Agenda Item 6.2 |
| Internal Financial Controls update | See Agenda Item 6.3 |
| Risk Management Plan update | See Agenda Item 6.4 |
| Results of LGA Risk Management Review | LGA review commences August 2019 |
| Internal Audit quarterly update | See Agenda Item 6.5 |
| Internal Audit Plan review | See Agenda Item 6.5 |
| External audit interim letter (verbal) | The verbal update will not be provided at this time as the interim audit is still in progress. |
| Debtors Report | See Agenda Item 6.6 |
| Whistleblowers Policy review | A report on the incoming <i>Public Interest Disclosure Act 2018</i> which will replace the <i>Whistleblowers Protection Act 1993</i> is at Agenda Item 6.7 |

In addition, a report on the review of the Risk Management Policy is at Agenda Item 6.8

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 (v1.1)

Appendix 1

Audit Committee Action Report

| Meeting Date | Meeting | Res No. | Item Name | Action Required (Council Resolution) | Responsible Director | Status | Date of Update | Est. Completion | Status2 |
|--------------|-----------------|---------|--------------------------------------|--|----------------------|-------------|----------------|-----------------|--|
| 18/02/2019 | Audit Committee | 3/AC19 | External Audit Plan | 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, with amendments to the timetable and risk assessment commentary. | Andrew Aitken | Completed | 8/05/2019 | 26/02/2019 | The Committee's recommendation was contained in a report to Council at its 26 February meeting. |
| 18/02/2019 | Audit Committee | 4/AC19 | 2018 – 19 Budget Review 2 | Notes and recommends to Council that: c. the Operating Budget variations presented in Budget Review 2 increase the Budgeted Operating Surplus of \$302k to \$398k for the 2018-19 financial year. d. 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. e. 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. | Terry Crackett | Completed | 8/05/2019 | 26/02/2019 | The Committee's recommendation was contained in a report to Council at its 26 February meeting. |
| 18/02/2019 | Audit Committee | 5/AC19 | Long Term Financial Plan 2019 Review | 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. | Terry Crackett | Completed | 8/05/2019 | 26/02/2019 | The Committee's recommendation was contained in a report to Council at its 26 February meeting. |
| 18/02/2019 | Audit Committee | 6/AC19 | Risk Management Plan Update | Requests an update to the Committee Workplan to include the Risk Management Framework Review for the August 2019 Audit Committee Meeting. | Andrew Aitken | In Progress | 8/05/2019 | 12/08/2019 | Item has not been added to Work Plan but remains as an action from the minutes to be delivered at the 12 August meeting. |
| 18/02/2019 | Audit Committee | 9/AC19 | Internal Audit Quarterly Update | Recommends to Council to amend the Strategic Internal Audit Plan 2018-2022 to include a specific audit on Purchase Cards in the 2018-2019 financial year in light of heightened public interest. | Andrew Aitken | Completed | 8/05/2019 | 18/02/2019 | The Committee's recommendation was contained in a report to Council at its 26 February meeting. |
| 15/04/2019 | Audit Committee | 12/AC19 | Council Corporate Purchase Cards | That the CEO provides a report to the Audit Committee on the use of Council Corporate Purchase Cards within the context of the Corporate Procurement Framework. | Terry Crackett | In Progress | 8/05/2019 | 12/08/2019 | Procurement Framework is being finalised with objective of review by Executive Leadership Team before the end of the financial year prior to reporting through to the Audit Committee in August. |
| 15/04/2019 | Audit Committee | 13/AC19 | Draft Annual Business Plan | To advise Council that the Committee is satisfied that the assumptions underpinning the draft 2019-20 Annual Business Plan are consistent with the Long Term Financial Plan and are adequate to maintain the Council's financial sustainability. | Terry Crackett | Completed | 8/05/2019 | 23/04/2019 | The recommendation formed part of the report for Council to consider approval of the draft ABP 2019/20 for public consultation. |
| 15/04/2019 | Audit Committee | 14/AC19 | Next Meeting | That the next ordinary meeting of the Adelaide Hills Council Audit Committee will be held on Monday 13 May 2019 from 6.00pm at 63 Mt Barker Road, Stirling. | Andrew Aitken | Completed | 8/05/2019 | 13/05/2019 | Notice of Meeting for 12 May 2019 Audit Committee issued. |

Appendix 2

2019 Audit Committee Work Plan (v1.1)

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: | V1.1 - Approval by Audit Committee - 15 April 2019 | |

[illegible]

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 13 May 2019
AGENDA BUSINESS ITEM**

Item: 6.2

Originating Officer: Mike Carey, Manager Financial Services

Responsible Director: Terry Crackett, Director Corporate Services

Subject: 2018/19 End of Year Financial Reporting Timetable

For: Information

SUMMARY

The Audit Committee has previously received an Audit Plan on 18 February 2019 from the external auditors Galpins which sets out their scope and responsibilities for the 2018/19 audit.

In support of this Plan a draft timetable has been prepared to guide the end of year reporting process and included as **Appendix 1**.

The date of the final external audit visit needs to be finalised, however it should be noted that a report preparation period has been provided for to reflect similar timelines to the previous financial year.

RECOMMENDATION

That the Audit Committee:

- 1. Receives and notes the report.**
 - 2. Endorses the proposed end of year reporting timetable for 2018/19 financial year.**
-

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal 5 Organisational Sustainability
Strategies Risk and Responsibility (Legal Compliance)

The Council is committed to open, participative and transparent decision making and administrative processes.

➤ **Legal Implications**

Council is required to prepare audited annual Financial Statements in accordance with the *Local Government Act 1999*, (the Act) and the *Local Government (Financial Management) Regulations 2011* (the Regulations).

Section 127 (1) of the Act requires the preparation of the financial statements and notes as well as other statements or documentation in accordance with standards and principles prescribed by the regulations and include information required by the Regulations.

Section 127 (2) requires that the material required under subsection (1) must be prepared as soon as is reasonably practicable after the end of the relevant financial year and in any event before the prescribed day.

Regulation 15 of the Regulations states that the prescribed day for Section 127 (2) is the second Friday in September in the financial year immediately following the end of the relevant financial year.

Section 127 (4) requires that copy of the audited statements must be submitted by the council to the persons or bodies prescribed by the regulations on or before the day prescribed by the regulations.

Regulation 16 of the Regulations requires that in accordance with section 127(4) of the Act, council must, on or before 30 November in each year, submit a copy of the audited financial statements of the council for the immediately preceding financial year to the presiding member of the South Australian Local Government Grants Commission.

➤ **Risk Management Implications**

The complete the year end reporting and audit processes within the legislative timeframes 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 (3C) |

Failure to complete the year end reporting process within the timetable can result in increased financial, compliance and reputational risk.

➤ **Financial and Resource Implications**

The end of year financial reporting process ensures the timely production of the Annual General Purpose Financial Reports. These are required for the Annual Report and can impact on Council's ability to secure future grant and loan funding.

➤ **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: Executive Manager Governance & Performance.

Community: Not applicable

2. BACKGROUND

Council's preparation of the Annual General Purpose Financial Reports on a timely basis is affected by, but not limited to:

- external audit timelines
- resourcing, internal and external
- Infrastructure assets validation

Galpins Audit Plan which was presented to the Audit Committee on 18 February 2019, communicates the approach to be taken by the auditors and their understanding of the scope of work required to express an opinion on Council's Financial Statements and Internal Controls environment.

3. ANALYSIS

The draft timetable has been prepared on the basis of available information and previous experience with preparation of the Financial Accounts.

The timetable is cognisant of the requirement under Section 127 (2) of the Act for the financial statements and notes as well as other statements and documentation to be available by the second Friday in September in the financial year immediately following the end of the relevant financial year. For the 2018/19 financial year this date is Friday, 13 September 2019.

The timetable allows some flexibility in terms of the timing of key activities during September and October, and is intended to produce the Annual General Purpose Financial Reports for adoption by Council at its meeting on 22 October 2019. The statutory limit for adoption of the Annual General Purpose Financial Reports is 30 November 2019, but it is considered preferable to leave some time prior to this date to allow for any potential delays and to facilitate the production of the Annual Report.

An End of Year Update Report is scheduled to be presented to the Audit Committee Meeting in August 2019 to provide an update on end of year progress and ensure Council is on track with terms of completion of the annual financial statements.

4. OPTIONS

The Committee has the following options:

- I. To note the draft timetable as prepared (Recommended).
- II. To make additional comments or suggestions for Financial Services staff to consider prior to finalising the timetable and the external audit visit (Not Recommended).

5. APPENDICES

- (1) 2018/19 End of Year Financial Reporting Timetable

Appendix 1

2018/19 End of Year Financial Reporting Timetable

ADELAIDE HILLS COUNCIL
2018/19 END OF YEAR FINANCIAL REPORTING TIMETABLE

| Week Commencing/ Specific Date | Description |
|-----------------------------------|---|
| Mon 18-Feb | Audit Committee Meeting (18 Feb) Presentation of the External Audit Annual Audit Plan and Attendance by the External Auditors |
| Mon 1-Apr | External Audit Interim Visit (1 - 3 April) |
| Mon 13-May | 2nd External Audit Interim Visit (16-17 May) |
| Mon 13-May | Audit Committee Meeting (13 May) 2018/19 End of Year Financial Reporting Timetable |
| Mon 24-Jun | Statement of Financial Position Date for 30 June Last payrun for 2018/19 FY P/E 21/6/19 paid 27/6/19, EOY Payment Summaries by 5/7/19, FBT figures to Payroll for inclusion on Payment Summaries, YE cut-off, Council Mtg 25/6 - Adopt ABP, Budget, Declaration of Rates |
| Mon 15-Jul | Close June Creditors; Accrue Final Pay(s); Bank Reconciliation; High risk control account reconciliations Stock Take and Petty Cash counts |
| Mon 22-Jul | Accruals; Commence Capitalisation |
| Wed 31-Jul | Audit Committee Report preparation for Audit Committee - End of Financial Year Update |
| Mon 5-Aug | Year end prepayments and grants reconciled Update provisions for remediation & employees Progress Fixed Asset Revaluation, Depreciation and Reconciliation Finalise remaining Statement of Financial Position Reconciliations |
| Mon 12-Aug | Audit Committee Meeting (12 Aug) End of Financial Year Update and Presentation of the External Audit interim letter |
| Thu 15-Aug | ELT Report (15 Aug) Discuss EOY Position - Preliminary and Carry Forwards |
| Thu 15-Aug | Report Preparation for Council - 2018/19 Preliminary End of Year Results and Carry Forwards |
| Mon 19-Aug | Review and finalise notes to Statutory Accounts; Update for subsidiary results |
| Mon 26-Aug | Review reserves accounting (Revaluations and CWMS) |
| Tue 27-Aug | Council Meeting (27 August) Council Report 2018/19 Preliminary End of Year Results and Carry Forwards |
| Mon 2-Sep | Analytical review and full year budget comparison of operating accounts |
| Fri 13-Sep | Prescribed Day for Finalisation of Annual Financial Statements to Auditors |
| Mon 16-Sep | External audit visit (1 week between 16-27 Sep) |
| Wed 2-Oct | Report preparation for Audit Committee - Annual Financial Statements & Audit Completion Report |
| Mon 14-Oct | Audit Committee Meeting (14 Oct) Draft 2018/19 Annual Financial Statements Meeting attendance by External Auditors (in camera) and Review of Auditor Independence and Legislative Compliance |
| Thu 17-Oct | Report preparation for Council - Annual Financial Statements & End of Year Financial Results |
| Tue 22-Oct | Council Meeting (22 Oct) 2018/19 Annual Financial Statements for adoption for Annual Report inclusion End of Year Financial Results |
| Wed 30-Oct | Report Preparation for Audit Committee - End of Year Financial Report, Audit Completion Report and Annual Report |
| Mon 11-Nov | Audit Committee Meeting (11 Nov) End of Year Financial Report Audit Completion Report Draft 2018/19 Annual Report for Council adoption by 26 Nov |
| Thu 14-Nov | Annual Report final design amendments |
| Thu 14-Nov | Council Reports due for Council Meeting 27 November - Annual Report for Adoption & BR1 |
| Tue 26-Nov | Council Meeting (26 Nov) 2018/19 Annual Report for adoption & BR1 |
| Fri 29-Nov | Submit Financial Statements to Presiding Member of the SA Local Government Grants Commission (by 30 Nov) |

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 13 May 2019
AGENDA BUSINESS ITEM**

Item: 6.3

Originating Officer: Mike Carey, Manager, Financial Services

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Internal Financial Controls Update

For: Information

SUMMARY

Council's external auditors are required to provide an opinion on internal controls in accordance with S125 of the *Local Government Act 1999*.

This report presents an update to the Committee on the Internal Control Framework for the year ended 30 June 2019.

RECOMMENDATION

That the Audit Committee:

- 1. Receives and notes the report.**
 - 2. Notes the further developments that have been undertaken in the reporting of internal financial controls.**
-

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

| | |
|----------|-------------------------------|
| Goal | Organisational Sustainability |
| Strategy | Governance |

Updating the internal controls framework assists in meeting legislative and good governance responsibilities and obligations

➤ **Legal Implications**

Work on the Internal Controls Framework is being undertaken in conjunction with Part 3 – Accounts, Financial Statements and Audit, *Local Government Act 1999* and Part 6 – Audit, *Local Government (Financial management) Regulations 2011*.

➤ **Risk Management Implications**

The implementation of the Internal Financial Control Model will assist in mitigating the risk of:

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

| Inherent Risk | Residual Risk | Target Risk |
|---------------|---------------|-------------|
| High (4C) | Medium (3C) | Low (2E) |

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

➤ **Financial and Resource Implications**

Satisfactory internal financial controls provide the foundation for all of Council's financial management and reporting.

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

Not applicable.

➤ **Environmental Implications**

Not applicable.

➤ **Community Engagement/Consultation**

Consultation on the development of this report was as follows:

Council Committees: Not Applicable

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

Administration: A number of officers across the organisation have been involved in the completion of internal control ratings using Control Track.

Community: Not Applicable

3. BACKGROUND

Councils are required to have "appropriate policies, practices and procedures of internal control". In addition, Council audit committees are required to monitor the adequacy of all a council's "accounting, internal control, reporting and other financial management systems and practices".

Like the audit opinion of annual financial statements, the internal controls opinion is provided to a Council and becomes a public document, to be published with Council's financial statements along with the financial statements audit opinion.

When forming an internal controls opinion auditors must refer as a benchmark to the *Better Practice Model - Internal Financial Controls* as updated from time to time and published by the LGA on advice from the SA Local Government Financial Management Group.

4. ANALYSIS

The Audit Committee was previously advised that an updated Better Practice Model for Internal Controls had been approved by the Minister for Local Government to apply from 1 July 2017.

That update provided a roadmap to a more risk based approach to ensuring a robust financial internal controls environment by allowing councils to document and assess the internal financial controls that relate to a particular financial risk and to the extent that they mitigate that risk to an acceptable level. As such it refocused Council's internal financial control activities and monitoring systems largely on the extreme and high financial risks as identified by the Council's risk tolerance framework.

As a result, this risk based approach reduced the number of controls that councils review and assess on an ongoing basis from the previous 192 down to 113.

It is noted that the controls implemented are still dependent on the inherent risk assessment, the residual risk given controls already in place and the risk tolerance of the organisation.

To assist in Council's review of Internal Controls, Adelaide Hills Council uses a product called ControlTrack which is used by a significant number of councils across the State. An updated version was implemented in 2018 providing Council with the ability to add the Better Practice Model 2017 to Council's Risk and Controls already populated in previous years.

Control Track requires Council to identify and document the control activities in place and evaluate the appropriateness, design and effectiveness of these controls on a scale from 1 to 5. Council has used the following control effectiveness rating scale below to evaluate its controls.

| Definitions of Control Effectiveness Ratings | |
|--|---|
| 1. Ineffective | During the period, the control has not been implemented as described. Urgent management action is required to implement the described control processes. |
| 2. Requires significant improvement | During the period, the control has been implemented as described, but with significant deficiencies in the consistency or effectiveness of implementation. Significant management action required to implement processes to improve the effectiveness of the control. |
| 3. Partially effective | During the period, the control has been implemented as described, but with some deficiencies in the consistency and/or effectiveness in which it has been applied. |
| 4. Majority effective | During the period, the control has been implemented as described and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments. |
| 5. Effective | During the period, the control as described has been fully implemented and has in all cases has been consistently and/or effectively applied. |

A control effectiveness rating is provided by both the assessing officer (typically the person performing the function) and the reviewing officer (typically the person reviewing completion of that task or function such as the line manager), along with commentary as to the basis for the assessment on that rating.

A summary report of the outcomes from this recent review has been provided in *Table 1* below along with a summary of the 2 previous reviews.

Table 1

| Control Category | May 2019 | May 2018 | May 2017 |
|-------------------------------------|----------|----------|----------|
| Strategic Financial Planning | 4.55 | 4.82 | 4.61 |
| Revenue | 4.80 | 4.93 | 4.50 |
| Liabilities | 4.71 | 4.77 | 4.52 |
| External Services | 4.00 | 4.00 | 3.57 |
| Expenses | 4.76 | 4.84 | 4.61 |
| Assets | 4.42 | 4.48 | 4.48 |

Whilst there has been some minor variations within categories across the three years, in all categories except External Services, the overall result is well above 4. External Services which includes procurement and contracting, improved substantially from the May 2017 ratings with further improvement likely once the procurement framework is fully rolled out.

It is also noted that within the Assets category, Asset Management planning has been identified as an area for improvement and with some of these plans still outstanding this has lowered some of the scores in this category. The full list of controls and the specific rating of each is provided at **Appendix 1**.

As agreed, reporting to the Audit Committee will continue to include an annual update from the Control Track system covering controls and actions.

The Control Track information for the last three years is also shown diagrammatically below, noting that with system changes, there have been some minor changes to the summary report layouts.

Table 2: Review – May 2019

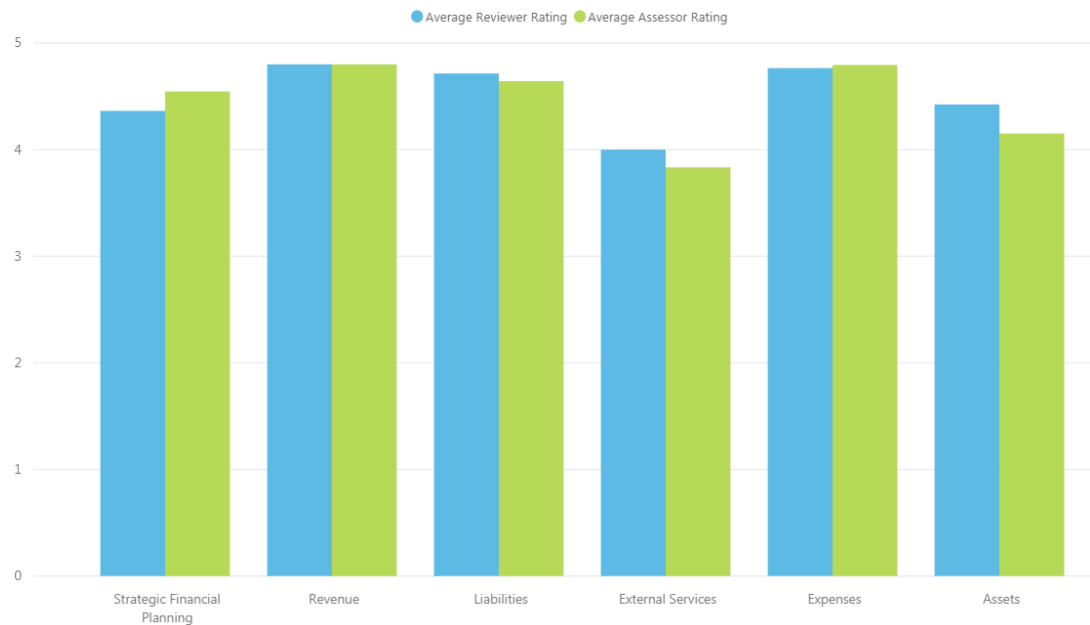


Table 3: Review – May 2018

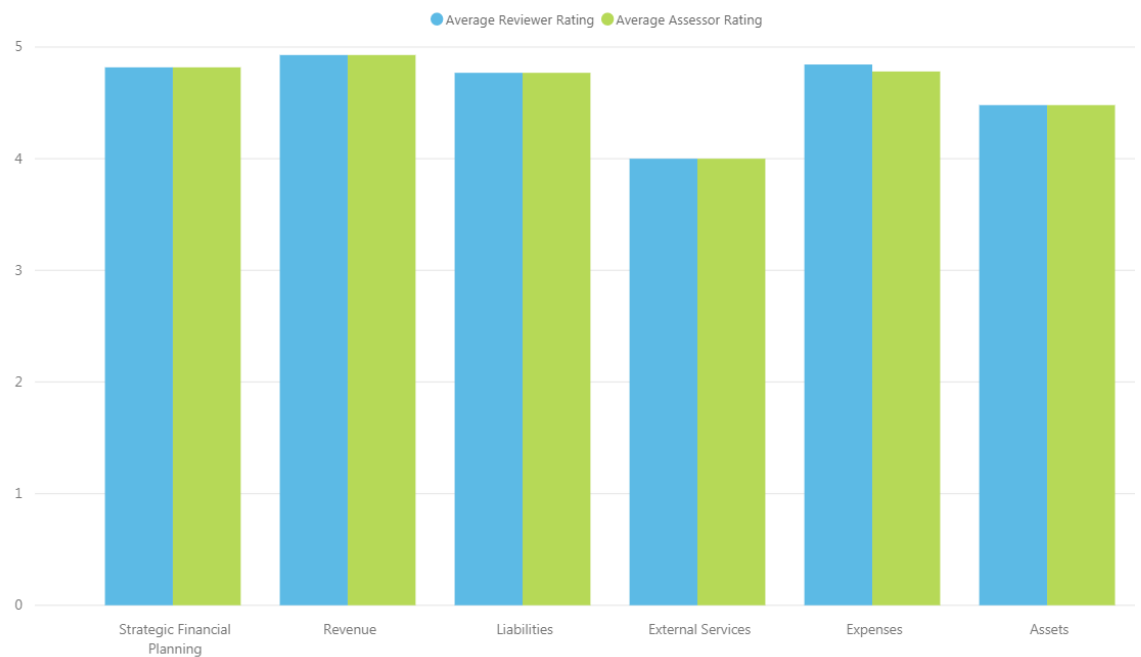
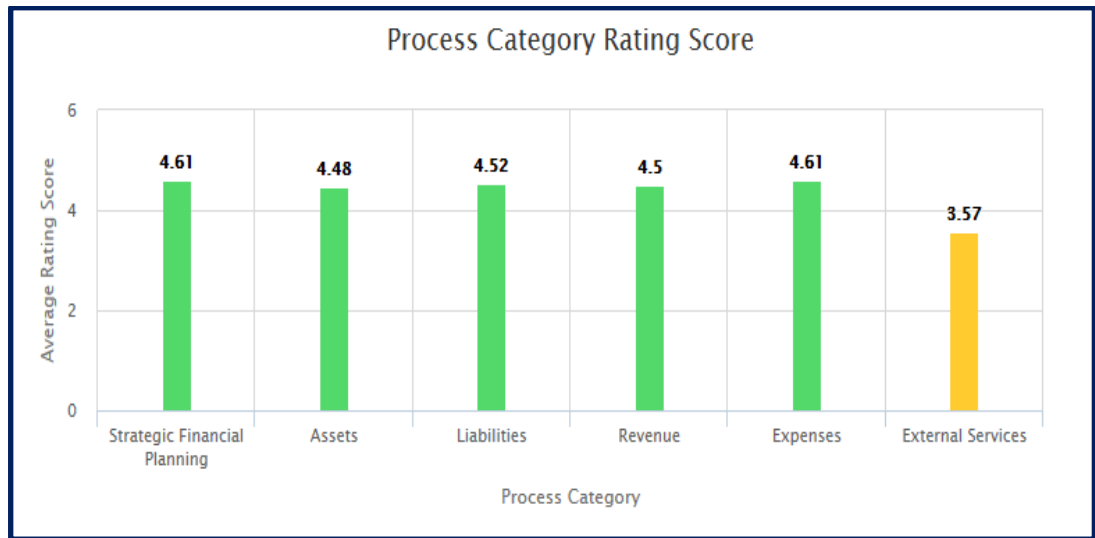


Table 4: Review – March 2017



5. OPTIONS

Audit Committee is limited to receiving and noting this report.








6. APPENDICES

- (1) 2018/19 Internal Controls Review








Appendix 1

2018/19 Internal Controls Review








2018-19 Controls Assessment

| Code | Description | Assessor | ☆ | Assessor Reason | Reviewer | 👍 | Reviewer Reason |
|--|---|--|---|---|----------------------|---|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> | | <input type="text"/> | <input type="text"/> | | <input type="text"/> |
| <div> <div>Strategic Financial Planning</div> <div>General Ledger</div> </div> | | | | | | | |
| STR-GEN-0012 | There is a process in place to review actual vs budget and significant variances investigated. Strategic Financial Planning - General Ledger |  Marcela Ardelean | 5 | Actuals vs Budget reports are produced for each Department - system generated and exported to Excel mapped reports and uploaded onto Sharepoint for Budget Owners review & analysis. Separate reporting is done at a Directorate level and a Monthly Financial Performance Report is produced for ELT and discussed at the ELT Perform meeting each month. | Mike Carey | 5 | |
| STR-GEN-0011 | Reconciliation of all balance sheet accounts is completed in accordance with a schedule of review and/or procedure. Strategic Financial Planning - General Ledger |  Marcela Ardelean | 5 | All General Ledger Reconciliations are performed within the requirement of the Accounts Reconciliation Procedure, under Finance Policies. It was most recently adopted in 2015 and currently is under review. All Balance Sheet reconciliations are reviewed by a finance officer independently of the finance officer that performed the reconciliation at least annually. Reconciliations are now retained on the P: Drive | Mike Carey | 5 | |
| STR-GEN-0010 | Journal entry access is restricted to appropriately authorised personnel. |  Marcela Ardelean | 5 | All General Journals are reviewed by a person different to the journal creator. Only Financial Services team members have the ability to perform a General Journal entry. Journals are retained in Financial Services for inspection | Mike Carey | 5 | |
| STR-GEN-0009 | General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff. |  Marcela Ardelean | 4 | There is a scheduled review of Council policies at the Council level. | Mike Carey | 4 | |
| STR-GEN-0008 | Formal disaster recovery plan is in place and communicated to relevant staff. |  Lachlan Miller | 3 | A Business Continuity Plan was developed and adopted in 2011. While the Plan is still broadly applicable in terms of the assessment of likely disruption events and key recovery priorities, it lacks currency in terms of organisational structure and systems configuration. Further communication across the organisation has been limited. An ICT Disaster Recovery Plan was developed in 2018 which sets out the key forms of ICT disruption and the current recovery and resumption arrangements in place. The contents of the ICT DRP are well-known to ICT staff. | Mike Carey | 3 | |
| STR-GEN-0007 | Financial data is backed up and stored offsite. |  James Sinden | 5 | The Councils ICT Business Continuity Plan is to have a fully functioning duplicate of physical technology, business software systems and backup copies of data located at another site located out of the Adelaide Hills Council District. | Mike Carey | 5 | |
| STR-GEN-0006 | Finance system does not allow posting of unbalanced journals or if it does regular reviews are conducted on the suspense account and discrepancies investigated and actioned. |  Marcela Ardelean | 5 | Open Office Finesse does not allow journals that don't balance to \$zero to be posted. | Mike Carey | 5 | |

2018-19 Controls Assessment





| Code | Description | Assessor | ☆ | Assessor Reason | Reviewer | 👍 | Reviewer Reason |
|---|---|---|---|--|----------------------|---|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> | | <input type="text"/> | <input type="text"/> | | <input type="text"/> |
| STR-GEN-0005 | Amendments to the structure of the General Ledger framework and accounts are reviewed and approved by appropriately authorised personnel. |  Marcela Ardelean | 4 | Only administrators of Finesse (GL module) can access the General Ledger maintenance General Ledger Account codes can only be created and closed by administrators in Open Office Finesse. All amendments to the structure of the GL are undertaken by the Management Accountant after discussion with Budget Holders. | Mike Carey | 4 | |
| STR-GEN-0004 | All major updates and changes to General Ledger finance system are authorised, tested and documented. |  Marcela Ardelean | 5 | All updates and changes are documented in formal release notes for each module provided by the vendor. The release notes are made available prior to the upgrade of change being developed into a "test" environment. The vendor provides a comprehensive list of functions for customer testing. The update process is fully coordinated to ensure all changes are checked and authorised prior to roll over/upgrade. | Mike Carey | 5 | |
| STR-GEN-0002 | All balance sheet reconciliations are reviewed by a person other than the preparer at least annually. Strategic Financial Planning - General Ledger |  Marcela Ardelean | 5 | All balance sheet reconciliations are reviewed by a person other than the preparer at least annually. | Mike Carey | 5 | |
| STR-GEN-0001 | Access to General Ledger maintenance is restricted to appropriately authorised personnel. |  Marcela Ardelean | 4 | There are 6 administrators with access to General Ledger maintenance. | Mike Carey | 4 | |
| <div> <div>Revenue</div> <div>Rates/Rate Rebates</div> </div> | | | | | | | |
| REV-RAT-0010 | There is a rating policy in place that is reviewed annually that provides clear guidance on rating methodology and relevant rebates and remissions in line with legislation. |  Ann-Marie Putland | 5 | Council has a rating policy in place that is reviewed annually that provides clear guidance on rating methodology and relevant rebates in line with legislation. Additional guidance has been added in relation to both mandatory & discretionary rebates. Concessions for Pensioners are no longer managed by Local Government. | Mike Carey | 5 | |
| REV-RAT-0009 | Recorded changes to property master file data and any rate adjustments are compared to authorised source documents to ensure that they were input accurately. An audit trail is maintained for all changes. |  Ann-Marie Putland | 4 | Written communication (email or letter) is used as a basis for changes to the rates master file. Such correspondence is recorded through our document management system. Master file is also updated using weekly reports from the Lands Title Office. Accuracy is double checked against the source documents before the final stage of the update is completed. | Mike Carey | 4 | |
| REV-RAT-0008 | Rates are generated and tested for accuracy of calculation methodology prior to the rates billing run. |  Ann-Marie Putland | 5 | Rates officers sample test the rates that have been generated before the final calculation is run. The Rates Team reviews the validity of the sample. This review includes a comparison to an Excel based rates modelling spread sheet that mirrors the rates generation. This increases confidence that the rates generated is valid. | Mike Carey | 5 | |

2018-19 Controls Assessment










| Code | Description | Assessor | ☆ | Assessor Reason | Reviewer | 👍 | Reviewer Reason |
|----------------------|--|---|---|---|----------------------|---|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> | | <input type="text"/> | <input type="text"/> | | <input type="text"/> |
| REV-RAT-0007 | Rates are automatically generated by the rate system, including the calculation of rate rebates and other parameters as applicable. |  Ann-Marie Putland | 5 | Rates are generated based on Valuer General's data. This is balanced with property.gov prior to generation. Rates and Rebates are automatically calculated within property.gov. | Mike Carey | 5 | |
| REV-RAT-0006 | There is a Process in place to ensure that rates are collected in a timely manner and overdue rates are followed up. |  Ann-Marie Putland | 5 | Council has a Debt Recovery Policy which includes the application of Sect 184 recovery of rates when applicable. Rate arrears are forwarded for Debt Collection if an account is 2 Quarters in arrears and there is no payment plan in place. | No comment found | 5 | |
| REV-RAT-0005 | Employees responsible for processing rate payments and rebates cannot process their own payments or rebates unless the transaction is approved by someone independent of the process |  Ann-Marie Putland | 5 | Rates officers do not process any rates payments. Council's cashiers process rates receipts. Any new rate rebates are assessed with the Rates Team and the Manager Financial Services and are signed off by Manager Financial Services. Rebates are not granted to individuals under the proposed updated rates policy. | Mike Carey | 5 | |
| REV-RAT-0004 | Annual valuation update is balanced prior to the generation of rates; all mismatches resolved prior to finalising rate generation. |  Ann-Marie Putland | 5 | Annual valuation update is balanced by the Senior Rates Officer prior to the generation of rates; with all discrepancies resolved prior to finalising rate. The file does not load without the errors being corrected. | Mike Carey | 5 | |
| REV-RAT-0003 | All software changes to rate modelling functionality fully tested and reviewed by relevant staff. |  Ann-Marie Putland | 5 | Rates software are initially loaded into a test arena where the rates officers are able to perform testing. All upgrade of the rates system is systematically tested prior to upgrade in preparation for rates generation. This includes rate modelling. Rates generated are compared to an Excel based rate modelling spreadsheet for comparison. | Mike Carey | 5 | |
| REV-RAT-0002 | All rate rebates and adjustments including write offs are appropriately authorised, with reference to Delegations of Authority and source documents. |  Ann-Marie Putland | 5 | Rate rebates have been in place for a number of years with no change. A review of all rebates and non rateable was conducted this calendar year to ensure rebate is appropriate and correctly categorised. Council will now review all Discretionary rebates at the start of the new Council term. A rates fines and interest remittance procedure has been developed to ensure consistent treatment in relation the application of fines & interest with reference to Delegation of Authority. Due to rate debtor security, current policy is not to write-off rate debtors. | Mike Carey | 5 | |
| REV-RAT-0001 | Access to the Property master file is restricted to appropriately designated personnel, with a process in place to ensure changes are in line with policies and procedures. |  Ann-Marie Putland | 5 | Access to the Property master file is restricted to appropriately designated personnel, managed by IT. Rates officers can see and update the property master file, and other staff only have read access. | Mike Carey | 5 | |

[◀ Receipting](#)







2018-19 Controls Assessment

| Code | Description | Assessor | ☆ | Assessor Reason | Reviewer | 👍 | Reviewer Reason |
|----------------------|---|---|---|--|----------------------|---|---|
| <input type="text"/> | <input type="text"/> | <input type="text"/> | | <input type="text"/> | <input type="text"/> | | <input type="text"/> |
| REV-REC-0010 | There is a review process for the authorisation of the reversal of transactions. |  Rhys Elsegood | 4 | Considered increased risk relating to circumstances where cash overpayment occurs. Discussion with personnel involved in receipting indicates that there is no review process for the reversal of transactions which occurs occasionally if cashier for example realises they have incorrectly recorded the transaction ie as cash instead of EFT etc and therefore reverses the transaction and corrects. The system does not require separate authorisation and we are not aware of any exception reports that records when this function is used. A cashiers have a Receipt Reversal procedure that ensures that all reversed receipts are clearly warranted and details are available for verification and can be reviewed by an independent person. In addition, the Finance Officer - Accounts Receivable & Treasury can process a "Receipt Adjustment" to reallocate a payment from say a rate debtor account to a sundry debtor account as a result of the debtor using the incorrect payment platform and/or debtor reference vs rate assessment. These receipt adjustments are reviewed by the appropriate area and authorised by the Manager Financial Services. While supporting documentation is retained the system does not require separate authorisation and we are not aware of any exception reports that records when this function is used. It is proposed that officers will follow up with the Vendor (Open Office) to confirm whether there is an audit trail/exception report available to record when this functionality is used by either Cashiers/Accounts Receivable. | Mike Carey | 4 | Control comments split to cover both cash receipting and accounts receivable reallocation processes. Cash receipting commentary provided and confirmed with Karen Linsner, Customer Service Coordinator |
| REV-REC-0008 | Receipts are deposited regularly at the bank by a person independent from the initial recording of the cash receipts. |  Rhys Elsegood | 5 | Cash is banked twice weekly (Tues/Friday) at the most frequently visited locations (Stirling & Woodside) and weekly at other locations and is recorded and signed for when collected by SecureCash. | Mike Carey | 5 | Above comments provided and confirmed by Karen Linsner, Customer Service Coordinator |
| REV-REC-0007 | Receipt transactions are reconciled to the daily takings and out-of-balance banking is corrected promptly. |  Rhys Elsegood | 5 | Receipts are issued for all transactions processed. Cash/cheques/eftpos receipts for each Cashlink Session are reconciled to the Council Bank Account by a finance officer. Any discrepancies are investigated and corrected promptly. | Mike Carey | 5 | Manager Financial Services informed of any unresolved cash discrepancy of substance as part of the above process |
| REV-REC-0005 | Prior to and during the banking process, cash is stored securely at all times. |  Rhys Elsegood | 5 | Cash is stored securely at all times including the duration of the cash management process. Cash is locked away when unattended. Cash is banked twice weekly (Tuesday & Friday) at the most frequently used cashier locations and is recorded and signed for when collected by SecureCash. Cash awaiting collection is held in a drop-down safe. | Mike Carey | 5 | Control and comments above provided by Karen Linsner, Customer Service Coordinator. |







2018-19 Controls Assessment

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| <input type="text"/> | <input type="text"/> | <input type="text"/> | | <input type="text"/> | <input type="text"/> | | <input type="text"/> |
| REV-REC-0003 | Customers are provided with a system generated or pre-numbered (manual) sequential tax compliant receipt detailing payment made. |  Rhys Elsegood | 4 | System generated sequential receipts are produced internally in the system and provided to customers upon request. | Marcela Ardelean | 4 | |
| Liabilities | | | | | | | |
| Accounts Payable | | | | | | | |
| LIA-ACC-0016 | There is a system generated report detailing supplier invoices due for payment at any one time. |  Sonia Cooper | 5 | "There is a Creditors Outstanding Report Detail which is produced on the last day of the month (after processing close) and reconciled to the GL. In addition, there is Pre Cheque Report in Release Date Order that is produced prior to each payment run (weekly) as well as at the end of month, forming part of the reconciliation process." | Mike Carey | 5 | |
| LIA-ACC-0015 | There is a process in place to ensure the supplier master file is periodically reviewed for ongoing pertinence. |  Sonia Cooper | 4 | An annual review of the supplier master file is undertaken and any supplier that has not been used for 2 years has the status of the account made historical. It will not appear on simple searches but is still apparent on the Supplier List (greyed out to indicate it is historical). | Mike Carey | 4 | |
| LIA-ACC-0014 | Statements received from suppliers are reconciled to the supplier accounts in the accounts payable subledger regularly and differences are investigated. |  Sonia Cooper | 5 | Statements received from suppliers are reconciled to the supplier accounts in the accounts payable sub-ledger monthly and differences are investigated and resolved where applicable. Supplier statements are retained in the Finance area for 12 months for inspection. | Mike Carey | 5 | |
| LIA-ACC-0013 | Separation of Accounts Payable and Procurement duties. |  Sonia Cooper | 5 | There is total separation of accounts payable and procurement duties. | Mike Carey | 5 | |
| LIA-ACC-0012 | Requested changes or additions to supplier masterfile are verified independently of source documentation. |  Sonia Cooper | 4 | "For bank account changes, Accounts Payable contacts the company from an alternative source than the supporting documentation received (by phone) to confirm validity of the request. For all other changes, information is obtained from source documentation only." | Mike Carey | 4 | |
| LIA-ACC-0011 | Relevant staff to review aged payables listing on a predetermined basis and investigate where appropriate. |  Sonia Cooper | 5 | Management Accountant reviews an aged creditors listing as part of the Financial Year end process. | Mike Carey | 5 | |
| LIA-ACC-0010 | Records must be maintained of all payments with supporting documentation. |  Sonia Cooper | 5 | All payments are filed with remittance advice and invoices (and other source documentation) appropriately authorised by relevant council officer | Mike Carey | 5 | |
| LIA-ACC-0009 | Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately. |  Sonia Cooper | 4 | "Access to the supplier master file is restricted to authorised officers and support for masterfile changes is retained in Financial Services. For bank account changes, Accounts Payable contacts the company from an alternative source than the supporting documentation received to confirm validity of the request (by phone). Monthly a Creditor Audit Report by Creditor showing all the masterfile changes is printed and this is checked on an ad hoc basis" | Mike Carey | 4 | |







2018-19 Controls Assessment

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| <input type="text"/> | <input type="text"/> | <input type="text"/> | | <input type="text"/> | <input type="text"/> | | <input type="text"/> |
| LIA-ACC-0008 | Predetermined variances between Purchase Orders and Invoices are assessed and payment released only after verification by the officer with delegation to do so. |  Sonia Cooper | 4 | Whilst council officers with appropriate delegation sign off and verify an invoice for payment and normally provide purchase order details where relevant to match the invoice against, there is no predetermined limits set to reject an invoice if the invoice exceeds the purchase order amount. | Mike Carey | 4 | The new Procurement Framework will focus on the whole Procure to Pay process which considers the automation of 3 way matching which uses predetermined variances. Currently the process is manual and therefore does not require predetermined variances. |
| LIA-ACC-0007 | Payments are verified to appropriate supporting documentation and are in line with Delegations of Authority. |  Sonia Cooper | 4 | Payments are verified to appropriate supporting documentation and are authorised by a relevant and appropriately authorised council officer in line with Delegations of Authority. | Mike Carey | 5 | |
| LIA-ACC-0006 | Payments are endorsed by relevant staff separate to the preparer, who ensures that they are paid to the correct payee. |  Sonia Cooper | 5 | "Payments (Cheques and EFT's) are endorsed by authorised officers separate to the preparer who ensures that they are paid to the specified payee. A Payment Input List for items input is printed for each batch of data entry and reviewed by the Management Accountant to confirm correct GST status and account allocation. A Pre Cheque Report is printed as part of the Payment Run preparation listing each Supplier invoice to be paid. This is provided to the Manager Financial Services or delegate to review supporting documentation and authorise the payment run and Summary of Scheduled Payments printout. The NAB online banking system requires a Part A and a Part B before transmission of funds is completed. The officer who creates the batch for payment may not be either Part A or Part B of the authorisation for transmission. Records of these transmissions are retained in Finance for inspection and subsequently signed by the authoriser of the payment run who has reviewed the number of transactions and amount to be paid by EFT as well as confirming totals from the Payment Register." | Mike Carey | 5 | |
| LIA-ACC-0004 | Employee expenses claims must be approved by authorised staff and independently verified and include relevant substantiation. |  Sonia Cooper | 5 | Employee expense claims must be approved by an authorised officer and independently verified and include relevant substantiation. Expense claims are paid by Accounts Payable. | Mike Carey | 5 | |
| LIA-ACC-0002 | All invoices and payment requests are approved in accordance with relevant policies and/or Delegations of Authority. |  Sonia Cooper | 5 | All invoices and payment requests are approved in accordance with relevant Delegations of Authority. | Mike Carey | 5 | |
| LIA-ACC-0001 | Access to the supplier masterfile is restricted to authorised staff |  Sonia Cooper | 5 | Access to the supplier master file is restricted to authorised officers and support for masterfile changes is retained in Financial Services. | Mike Carey | 5 | |
| External Services | | | | | | | |
| Contracting | | | | | | | |









2018-19 Controls Assessment

| Code | Description | Assessor | ☆ | Assessor Reason | Reviewer | 👍 | Reviewer Reason |
|----------------------|--|--|---|---|----------------------|---|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> | | <input type="text"/> | <input type="text"/> | | <input type="text"/> |
| EXT-CON-0007 | There is an ongoing management in place that identifies and manages deliverables, key contact clauses, responsibilities, milestones and includes dispute resolution procedures. |  James Greenfield | 3 | Whilst a Project Manager has been allocated to the majority of Council Capital and Operating Projects, there are no formal contract management procedures that cover off on Council's management of deliverable's, key contact clauses, responsibilities, milestones and dispute resolution procedures. OD does have a procedure covering WHS responsibilities of Project Managers, Dispute resolution processes are built into a Standard Procurement Contracts. | Mike Carey | 4 | |
| EXT-CON-0006 | There is a process in place to ensure that commitments are made with approval by Council or delegated staff. |  James Greenfield | 4 | Commitments are raised by system generated purchase orders using an automated workflow set up in accordance with Council's Staff Procurement Delegations. The system prevents a purchase order being released if the authoriser does not have the appropriate financial delegation. The delegation allows a person to authorise purchase orders and authorise invoices within there delegated authority. The delegation to sign off on contracts has recently been modified to only allow ELT members delegation to sign contracts. | Mike Carey | 4 | |
| EXT-CON-0005 | There is a contract management process in place throughout the term of the contract to ensure that supplier/contractor meet their obligations. |  James Greenfield | 4 | Whilst a Project Manager has been allocated to the majority of Council Capital and Operating Projects, there are no formal contract management procedures that cover off on Council's management of deliverables, key contact clauses, responsibilities, milestones and dispute resolution procedures. | Mike Carey | 4 | |
| EXT-CON-0004 | There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement Policy. |  James Greenfield | 4 | As part of the Acquisition plan process consideration is given to the evaluation process, weightings and criteria are developed before Tender is published | Mike Carey | 4 | |
| EXT-CON-0003 | The selection panel is made up of appropriate personnel who have declared any relevant conflict of interest to ensure that informed and objective decision is made when selecting contractors. |  James Greenfield | 4 | The Council Officers that sit on a selection panel are employees of Council and are required to comply with Councils Code of Conduct for Employees, and that they have subject matter expertise. The Code of Conduct for Council Employees prescribes the requirements for the management of conflicts of interest and conflicts of interest is included as part of a new induction for new employees. Specific documentation for Conflict of Interest has been developed. Conflict of interest is discussed at the start of all evaluation process. If a potential conflict is identified, then the forms are completed and processed. | Mike Carey | 4 | |
| EXT-CON-0001 | Council maintains a current contract register. |  James Greenfield | 4 | Contract Register is located in Sharepoint, slightly automated to advise expire dates of Contracts and insurances. | Mike Carey | 4 | |







2018-19 Controls Assessment

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|----------------------|---|--|---|--|----------------------|---|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> | | <input type="text"/> | <input type="text"/> | | <input type="text"/> |
| Credit Cards | | | | | | | |
| EXP-CRE-0007 | There is a process in place to ensure there are appropriate approvals prior to the issuing of Credit Cards and limits. |  Sonia Cooper | 5 | A credit card will not be issued without written approval of card and limit by Manager or Director, this approval form is kept in the 'purchase cards' folder in the Finance area. | Mike Carey | 5 | |
| EXP-CRE-0006 | There is a process in place to ensure credit card limits and usage is reviewed for operational efficiency. |  Sonia Cooper | 4 | The relevant authorised officer approves the issue and limit of purchase cards and this approval is kept in the 'purchase cards' folder in the finance area. Once a card has been authorised (and subject to detailed consideration), there is limited subsequent review to ensure card issue and limit remain appropriate. Review is usually initiated by the Cardholder. | Mike Carey | 4 | |
| EXP-CRE-0005 | There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage. |  Sonia Cooper | 5 | "The card holder is required to reconcile their monthly statement to invoices and attach the supporting invoices to their transaction so that their line manager can review and approval those transactions/purchases and ensure compliance with procedures and policy and authorised /necessarily incurred on behalf of Council. Transactions will show as incomplete and reminder emails sent to the manager to view transactions from the Flexi purchase system until they are viewed and authorised." | Mike Carey | 5 | |
| EXP-CRE-0004 | Credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released. |  Sonia Cooper | 5 | All new credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the credit card being ordered/released and this is kept in the relevant folder in the finance area. | Mike Carey | 5 | |
| Expenses | | | | | | | |
| Credit Cards | | | | | | | |
| EXP-CRE-0003 | Cardholders must check their statement to ensure all transactions are correct and identify any transactions of a personal nature which must be reimbursed to Council. |  Sonia Cooper | 5 | Cardholders log in to Flexipurchase (NAB) to check their account regularly and complete transactions. Cardholders are required to check their statement at month end to process incomplete transactions , and ensure all transactions are authorised and allocated to the correct account number. The cardholders line manager is required to review the monthly statement and authorise each transaction acknowledging that the card holder has complied with policy. Per Purchase Card Policy, the cardholder is not to use the purchase card for anything other than official purposes. | Mike Carey | 5 | |
| Payroll | | | | | | | |
| EXP-PAY-0024 | Where possible standard programmed formulae perform payroll calculations. |  Natasha Holmes | 5 | Payroll system - Open Office - standard programmed formulae perform payroll calculations Tax tables are updated by Open Office each financial year. EDA calculations are updated using the payroll wizard through Open Office. Calculations are shown on individuals timesheets for TIL, Flexi and Overtime. | Mike Carey | 5 | |





2018-19 Controls Assessment

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| <input type="text"/> | <input type="text"/> | <input type="text"/> | | <input type="text"/> | <input type="text"/> | | <input type="text"/> |
| EXP-PAY-0023 | Time recording and attendance exceptions such as TOIL or flexitime are based on relevant policies/agreement are identified, monitored and corrected. |  Natasha Holmes | 5 | TIL and flexitime are executed in line with the Enterprise Development Agreement (EDA) and other industrial provisions and recorded on employee timesheets prepared by the employee and authorised by the People Leader. Leave reports including TIL and Flexi are provided fortnightly to relevant People Leaders for monitoring and action. | Mike Carey | 5 | |
| EXP-PAY-0021 | There is a segregation of duties from those preparing the payroll to those responsible for preparation of source documents (e.g. timesheets, leave requests etc). |  Natasha Holmes | 5 | Source documents (including timesheets and leave forms) are generated by the employee and signed off by their People Leader. This documentation is used by the Payroll Officer to prepare the fortnightly payroll. | Mike Carey | 5 | |
| EXP-PAY-0020 | There is a process to ensure the total of payment summaries for the year is reconciled to the general ledger and payroll and is appropriately reviewed. |  Natasha Holmes | 4 | The Payroll Officer ensures that the payroll summaries balance. Management Accountant responsible for reconciling payroll with the general ledger as part of year end processes. | Mike Carey | 4 | |
| EXP-PAY-0019 | There is a process to ensure employees are made inactive in payroll records upon termination. |  Natasha Holmes | 5 | Upon processing an employees termination, the employee is made inactive in Open Office. There are two sections where this is required. | Mike Carey | 5 | |
| EXP-PAY-0018 | There is a process to ensure an independent review of proposed payroll payments by authorised staff. |  Natasha Holmes | 5 | There is an independent review of proposed payroll payments by 2 people (Reviewers) who authorise the payroll and sign off the Payroll Summary Checklist. | Mike Carey | 5 | |
| EXP-PAY-0017 | There is a process to ensure all overtime is verified and approved by relevant appropriate staff. |  Natasha Holmes | 5 | Overtime hours are recorded on employees timesheets which is then signed by their People Leader. An overtime report is generated each fortnight and forms part of the documentation reviewed during the Payroll Authorisation process. In addition an employee overtime report is provided to ELT fortnightly. | Mike Carey | 5 | |
| EXP-PAY-0016 | There is a process in place to ensure termination payments comply with relevant policies, procedures and legislation. |  Natasha Holmes | 5 | All terminations are executed in line with the Enterprise Development Agreement (EDA) and the relevant award or other industrial provisions. A Termination checklist is used to manage consistency of the termination process. The termination calculations are done via spreadsheet and are included for signoff when the pay run is checked. A termination report for the pay period is also printed out and included with the pay run summary checklist. | Mike Carey | 5 | |
| EXP-PAY-0015 | There is a process in place to ensure employees are not added to the payroll masterfile, nor details amended or amounts paid without receipt of the appropriate forms which have been authorised by relevant staff. |  Natasha Holmes | 5 | A New Employee is entered by OD Officer into the winHR system, being a person not involved in Payroll. Employee deduction audit report is printed for each pay period which shows any changes to employees that have been made during that pay period. Supporting documentation for changes including bank account is presented with the audit reports along with the pay run summary checklist for sign off. In addition, every pay period a report entitled "Commencements with the beginning and end pay period dates" is included in the pay run summary checklist for sign off. | Mike Carey | 5 | |









2018-19 Controls Assessment

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| EXP-PAY-0013 | The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll. |  Natasha Holmes | 5 | The Payroll Officer uploads the bank file and but two separate authorised officers authorise the bank file. Authorisation takes places after the Payrun Summary Checklist has been sighted, showing the payroll has been reviewed (by the 2 Reviewers), that the Payrun Summary from Open Office matches against the Employee Payrun Summary and that the Bank Net amount matches both of the amounts provided on the reports. This is signed signed off by those authorising the bank file. An authorisation details form is printed from NAB connect and signed by the authorised officers once the bank file has been processed. | Mike Carey | 5 | |
| EXP-PAY-0012 | The payment for the payroll must be reconciled to a system generated report detailing amount and employee prior to payment. |  Natasha Holmes | 4 | The payment for the payroll is checked to the system generated Employee Payrun Summary report detailing the total amount prior to payment. This forms a key component of the Payroll Authorisation process and is checked against another spreadsheet titled Payrun Summary and Payrun Summary Report. | Mike Carey | 4 | |
| EXP-PAY-0010 | The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised staff. |  Natasha Holmes | 5 | The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised payroll staff (2 employees). | Mike Carey | 5 | |
| EXP-PAY-0009 | Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the relevant supervisor. |  Natasha Holmes | 5 | Timesheets are required for all staff except those on Total Employment Cost Contracts. These are signed by the employee and relevant People Leader. Leave forms are required for pre-approval of annual and long service leave and flexitime greater than 2 days. | Mike Carey | 5 | |
| EXP-PAY-0008 | Payroll system generates audit reports detailing all payroll changes and there is a process in place to ensure all changes are reviewed and verified against source documents. |  Natasha Holmes | 5 | At the end of each pay period Audit reports are printed which report on any changes made to the following employee attributes: Deductions, Pay distribution, position accounts, position allowances, position leave, position rates, position, superannuation, etc and form part of the Payroll authorisation process, reviewed by 2 people (Reviewers). Documents seeking changes to bank account detail and deductions are provided as part of the fortnightly payroll review process. | Mike Carey | 5 | |
| EXP-PAY-0007 | Payroll is periodically reconciled to the General Ledger accounts. |  Natasha Holmes | 5 | All Payroll suspense account reconciliations are completed by the Finance Officer and reviewed by the Management Accountant. These reconciliations are retained in Financial Services. In addition, fortnightly ledger reports from payroll are provided to the Management Accountant for reconciliation. | Mike Carey | 5 | |






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| EXP-PAY-0006 | Managers periodically review listings of current employees within their departments and variances are investigated. |  Natasha Holmes | 5 | Employee Listings are reviewed by the Reviewers authorising the payroll every fortnight. With approximately 209 employees Council is of a size that employees are known. Appropriately authorised timesheets are required for all employees except those on Total Employment Cost (TEC) contracts. New Employees are added to the system by the OD Officer (separation of duties from the Payroll Officer) Every pay period a report entitled "Commencements with the beginning and end pay period dates" is included in the pay run summary checklist for sign off. In addition, employee costs actual to budget variances form part of the monthly variance analysis for all departments. | Mike Carey | 5 | |
| EXP-PAY-0005 | Employee records to include employment details and/or contract terms and conditions, authorisations for payroll deductions and leave entitlements. |  Natasha Holmes | 5 | Personnel files have hard copies of the following: Employee Personal Details, tax file number declaration form, employment contract, position description. Everything apart from employee personal details and tax file number declaration form are also put in TRIM. Leave entitlements are accrued and recorded through Open Office. Leave forms are held until the end of the financial year and then sent to Records. A Leave entitlement report is completed every fortnight and emailed to relevant Directors/Managers/PL's so we have up to date leave entitlements. Leave entitlements are also listed on an employees payslip. | Mike Carey | 5 | |
| EXP-PAY-0003 | All payroll deductions must be approved by the relevant employee. |  Natasha Holmes | 5 | Either an email or Employee Advice - Payroll Personnel Changes form is provided to payroll before any changes to a deduction can be made. Each pay period a print out of these emails/forms is included in these variations which is checked by the 2 Reviewers. | Mike Carey | 5 | |
| EXP-PAY-0002 | All calculations for generating payroll payments are verified for accuracy. |  Natasha Holmes | 5 | At the end of each pay period Audit reports are printed which report on any changes made to the following employee attributes: Deductions, Pay distribution, position accounts, position allowances, position leave, position rates, position, superannuation, etc and are reviewed by 2 people (Reviewers), generally the Executive Manager Organisational Development and the Manager Financial Services (or their delegate). Payroll system - Open Office - when installed pay calculations were checked. Tax tables are updated by Open Office each financial year. EDA calculations are updated using the payroll wizard through Open Office. In addition, the Payrun summary checklist requires manual checking for a sample employee by the Reviewers checking the payroll information each fortnight. All reports are retained in Payroll with the fortnightly pay folder. | Mike Carey | 5 | |






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| EXP-PAY-0001 | Access to the payroll deduction listing is restricted to authorised staff. |  Natasha Holmes | 5 | The Payroll deduction listing can only be accessed through the payroll module in Open Office. Only the Payroll Officer and her back up have access to this. | Mike Carey | 5 | |
| <div> <div> </div> <div>Purchasing and Procurement</div> </div> | | | | | | | |
| EXP-PUR-0011 | There is a process in place to review the supplier master file for ongoing pertinence and ensure all changes are checked against source documents to ensure they were input accurately. |  Sonia Cooper | 5 | Monthly a Creditor Audit Report by Creditor showing all the masterfile changes is printed and this is checked on an ad hoc basis independently of Accounts Payable. An annual purge of unused accounts is processed and all old accounts are change to inactive status. | Mike Carey | 4 | |
| EXP-PUR-0010 | There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers. |  James Greenfield | 4 | The Procurement Coordinator uses summarised payment information by supplier to review purchasing patterns on a yearly basis. | Mike Carey | 4 | |
| EXP-PUR-0009 | There is a process in place to follow up and action incomplete purchase orders. |  Sonia Cooper | 5 | Outstanding purchase orders are reviewed by Accounts Payable as part of the month end process and follow up on incomplete purchase orders to confirm correct status | Mike Carey | 5 | |
| EXP-PUR-0008 | There is a process in place to ensure all invoices for payment are matched to relevant source documents such as purchase orders where applicable and are in line with Procurement Policy guidelines. |  James Greenfield | 4 | Where relevant invoices are matched to purchase orders and other source documentation as part of the payment process | Mike Carey | 4 | |
| EXP-PUR-0007 | The organisation has a process in place to ensure use of preferred suppliers where relevant to maximise the best value for money to Council |  James Greenfield | 4 | Council has in place a number of contracts relating to preferred suppliers but Management recognises that a more robust procurement process needs to be put in place to ensure use of preferred suppliers where relevant to maximise the best value for money to Council. This will be included in the proposed Procurement framework and associated procedures. | Mike Carey | 4 | Terminology to be updated to reference to Pre qualified Contractors & Suppliers as well as Panels |
| EXP-PUR-0006 | Purchase order numbers are either system generated and/or sequentially numbered. |  James Greenfield | 5 | Purchase Orders are system generated | Mike Carey | 5 | |
| EXP-PUR-0004 | Employees must ensure all purchase orders are issued in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies |  James Greenfield | 4 | Procure has a system control such that the purchase order cannot be authorised above an officers' delegation. In addition, the system requires both a requisitioner and the approver to complete an authorised purchase order. It is noted that currently the Procurement Policy makes no reference to Purchase Orders. A Procurement Framework is currently been developed which will provide greater guidance on the requirements of purchase orders and when they are required. Currently, council officers have not raised a PO for reasons of administrative efficiency. These instances are largely for low risk items and also can relate to panel contracts relating to temporary engagement of staff, legals, etc. | Mike Carey | 4 | |










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| EXP-PUR-0003 | Council has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest. |  James Greenfield | 5 | Council has an endorsed Procurement policy adopted November 2016 which is publically displayed on Council's website. | Mike Carey | 5 | |
| EXP-PUR-0001 | Access to the supplier master file and ability to make changes is restricted to appropriately authorised staff. |  Sonia Cooper | 5 | Access to the supplier master file is restricted to authorised officers and support for masterfile changes is retained in Financial Services. | Mike Carey | 5 | |
| ▲ Assets | | | | | | | |
| ▲ Banking | | | | | | | |
| ASS-BAN-0005 | There is a process in place to ensure all cash, blank cheques and/or cheque signing machine are adequately safeguarded. |  Rhys Elsegood | 5 | Prior to the collection of cash by Secure Cash, completed bank deposit bags (containing cash/cheques) are held in a safe (to which a limited number of people have access - required due to part-time cashiers & rostered locations). Blank Council cheques are kept in a locked cupboard. The cupboard key is located at the contact centre. There is no signing machine. | Mike Carey | 5 | |
| ASS-BAN-0004 | There is a process in place to ensure all cash collected is adequately recorded and banked regularly. |  Rhys Elsegood | 5 | At end of day, after close-off & reconciliation by the cashier, bank deposit slips are completed and cash/cheques recorded on a Secure Cash form which is signed by the collection officer at pick-up. Prior to the pick-up on Tuesdays & Fridays, and after balancing, completed bank deposit bags are held in a safe (to which a limited number of people have access - required due to part-time cashiers & rostered locations). Banking is checked daily to bank statement and cashier's Cashlink Session end of day report which details breakdown of cash/cheques and credit card payments. Receipted total also checked to General ledger. | Mike Carey | 5 | |
| ASS-BAN-0003 | Cash transfers between bank accounts and investment bodies are undertaken by appropriate staff. Assets - Banking |  Rhys Elsegood | 5 | Council has one trading bank account and multiple accounts with the Local Government Financing Authority (LGFA). LGFA has advised that without formal correspondence with Council, they will only transact entries between LGFA accounts and to and from the NAB. All cash transfers and journal entries between bank and investment accounts are prepared by the finance officer with Treasury responsibility. All transfers are subject to separate email confirmation from the LGFA to the Treasury Inbox (accessed by Manager Financial Services, Management Accountant and Finance Officer Accounts Receivable & Treasury) advising that the transfer has occurred. | Mike Carey | 5 | |







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| ASS-BAN-0002 | Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated. Assets - Banking |  Rhys Elsegood | 5 | Bank reconciliations are deemed to be "high risk" by the Assets Reconciliation Policy on Council's external website. A high risk account must be reconciled every month. The bank rec is high risk and a reconciliation is to be performed every month. All reconciliations are reviewed and authorised for completeness and accuracy. | Mike Carey | 5 | |
| ASS-BAN-0001 | Access to EFT Banking system is restricted to appropriately designated personnel. |  Rhys Elsegood | 5 | Access to Council's online banking system is restricted to Finance officers. There should be always 3 staff members involved in one transaction. The up-loader can not be part of the transmission. The transmission requires a "part A and part B" authorisation for the transmission to proceed. | Mike Carey | 5 | |
| <div> <div>Debtors</div> </div> | | | | | | | |
| ASS-DEB-0015 | There is a process in place to review and approve all credit notes for sundry debtors in accordance with delegations of authority. |  Rhys Elsegood | 4 | Credit notes are sequential, and processed as a negative invoice. They are coordinated by the Finance Officer - Accounts Receivable & Treasury and require involvement from the operational area in either raising a credit note or confirmation of the appropriateness of such. The Process has been changed to require operational line managers to approve credit notes. | Mike Carey | 5 | |
| ASS-DEB-0014 | There is a process in place to ensure changes to the debtors master file are compared to source documents to ensure they are inputted accurately |  Rhys Elsegood | 4 | Debtors master files are separated between sundry debtors and rates debtors. For sundry Debtors a written communication (usually email) is received by the finance officer who is capable of editing the debtors master file. Typically the changes requested are for change of addresses. Any modification to the debtors master file records the Date, time and officer's name within the Open Office system. The communication is retained in Finance by the Finance Officer - Accounts Receivable & Treasury. Changes to Rates Debtor masterfiles are initiated by a written communication from the ratepayer (eg drivers license or marriage certificate for change of name), Lands Titles office report or Broker reports for change of ownership. Each of these communications are retained in the Rates area and copies are loaded into TRIM. | Mike Carey | 4 | |
| ASS-DEB-0013 | The organisation maintains a Debt Collection Policy and/or procedure. |  Rhys Elsegood | 5 | Council has a Debt Recovery policy available on external website. It was originally adopted in December 2015 and subsequently reviewed with minor amendments in November 2017. A summary of the overdue amounts owed to Council per category are reported to Audit Committee quarterly for review. | Mike Carey | 5 | |






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| ASS-DEB-0011 | Relevant staff reviews sundry debtors ageing profile on a regular basis and investigates any outstanding items, and considers provision for doubtful debts at year end. |  Rhys Elsegood | 5 | Debtors are reconciled on a monthly basis. Aged debtors are investigated and followed up by operational areas coordinated by the Finance Officer Accounts Receivable & Treasury. Appropriate action is taken in line with the Debt Recovery Policy, based on the delinquency and amount outstanding, after an escalating series of letters and statements have been sent. Additionally, the Audit Committee reviews a Debtors Report quarterly. | Mike Carey | 5 | |
| ASS-DEB-0007 | Debtors system provides audit trail to record changes made to master file. |  Rhys Elsegood | 3 | No audit trail is produced to record master file changes for Sundry Debtors. | Mike Carey | 4 | |
| ASS-DEB-0005 | Debtor's reconciliation is performed on a regular basis to the General Ledger and reviewed by appropriate staff, with consideration of segregation of duties. |  Rhys Elsegood | 4 | Debtors Reconciliation to General Ledger are performed on a monthly basis by the Finance Officer Accounts Receivable & Treasury. | Mike Carey | 5 | |
| ASS-DEB-0004 | Debtor's reconciliation is performed on a regular basis to the General Ledger and reviewed by an appropriate person. |  Rhys Elsegood | 4 | Debtors Reconciliation to General Ledger are performed on a monthly basis by the Finance Officer Accounts Receivable & Treasury. | Mike Carey | 5 | |
| ASS-DEB-0003 | Bad debt write-offs and movements in the provision for doubtful debts for Sundry Debtors are processed in accordance with delegations of authority and Local Government Act. |  Rhys Elsegood | 5 | Bad debt write-offs and movements in the provision for doubtful debts for Sundry Debtors are initiated by the Finance Officer Accounts Receivable & Treasury & authorised in accordance with delegations of authority and Local Government Act. | Mike Carey | 5 | |
| ASS-DEB-0001 | Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by relevant staff for accuracy and on-going pertinence. |  Rhys Elsegood | 5 | Access to the debtors master files is restricted to appropriately designated personnel within the Financial Services function. The debtors masterfiles are not subject to independent review by a second management officer. However, Aged Monthly Debtors Reports are provided to each operational area for their information and follow up. | Mike Carey | 5 | |
| <div> <div>Fixed Assets</div> </div> | | | | | | | |
| ASS-FIX-0017 | Where appropriate, identification details are recorded for portable and attractive assets such as IT and fleet assets, on acquisition to facilitate accurate identification. |  Sonia Cooper | 5 | Financial Services also maintains a AHC Plant Register held on Sharepoint which records fleet and other plant assets recording Plant number and registration information | Mike Carey | 5 | Refer comments re the plant register |
| ASS-FIX-0017 | Where appropriate, identification details are recorded for portable and attractive assets such as IT and fleet assets, on acquisition to facilitate accurate identification. |  David Collins | 4 | Financial Services maintains a AHC Plant Register held on Sharepoint which records fleet and other plant assets and separately holds a vehicle register recording registration information | Mike Carey | 4 | This particular control relates only to infrastructure assets and attractive assets including ICT and Plant & Equipment covered by a separate control |
| ASS-FIX-0017 | Where appropriate, identification details are recorded for portable and attractive assets such as IT and fleet assets, on acquisition to facilitate accurate identification. |  James Sinden | 5 | IT assets are assigned to authorised users and secured to the AHC Corporate Network where they are centrally managed. | Mike Carey | 5 | This control and comments covers IT Assets only For IT Assets, Council uses IT Help (Service Desk Plus) to manage assets. This system records all assets allocated to a specific employee including monitors, desktops, laptops, phones and docking stations including serial nos and asset description |





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| ASS-FIX-0016 | Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users. |  David Collins | 4 | Plant and Equipment assets are located in secure areas when unattended. Furniture and fittings that are office or depot based are locked. Motor vehicles are either parked in Council depot sites capable of being secured or taken home by employees. Heavy plant is secured at depot sites. There are some circumstances that heavy equipment is left on a job site due to cost and time to return it to a depot, in these cases the plant is locked and/or contained in a secured temporary site compound. | Mike Carey | 4 | Refer comments |
| ASS-FIX-0016 | Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users. |  James Sinden | 5 | For IT Assets, Council uses IT Help (Service Desk Plus) to manage assets. This system records all assets allocated to a specific employee including monitors, desktops, laptops, phones and docking stations including serial no's and asset description. | Mike Carey | 5 | Comments above are for IT Assets. Infrastructure & Plant & Equipment are dealt with as separate controls |
| ASS-FIX-0014 | There is a process in place for the verification of fixed assets which is reconciled to the FAR. |  David Collins | 3 | Consultants and Council's officers are utilised to perform a physical verification of assets, and their condition on a rolling program. However in the last 4 years, although condition assessments have been undertaken for roads (ARRB), footpaths (internal) and revaluations have been undertaken for CWMS & Buildings (APV) that information hasn't been updated into the fixed asset register spread sheets given the assumption that the new asset management system would be going live earlier than currently proposed. | Mike Carey | 3 | Verification of assets to be conducted as part of 2018-19 Revaluation Program. The implementation of Confirm (the new asset management system) to reflect changes that have occurred within the past few years pending implementation |
| <div>Assets</div> <div>Fixed Assets</div> | | | | | | | |
| ASS-FIX-0013 | Relevant staff review useful lives, residuals, valuations, depreciation methodology and test for impairment as required by Accounting Standards and legislation to ensure that methods used are still appropriate and significant changes are incorporated into Asset Management Plans. |  David Collins | 3 | Whilst asset register information has been reviewed each year, and all infrastructure assets have been revalued each year with reference to Tables 17 and 18 of the ABS website, the . Where appropriate, Council may engage an expert to perform valuations and condition assessments (remaining life). Council has engaged external consultants to review our useful lives and valuations for pavements and seals. | Mike Carey | 4 | A number of asset classes, namely Sealed Roads, Footpaths, Retaining Walls & Playgrounds have been programmed for Asset Revaluation which includes a detailed assessment of useful lives |
| ASS-FIX-0012 | Recorded changes to the FAR and/or masterfile are approved by appropriate staff compared to authorised source documents and General Ledger to ensure accurate input. |  David Collins | 3 | Since 2014-15 Fixed Assets have been held in a number of large spreadsheets being data previously held in Conquest Asset Management System. Updates to those spreadsheets have been made by a small number of personnel involved in the capitalisation and revaluation process | Mike Carey | 4 | Updates to the Fixed Asset Register now undertaken by Sustainable Assets supported by Financial Services staff where required |
| ASS-FIX-0011 | Reconciliation of fixed assets to the General Ledger is performed in accordance with schedule of review or procedure. |  Marcela Ardelean | 5 | Fixed Assets are reconciled annually as part of Council's process of capitalising WIP to Infrastructure, Property, Plant & Equipment | Mike Carey | 5 | Fixed Assets Reconciliations are undertaken annually as part of End of Year process |


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| ASS-FIX-0010 | Profit or loss on disposal calculations can be substantiated and verified with supporting documentation. |  Marcela Ardelean | 5 | Profit or loss on disposal calculations are undertaken by the Management Accountant largely through the review of the Proceeds and Capital Sale of Asset accounts in the General Ledger and verified with supporting documentation. The GIS and Assets Officer also identifies the disposal of replaced assets through the Capitalisation of Fixed Assets process and this information is provided to Finance to update Asset Registers and prepare journals to reflect that disposal | Mike Carey | 5 | Refer comments above |
| ASS-FIX-0009 | Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties. |  David Collins | 3 | Council's new Asset Management System, Confirm has user access controls so that only appropriate council asset officers are able to use it. However for the last 4 years, fixed asset data has been maintained in spread sheets with update of the data undertaken only by senior finance staff | Mike Carey | 5 | New Asset Register within Confirm has appropriate user access controls |
| ASS-FIX-0008 | Fixed assets are recorded on acquisition, creation or when provided free of charge to facilitate accurate identification of assets and recording of details with regards to the Asset Accounting Policy. |  David Collins | 4 | As at year end a capitalisation of assets process is undertaken by Finance & Asset Management using the Capital Project information held in the general ledger and advice from Capital Works Project Managers as to whether the project is complete. That information is used by the GIS & Assets Officer to determine the new asset information and if it is a renewal asset, whether an asset needs to be disposed of. Once the new asset management system is fully operational officers will be able to add, dispose of assets as that occurs during the year. Finance is provided with the relevant capital additions and disposals information from Asset Management to update the Asset Register. As Finance becomes aware of free contributed assets, details and supporting information is obtained from the relevant Council department (normally Property or Asset Management) confirm whether Council has control of the asset. | Mike Carey | 4 | As per above |
| ASS-FIX-0007 | Depreciation charges are calculated in accordance with the asset accounting policy and compliant with relevant accounting standards, including the useful life, depreciation method and residual values. |  David Collins | 3 | Standard Useful lives of categories of assets are reviewed by engineering and finance officers and where appropriate an independent engineering consultant prior to revaluation of asset categories. Individual assets' remaining lives are reviewed as part of the external revaluation process. Depreciation method used is "straight line" and management consider that this method is appropriate. | Mike Carey | 3 | Detailed review of useful lives to be undertaken for all asset classes being revalued in 2018-19 including Sealed Roads, Footpaths & Retaining Walls. Assessment of useful lives for unsealed roads also to be undertaken |
| ASS-FIX-0006 | Council has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored to ensure adherence. |  Marcela Ardelean | 4 | Council has a Capitalised Assets Procedure in place. | Mike Carey | 4 | Asset Thresholds are detailed in Note 1 of the Financial Statements by category. From a materiality perspective, capital costs are reviewed by the Manager Sustainable Assets and the Management Accountant as part of the End of Year Capitalisation process |

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| ASS-FIX-0005 | Asset register calculations are reviewed for accuracy. |  David Collins | 4 | As a result of the transfer of financial asset register information currently held in spreadsheets and GIS to the new Confirm Asset Management System, data cleansing and the verification of consistency of asset data within asset categories including useful lives is currently being undertaken to ensure asset register information is accurate and complete as part of the asset load. | Mike Carey | 4 | As per comments |
| ASS-FIX-0004 | Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999. |  David Collins | 3 | Asset Management Plans have been updated for a number of asset categories including Transportation, Buildings, CWMS and Sport & Rec asset categories with additional work required for the remaining asset categories. Even for those asset categories where asset management plans have been significantly progressed further data refinement is required from more in depth asset category analysis and confirmation of service level requirements to assist in forecasting appropriate renewal requirements and confirm the annual consumption of infrastructure assets via depreciation. Nonetheless, even though there is still quite a bit of asset management planning work to be undertaken, management consider that the renewal allocations for asset categories in the short term are reasonable, with the additional work seeking to improve the medium to long term forecasts of asset renewal and maintenance requirements | Mike Carey | 3 | An update of all asset management plans is required to be provided to Council for endorsement. |
| ASS-FIX-0003 | Asset Management Plans are prepared and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors. |  David Collins | 3 | Asset Management Plans have been updated for a number of asset categories including Transportation, Buildings, CWMS and Sport & Rec asset categories with additional work required for the remaining asset categories. Even for those asset categories where asset management plans have been significantly progressed further data refinement is required from more in depth asset category analysis and confirmation of service level requirements to assist in forecasting appropriate renewal requirements. Nonetheless, even though there is still quite a bit of asset management planning work to be undertaken, management consider that the renewal allocations for asset categories in the short term are reasonable, with the additional work seeking to improve the medium to long term forecasts of asset renewal and maintenance requirements | Mike Carey | 3 | Asset Management Plans for all significant asset categories need to be completed together with a Strategic Asset Management Plan document covering asset strategy and service levels |
| ASS-FIX-0002 | Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans |  David Collins | 2 | Updated Asset Maintenance Plans have been developed for some asset categories but current maintenance schedules do not always correspond with these Asset Management Plans. High risk assets such as playgrounds have more formal inspections and maintenance regimes where as a low risk asset (eg a stormwater pipe in a rural area) currently does not have a maintenance or inspection plan specified. | Mike Carey | 3 | An update of all asset management plans is required to ensure timely and appropriate maintenance is undertaken. |

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| ASS-FIX-0001 | All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies. |  Sonia Cooper | 5 | Fixed Asset acquisitions and disposals are performed by Council Officers who possess the appropriate delegated authority. Fixed assets sold largely relate to Plant and Equipment, and occasionally land and buildings. A building sale would require Council's endorsement. | Mike Carey | 5 | |

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 13 May 2019
AGENDA BUSINESS ITEM**

Item: 6.4

Originating Officer: Lachlan Miller, Executive Manager Governance and Performance

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 February 2019 results:

- There is no change in the Residual risk rating of the Strategic Risks during the period
- There is a small change from 1% to 3% in the mitigations identified during the period due to a reporting error in the February 2019 data.
- Completed: 64% (50) is stable with no new completed actions
- In Progress: Reduced to 33% (26) from 35% (28)
- There is a small change from 1% to 3% in the Not Commenced status during the period due to a reporting error in the February 2019 data.

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.

Council Committees: Not Applicable
Advisory Groups: Not Applicable
Administration: Director Corporate Services
Director Community Capacity
Director Development & Regulatory Services
Director Infrastructure & Operations

Executive Manager Governance & Performance
Executive Manager Organisational Development
Manager ICT

Community: 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

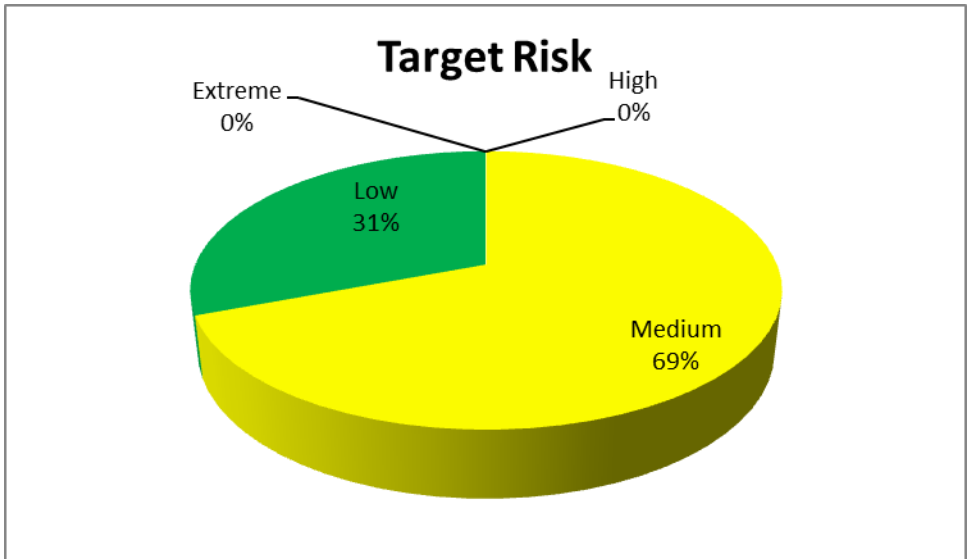
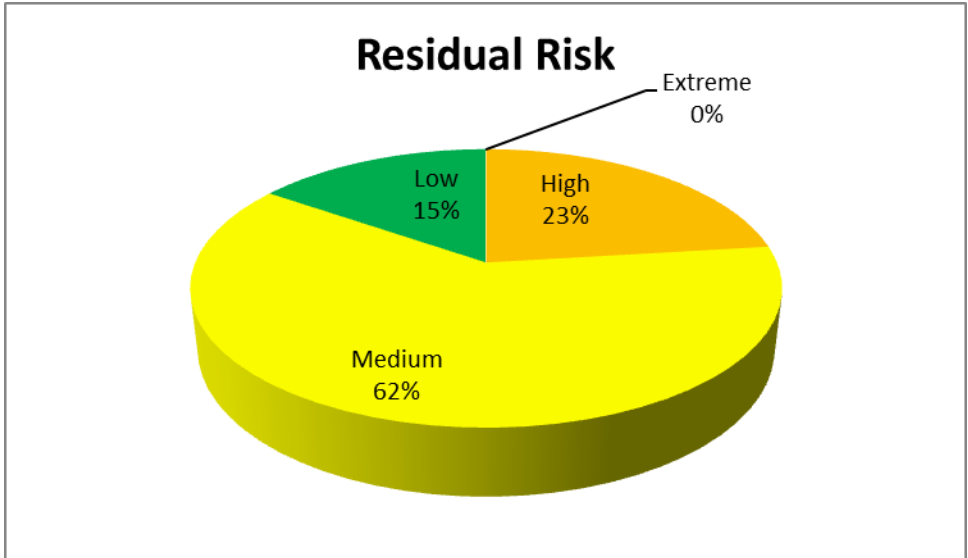
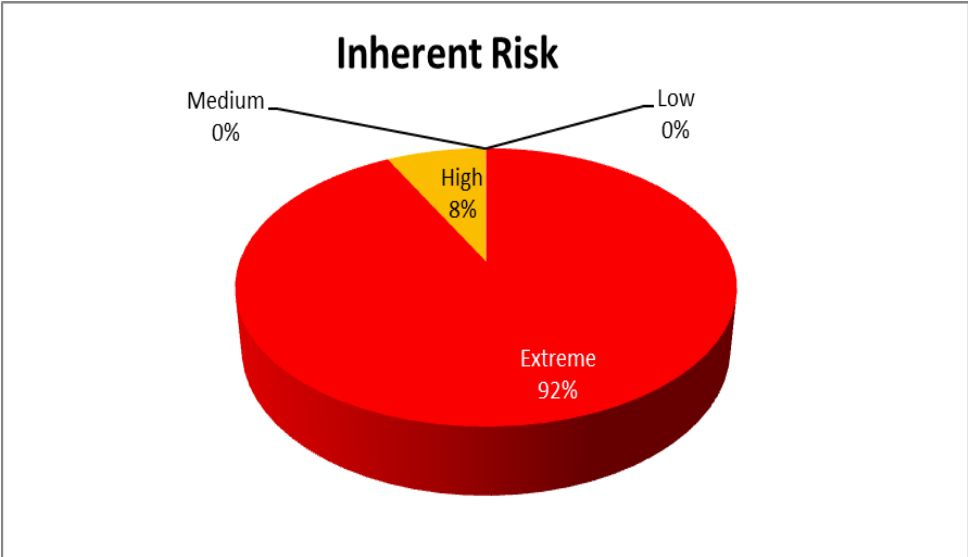
Strategic Risk Profile

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.

An extract of the Strategic Risk Register is provided at **Appendix 1**.

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 February 2019 assessment.

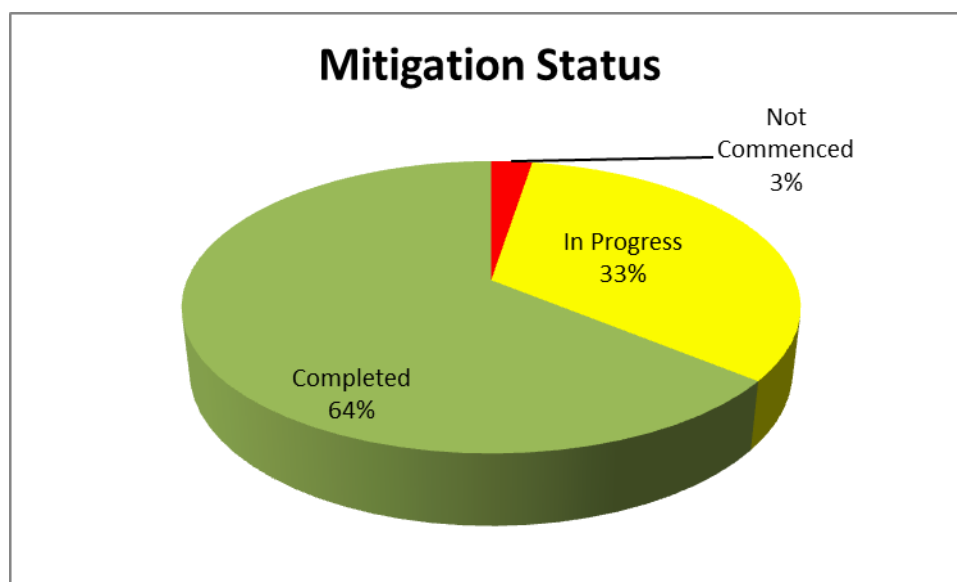
There has been no change in the Residual Risk rating for the reporting period. Whilst this may be problematic if the risk were not being reviewed, officers regularly review their risks and mitigations, although the Residual Risk rating identifies no change for the reporting period.



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

| Status | August 2018 | November 2018 | February 2019 | May 2019 |
|--|---------------------|---------------------|---------------------|---------------------|
| Completed | 61% (46 actions) | 62% (48 actions) | 64% (50 actions) | 64% (50 actions) |
| In Progress | 39% (29 actions) | 37% (29 actions) | 35% (27 actions) | 33% (26 actions) |
| Not Commenced | 0% (0 actions) | 1% (1 action) | 1% (1 action) | 3% (2 actions) |
| New Initiatives (in above totals) | 1 action | 2 actions | Nil 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.

5. APPENDICES

- (1) Extract of Strategic Risk Register

Appendix 1

Extract of Strategic Risk Register

| Section 1: Risk identification | | | | Section 2: Inherent Risk | Section 4: Residual Risk | Section 6: Risk Mitigation |
|--------------------------------|---|---|--|-----------------------------|-----------------------------|-------------------------------|
| No | Risk Statement (use the situation-consequence technique) | Causes & Impact | Risk Owner | Risk Rating | Risk Rating | Target Rating |
| 1 | Failure to plan at the local and regional level for the future development and future requirements of the area. (F) | Cause: <ul style="list-style-type: none"> - Poor understanding of development, infrastructure, population, transport, demographics and trends - Ineffective liaison with state and federal planning and development agencies. - Unresponsive Development Plan that inappropriately restricts development opportunities & results in poor development outcomes. - Ineffective strategies to enhance and conserve character areas and iconic sites. - Poor place making strategies. - Deficient planning and building rules consent practices. - Ineffective infrastructure planning processes. - Lack of appropriately trained and experienced staff. - Poor business planning and budgeting processes to allocate sufficient resources to functions. Impact: <ul style="list-style-type: none"> - Poor planning & development outcomes, ad-hoc & reactionary planning, unresponsive approaches to addressing community needs and trends - Uncoordinated approaches to infrastructure provision, lack of partnership & funding arrangements, lack of collaborative & mutually beneficial outcomes for community, Council and State Govt., duplication of services & resources - Disempowered community with poor and inefficient use of public spaces - Dysfunctional organisation with a poor reputation resulting in community dissatisfaction with level and type of service provision resulting in a Council regime change - Non-compliant with legislative responsibilities resulting in considerable liability exposure - Inconsistent and misdirected operations and service provision | Director Development & Regulatory Services | Extreme (4B) | Low (2D) | Low |

| | | | | | | |
|---|---|--|-------------------------------------|--------------|-------------|--------|
| 2 | Failure to deliver projects, programs and services in accordance with plans (time, budget, quality) | <p>Causes:</p> <ul style="list-style-type: none"> - Ineffective Budget Bid process (ineffective cost estimates preparation; possible lack of understanding of budget and budget process; - Unrealistic timeframes e.g. 12 months for design, consultation and delivery; Change or poorly defined scope; Inadequate specifications and documentation and design; Lack of stakeholder engagement. - Lack of effective consistent project management methodologies - Unforeseen weather and climate conditions, - Lack of appropriate plant and equipment, - Poor contractor management, - Lack of resources (Lack of adequate skilled resources; Loss of key staff,) - Change in government legislation or policy, - Reduction in grant funding, - Lack of scheduled maintenance - Unclear Service ranges and levels <p>Impact:</p> <ul style="list-style-type: none"> - Cost of projects escalates, unbudgeted spending, impacts on delivery of the projects - Damage to Council reputation - Outcomes of the project delivered fails to meet community's expectations - Weaknesses in infrastructure necessitating increased maintenance | Director Infrastructure & Ops | Extreme (4B) | Medium (3C) | Medium |
|---|---|--|-------------------------------------|--------------|-------------|--------|

| | | | | | | |
|---|---|--|-----------------------------------|--------------|-------------|-----|
| 3 | Failure to provide for the welfare, well-being and interests of the community (F) | <p>Cause:</p> <ul style="list-style-type: none"> - Ineffective public health programs (food, immunisation, waste water) - Ineffective community development programs - Failure to identify and respond to key community issues - Poor understanding of cultural and diversity issues in community. - Lack of effective active and passive recreation participation strategies. - Ineffective strategies to work with vulnerable members of the community. - Inappropriate behaviour of community facility users. - Unaffordable rates, fees and charges - Ineffective regulatory services activities (including management of dogs, noise, parking) - Poor facilities <p>Impact:</p> <ul style="list-style-type: none"> - Food poisoning, insanitary conditions, etc. - Decreased wellbeing and an over-reliance on social support - Loss of faith in Council's ability to meet community needs - Inability for people from diverse backgrounds to live/participate in the community - Decreased health and wellbeing across the community - Inability/difficulty for people of all socioeconomic backgrounds to live in the district - cultural disrespect | Director Community Capacity | Extreme (4B) | Medium (3D) | Low |
|---|---|--|-----------------------------------|--------------|-------------|-----|

| | | | | | | |
|---|--|--|---|--------------|-------------|--------|
| 4 | Failure to take measures to protect the community from natural and other hazards (F) | <p>Cause:</p> <ul style="list-style-type: none"> - Poor fire prevention initiatives - Poor flood protection initiatives - Poor wind protection initiatives - Ineffective emergency management regimes - Ineffective asset maintenance and replacement plans and programs - Lack of participation in regional emergency management arrangements - Noncompliance with legislation - Poor Business Continuity Plan - Insufficient budget - Ineffective planning and preparations <p>Impact:</p> <ul style="list-style-type: none"> - Significant property loss and damage - Loss of life, injury - Reputational damage - Exposure to liability and penalty - Loss of community normality - Council services stretched and some services may not be fully operational - Loss or damage of public and private infrastructure - Environmental and biodiversity impacts | Exec Manager Governance & Performance | Extreme (5B) | Medium (3C) | Medium |
|---|--|--|---|--------------|-------------|--------|

| | | | | | | |
|---|---|--|-------------------------------------|--------------|-----------|--------|
| 5 | <p>Failure to manage, develop, protect, restore, enhance and conserve the environment in an ecologically sustainable manner and to improve amenity. (F)</p> | <p>Cause:</p> <ul style="list-style-type: none"> -Lack of understanding of biodiversity. - Inadequate planning controls, - Lack of specific skill and knowledge of natural environment, - Insufficient budget, - Lack of internal coordination in project delivery, - Inadequate emergency response to environmental hazard, - Lack of longitudinal planning and service delivery, difficulty of meeting varying community expectation, - Ineffective natural resource management strategies and processes. - Poor environmental management practices. - Illegal dumping <p>Impact:</p> <ul style="list-style-type: none"> - Damage to local environment - Financial - restoration of failure to act (fines plus the works to restore) - Reputational damage - Impact on human health and wellbeing due to the loss of visual amenity and ability to interact with nature - Local amenity not maximised - Health and economic impacts due to climate change - Failure to meet stakeholder expectation | Director Infrastructure & Ops | Extreme (5C) | High (5D) | Medium |
|---|---|--|-------------------------------------|--------------|-----------|--------|

| | | | | | | |
|---|--|---|-------------------------------------|--------------|-------------|--------|
| 6 | <p>Failure to provide appropriate infrastructure for the community (F)</p> | <p>Cause:</p> <ul style="list-style-type: none"> - Ageing infrastructure in need of renewal to remain fit for purpose and/or comply with legislation - Poor asset management regimes (data, revals) - Ineffective maintenance regimes - Leaseholders conducting works outside of contractual/legislative obligations. - Duplication or gaps in infrastructure provision to communities. - Lack of understanding community needs and trends <p>Impact:</p> <ul style="list-style-type: none"> - Increased cost to maintain infrastructure - Reduced confidence in Council by the community - Increased risks to staff and community when utilising facilities - Disadvantage to AHC community over that of other areas - Negative impact on community wellbeing | Director Infrastructure & Ops | Extreme (4B) | Medium (3C) | Medium |
|---|--|---|-------------------------------------|--------------|-------------|--------|

| | | | | | | |
|---|--|---|---------------------------------|-----------|-----------|-----|
| 7 | <p>Failure to promote the Council area and provide an attractive climate and locations for the development of business, commerce, industry and tourism (F)</p> | <p>Cause:</p> <ul style="list-style-type: none"> - Dysfunctional local economy, loss of jobs, loss of basic retail and service functions - Poor engagement with business community, leading to relative disadvantage for business community -Lack of understanding of economic drivers, leading to potential wasted allocation of effort, stagnation of effort, and/or perception of Council being out of touch with business community. - Inappropriate infrastructure in industrial precincts or nodes, placing barriers on development of industrial precincts. - Lack of understanding of tourism demand, leading to potential wasted effort, stagnation of effort, and/or perception that the Council is unable/willing to support the tourism sector. - Poor support of tourism and business associations, leading to fragmentation of effort and discohensive strategies. - Unresponsive Development Plan that inappropriately restricts development opportunities & results in poor development outcomes. <p>Impact:</p> <ul style="list-style-type: none"> -- Loss of local jobs -- Loss of basic local retail and service businesses -- Devaluation of local residential and commercial property -- Rise in social problems deriving from a declining economy - The community procures goods outside of the area as business not vibrant and meeting local requirements | Director Strategy & Development | High (3B) | High (3B) | Low |
|---|--|---|---------------------------------|-----------|-----------|-----|

| | | | | | | |
|---|--|--|-----------------------------------|--------------|-------------|--------|
| 8 | Failure to manage and develop public areas vested in, or occupied by the Council (F) | Cause: <ul style="list-style-type: none"> - Lack of strategic and operational processes to manage Council's property portfolio. - Poor sports, recreation and open space management practices. - Physical hazards to users (trips, slips, debris, falling items) - Poor climate adaptation regimes Impact: <ul style="list-style-type: none"> - Increased cost to maintain infrastructure - Reduced confidence in Council by the community - Increased risks to staff and community when utilising facilities - Disadvantage to AHC community over that of other areas - Negative impact on community wellbeing | Director Corporate Services | Extreme (4A) | Medium (3C) | Medium |
|---|--|--|-----------------------------------|--------------|-------------|--------|

| | | | | | | |
|----|--|---|-------------------------|--------------|-------------|--------|
| 9a | Failure to manage, improve and develop the human resources available to the Council. (F) | <p>Cause:</p> <ul style="list-style-type: none"> - Poor IR practices - Ineffective attraction and retention initiatives - Lack of workforce planning and development. - Deficient equity and diversity programs - Poor leadership - Failure to ensure appropriate WH&S for employees and volunteers. - Volunteers deterred by training/inductions requirements - Ageing population impacting on volunteer participation - Failure to engage young population as volunteers <p>Impact:</p> <ul style="list-style-type: none"> - Increased financial cost; - potential litigation; decrease in morale; poor work performance; inability to deliver services; negative impact on council brand and reputation; lacking or ineffective policy/procedures; inability to meet the demand for volunteering opportunities, inability to offer attractive positions (older and younger workers), potentially lose volunteers who don't want to participate in induction and training, council could fail to meet the legislative requirements if training avoided; not having available staff/volunteers to undertake work at required times; heightened number of complaints around EEO; ineffective management of human resources, lose ability to innovate through poor leadership, fear of doing the wrong things and receiving punishment; more injured workers, potential death; litigation threatening the viability of the organisation; unable to attract employees and volunteers; lack of handover and transfer of valuable knowledge; challenges about fair and equitable process; higher turnover costs and negative affect on work culture; potentially losing good candidates. | Exec Manager Org Dev | Extreme (4B) | Medium (3C) | Medium |
|----|--|---|-------------------------|--------------|-------------|--------|

| | | | | | | |
|----|--|---|-----------------------------------|--------------|-------------|--------|
| 9b | Failure to manage, improve and develop the information resources available to the Council. (F) | <p>Cause:</p> <ul style="list-style-type: none"> - Business systems do not effectively support organisational needs - Ineffective media and brand management strategies. - Poor information management practices (capture, use, storage, retrieval). <p>Impact:</p> <ul style="list-style-type: none"> - Inefficiency; increased risk of errors (from manual systems); negative impact on council brand & reputation; decreased staff morale; potential for increased turnover of staff; lack of consistency; increased cost in undertaking work; systems cannot be upgraded due to inadequate hardware layer; inability to test updates before being implemented; lack of information sharing, working in information silos, failure to capture corporate knowledge effectively, misinformation that leads to negative or undesired outcomes, residents being misinformed or mislead, potential legal or financial implications, poor uptake of services; customer confusion regarding branding of council programs and services | Director Corporate Services | Extreme (4B) | Medium (2C) | Medium |
| 9c | Failure to manage, improve and develop the financial resources available to the Council. (F) | <p>Cause:</p> <ul style="list-style-type: none"> - Poor internal control environment - Poor procurement planning and processes. - Ineffective insurance arrangements. - Poor financial management processes (treasury, AP, AR) - Poor contract management <p>Impact:</p> <ul style="list-style-type: none"> - Potential for qualified accounts as an audit outcome; inappropriate segregation of duties; increased potential for fraud; negative impact on Council brand & reputation; lack of consistency in process use; inability to measure process effectiveness and outcomes; increased risk of litigation; inappropriate assets with short medium and long term financial impacts; potential inability to pay; negative impact on ability to service the community; poor customer relations; poor supplier relationships; potential impact on income from rates, fees and charges; increased risk of litigation leading to financial instability | Director Corporate Services | Extreme (5B) | Medium (3D) | Medium |

| | | | | | | |
|----|--|--|---|--------------|-------------|-----|
| 10 | Failure to act as a representative, informed and responsible decision-maker in the interests of the community. (PR) | Cause: <ul style="list-style-type: none"> - Poor governance practices - Poor risk management practices - Poor representation arrangements - Poor representation of the community by Council Members - Lack of effective strategic planning and resource allocation processes. - Lack of effective financial sustainability processes. - Ineffective performance management and reporting processes. - Poor working relationship between Council and Administration. Impact: <ul style="list-style-type: none"> - Decisions are not representative of community sentiment or made in the community's interest - Decisions are poorly or incorrectly informed leading to a high risk profile, errors, loss, waste, omissions, breaches of legislation. - Breaches of legislation, unenforceable decisions/resolutions, creation of liabilities/ additional risk to Council, stakeholder and/or regulator dissatisfaction and/or sanction. | Exec Manager Governance & Performance | Extreme (5C) | Low (3E) | Low |
| 11 | Failure to exercise, perform and discharge the powers, functions and duties under legislation, contracts, leases and policies (PR) | Cause: <ul style="list-style-type: none"> - Lack of awareness of legislative/contractual/lease/policy requirements - Ineffective delegation and authorisation mechanisms. - Poor contract management practices - Ineffective compliance management systems - Staff do not possess the appropriate KSE - Legislative changes, not being fully understood Impact: <ul style="list-style-type: none"> - Legislative/lease/policy of contractual obligations are not discharged leading to breaches of legislation and/ or contractual arrangements - Failure to effectively undertake the functions of a council - Contractual penalties and liabilities. - Inefficient systems that lead to loss of resources - Scrutiny and sanctions by integrity agencies | Exec Manager Governance & Performance | Extreme (4B) | Medium (3D) | Low |

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 13 May 2019
AGENDA BUSINESS ITEM**

Item: 6.5

Originating Officer: Lachlan Miller, Executive Manager Governance and Performance

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: Strategic Internal Audit Plan Review and Quarterly Update

For: Decision

SUMMARY

The Audit Committee's Work Plan 2019 provides for an annual review of the Internal Audit Plan. As the 2018/19-21/22 Strategic Internal Audit Plan (SIAP) was adopted last year and there has not been a material change to Council's risk profile, the Administration has not identified any proposed changes to the SIAP.

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

At its 26 February 2019 meeting, Council resolved to amend the SIAP on the recommendation to include an audit of Purchase Cards in 2018/19.

An internal audit provider has been engaged to scope the five internal audits scheduled for 2018/19. This will facilitate the outsourcing and commencement of these audit projects.

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 and while not necessary, it does promote the objectivity of the audit process.

➤ **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> | The adequacy of the SIAP was discussed at the February 2019 Audit Committee meeting. |
| <i>Advisory Groups:</i> | Not Applicable |
| <i>Workshops:</i> | Not Applicable |
| <i>Administration:</i> | Governance & Risk Coordinator |
| <i>Community:</i> | Not Applicable |

2. BACKGROUND

Strategic Internal Audit Plan Development (SIAP)

At its 20 February 2018 meeting, the Committee discussed the development of a new SIAP and Committee Members were encouraged to identify potential auditable areas for the new Plan. The methodology of Plan development was discussed, in summary, being that where there are high-rated risks facing the organisation and that these risks are substantially mitigated through a suite of controls, that suite of controls is a candidate for the Plan given the reliance that the organisation places on them to lower the risk rating.

The resultant draft SIAP 2018/19 – 2021/22 was built on the basis of:

- Council's Strategic Risk Assessments (and the underlying identification of control effectiveness);
- the Corporate Risk Management Guide;
- the results of previous internal audits;
- the outstanding audits on the current SIAP;
- the SIAP's of other comparable councils; and
- the expertise of Committee Members.

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.

Amendment to the SIAP

At its 18 February 2019 meeting, the Audit Committee discussed the ongoing revision of the Council's Procurement Framework and the potential role that purchase cards could play in those procurement arrangements and also reflected on media reporting of the inappropriate card usage at City of Onkaparinga, City of Burnside and Mount Barker District Council and the provisions of the *Local Government (Ratepayer Protection and Related Measures) Amendment Bill 2018* regarding the publication of purchase card statements on a council's website.

In weighing up these matters, the Committee determined that, while they were not aware of any instances of control failures regarding AHC's use of purchase cards, there was a heightened public interest in the use of purchase cards and it was important to have a contemporary assessment of the current practices ahead of any enhanced role for purchase cards under the revised Procurement Framework.

On the basis of the above, the Committee resolved as follows:

6.8 Internal Audit Quarterly Update

Moved Peter Brass
S/- Cr Leith Mudge

9/19

The Audit Committee:

1. Receives and notes the report.
2. Recommends to Council to amend the Strategic Internal Audit Plan 2018-2022 to include a specific audit on Purchase Cards in the 2018-2019 financial year in light of heightened public interest.

| |
|---------|
| Carried |
|---------|

At its 26 February 2019 meeting, Council in consideration of the Audit Committee's recommendation, resolved:

12.12 Revision of Strategic Internal Audit Plan 2018 - 2022

9.58pm Cr Parkin returned to the Chamber

Moved Cr Malcolm Herrmann
S/- Cr Leith Mudge

43/19

Council resolves:

1. That the report be received and noted
2. To adopt the revised Strategic Internal Audit Plan 2018/19 – 2021/22 (v1.1a) as contained in Appendix 1.

| |
|---------------------|
| Carried Unanimously |
|---------------------|

3. ANALYSIS

Internal Audit Plan Review

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

The Work Plan contains an item for the May meeting to review the Internal Audit Plan. This item is particularly relevant in the latter years of a SIAP to ensure that the Plan remains current to the risk profile of the organisation.

In considering the appropriateness of the current SIAP, the Administration has weighed the following factors:

- the relatively recent in-depth analysis undertaken to develop the SIAP 2018/19 – 2021/22 and the amendment to include an additional audit of perceived risk (Purchase Cards), provides for a relevant and contemporary Plan (even a year on);
- the Risk Management Update report contained in the agenda has not identified any perceived material changes to the organisation's strategic risk profile;
- the Administration is not aware of any significant internal control weaknesses, not already scheduled for audit;
- the External Auditors have not identified any significant internal control concerns; and
- in developing the 2019/20 Annual Business Plan the emerging risks associated with both boundary reform and legislative reform were identified however these risk issues do not readily lend themselves to control-based management and therefore are not suggested as potential SIAP inclusions at this time.

On the basis of the above, the Administration has not identified any proposed amendments to the SIAP as part of this annual review.

Implementation of the SIAP

Ongoing competing resource demands has delayed the procurement of the 2018/19 scheduled audits. To help alleviate this situation, an internal audit provider has been engaged to scope each of the scheduled audits. These will subsequently be put to the market and it is anticipated that one or more of the audits will occur before the end of the financial year.

4. OPTIONS

The Committee has the following options:

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

5. APPENDIX

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

Appendix 1

Strategic Internal Audit Plan 2018/19 – 21/22 v1.1

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 LTFFP, 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 |
| Use of Purchase Cards | | Focussing on the systems, processes and documentation for the issuing, custody, use, transaction approval and oversight of Purchase Cards | SR9c - Failure to manage, improve and develop the financial resources available to the Council. | Q4 | | | |
| 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 | | | | 5 | 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 |
| 26/02/2019 | Amended plan adopted by Council (Purchase Card audit added) | 1.1 |

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 13 May 2019
AGENDA BUSINESS ITEM**

Item: 6.6

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 ended 31 March 2019.

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 31 December 2018 was presented to the Audit Committee on 18 February 2019.

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. Despite two payments to Council and assurances of the remaining balance from the early release of his superannuation balance Council now considers that the best course of action will be to reinstitute Section 184 proceedings and have commenced that process.

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. This work has taken longer than expected as a result of a number of these requiring further investigation, and it is now anticipated that a report seeking endorsement from Council will be provided to the June 2019 Council meeting, subject to the size of the agenda for that meeting.

Sundry Debtors

Table 1 – Aged Debtors Summary as at 31 March 2019

A summary of the Aged Debtors as at 31 March 2019 has been provided within Table 1 of this report below with the total Sundry debtors outstanding totalling \$453k.

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 | 1,424 | 0 | 0 | 0 | 0 | 0 | 1,424 |
| Burial Fees | 16,251 | 14,382 | 0 | 0 | 1,417 | 0 | 452 |
| Fire Hazard Reduction | 1,300 | 0 | 0 | 0 | 0 | 0 | 1,300 |
| Food Premises Inspection | 8,122 | 6,290 | 71 | 363 | 0 | 0 | 1,398 |
| Grants Receivable | 233,055 | 233,055 | 0 | 0 | 0 | 0 | 0 |
| Private Works | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Road Rents | 198 | 0 | 66 | 0 | 0 | 0 | 132 |
| AHBTC | 168,057 | 95,903 | 29,008 | 19,077 | 21,690 | 0 | 2,379 |
| Outdoor Dining Licences | 2,500 | 310 | 1,155 | 0 | 0 | 0 | 1,035 |
| Other Councils | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Maintenance | 6,500 | 0 | 0 | 0 | 6,500 | 0 | 0 |
| Miscellaneous (Other) | 15,145 | 14,676 | 242 | 0 | 113 | 0 | 114 |
| TOTAL: 31/3/2019 | 452,552 | 364,616 | 30,542 | 19,440 | 29,720 | 0 | 8,235 |

The comparison of Debtor movement for quarters presented to the Audit Committee is shown below. Importantly, the balance > 150 days continues to be the lowest it has been since regular reporting to the Audit Committee has occurred.

| Quarter | TOTAL | <30 Days | <60 Days | <90 Days | <120 Days | <150 Days | >150 Days |
|-------------------|-----------|-----------|----------|----------|-----------|-----------|-----------|
| TOTAL: 31/12/2018 | 205,377 | 158,755 | 18,470 | 10,239 | 180 | 3,721 | 14,012 |
| 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 |

In relation to **Table 1**, the following points of clarification are provided:

- The Additional bins debt balance has reduced from \$1,543 to \$1,424 with the amount outstanding made up of 4 debtors, down from 5 last quarter. The largest is \$1,117 and has had their waste service ceased by East Waste and has been sent to our debt collection agency.

- The Burial fee >150 days balance has reduced from \$2,927 to \$452 with follow up continuing on the remaining outstanding debtor.
- There was a reasonably successful result from the letters being sent to the eight debtors with long outstanding Food Premises Inspection debts which has resulted in only three debtors left > 150 days. Two of these have disputed the debt outstanding and the other has advised they are currently in financial difficulty.
- The AHBTC >150 days balance relates to a former tenant that is currently with our debt collection agency. The Property department have recently been in contact with the debtor's lawyer and are hopeful resolve this soon. Another tenant with debts in >30 days and longer has a payment arrangement in place and they are adhering to the same.
- The Outdoor Dining Licence >150 days balance in the previous report included 2 businesses that were advised that if the debts were not paid, revocation of their current licences would be considered in accordance with Council's Outdoor Dining Policy. One of these businesses has now fully paid their debt and the other is on a payment arrangement that they are adhering to and will be finalised before the end of the financial year.

The CEO and delegated officers used their delegation in terms of writing off debts for the quarter ending 31 March 2019 in relation to the following debts:

- A Fire Hazard reduction debt of \$175 dating back to June 2016 was written off due to the incapacity of the debtor;
- A Burial fee debt of \$110 dating back to December 2012 was written off given the amount and no contact could be made with the debtor for a number of years; and
- Two Retirement Village debts totalling \$92 were written off due to the passing away of the residents.

Community Loans

The last remaining Community loan debt which had previously been refinanced in June 2017 was paid off in mid April 2019. There are now no community loan debts outstanding.

4. OPTIONS

The Audit Committee is limited to receiving this report.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 13 May 2019
AGENDA BUSINESS ITEM**

Item: 6.7

Originating Officer: Lachlan Miller, Executive Manager Governance and Performance

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: Public Interest Disclosure Act 2018

For: Information

SUMMARY

A Whistleblowers Protection Policy (the Policy) has been in place at Adelaide Hills Council (AHC) since 2007 to manage its obligations and responsibilities under the *Whistleblowers Protection Act 1993* (the WP Act). The current version of the Policy was adopted in May 2015.

The Audit Committee Terms of Reference provide for the Policy to be reviewed on an annual basis.

Late last year the South Australian Parliament passed the *Public Interest Disclosure Act 2018* (PID Act). The PID Act will commence operation on 1 July 2019 and when it does it will repeal and replace the WP Act.

The purpose of this report is to provide the Audit Committee with information on the provisions of the PID Act and the preparations being made by the Administration for its commencement.

RECOMMENDATION

That the Audit Committee resolves that the report be received and noted

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

| | |
|------------------|---|
| Goal 4 | A Recognised Leading Performer |
| Key Issue 4.1 | Leadership |
| Key Action 4.1.4 | Meet legislative, regulatory and good governance responsibilities and obligations |

➤ **Legal Implications**

The Public Interest Disclosure Bill 2016 was introduced into the State House of Assembly on 6 July 2016. The Bill passed both Houses in late 2018 and was proclaimed to come into effect on 1 July 2019. The *Public Interest Disclosure Regulations 2019* (the PID Regulations) will also come into effect on that date.

The preamble to the PID Act is:

An Act to encourage and facilitate disclosures of certain information in the public interest by ensuring that proper procedures are in place for making and dealing with such disclosures and by providing protection for persons making such disclosures; to make related amendments to the *Local Government Act 1999* and the Public Sector Act 2009; to repeal the *Whistleblowers Protection Act 1993*; and for other purposes.

➤ **Risk Management Implications**

The development of appropriate guidance, supported with effective training in the provisions and obligations of the PID legislation 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) |

The development of the guidance and training are mitigations.

➤ **Financial and Resource Implications**

There are minimal direct financial or resource implications related to provisions of the PID Act. These are limited to the development of guidance and the provision of training in the provisions and obligations of the legislation.

As such, these resource implications will be accommodated within the 2018/19 and proposed 2019/20 Council budgets.

Additional resource implications will occur where disclosures lead to investigations and/or legal advice.

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

There is a high expectation that Council has appropriate processes in place to receive and manage public interest disclosures while providing the statutory protections to those who make appropriate disclosures.

➤ **Environmental Implications**

One element of the definition of public interest disclosures is information about substantial risks to public health or safety, or to the environment which is referred to in the PID Act as a disclosure of environmental and health information.

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

Consultation undertaken in the preparation of this report was as follows:

Council Committees: Not Applicable

Advisory Groups: Not Applicable

Workshops: The impending commencement of the PID Act has been raised during professional development sessions with Council Members.

Administration: Director Corporate Services
Governance & Risk Coordinator

Community: Not Applicable

2. BACKGROUND

Whistleblowers Protection Act 1993

The WP Act was enacted in 1993 with the object to:

..facilitate the disclosure, in the public interest, of maladministration and waste in the public sector and of corrupt or illegal conduct generally –
(a) by providing means by which such disclosures may be made; and
(b) by providing appropriate protections for those who make such disclosures

The WP Act provides protection for the informant or whistleblower by way of immunity from civil and/or criminal liability from appropriate disclosures, protection from victimisation and the maintenance of confidentiality of the whistleblower's identity subject to the disclosure being made in a prescribed manner and assistance being provided with investigations.

AHC initially developed a Whistleblowers Protection Policy in 2007 in response to the WP Act. The current version of the Policy was adopted in May 2015. Consistent with the Policy, a number of Responsible Officers (for the purposes of that Act) have been identified, disclosure management systems put in place, and the provisions of the Policy are communicated to new employees as part of the induction program.

Public Interest Disclosure Act 2018

The summary provided below was drawn substantially from the Independent Commissioner Against Corruption website.

In October 2013 the then Attorney-General asked the Independent Commissioner Against Corruption (the Commissioner) to conduct a review of the operation and effectiveness of the WP Act.

The Commissioner undertook a detailed review that involved extensive consultation. In September 2014 the Commissioner delivered a 217 page report that made 30 recommendations.

The recommendations were considered by government and a new law was developed in the form of the Public Interest Disclosure Bill. The Bill went through a number of iterations under different governments with a final version eventually being passed and receiving assent in November 2018.

The objects of the WP Act are:

- (a) to encourage and facilitate the disclosure, in the public interest, of information about substantial risks to public health or safety, or to the environment, and about corruption, misconduct and maladministration in public administration—
 - (i) by ensuring that proper procedures are in place for the making of such disclosures and for dealing with such disclosures; and
 - (ii) by providing appropriate protections for those who make such disclosures; and
- (b) to ensure that there is appropriate oversight of public interest disclosures about corruption, misconduct and maladministration in public administration.

The PID Act will commence operation on 1 July 2019 and when it does it will repeal and replace the WP Act. There will also be minor amendments to the *Local Government Act 1999*, specifically the reference in s302B to Whistleblowing.

The new PID Act removes any reference to whistleblowers and focuses instead on the disclosure of information. In short, the PID Act encourages and facilitates disclosures of certain information in the public interest by ensuring that proper procedures are in place for making and dealing with such disclosures and by providing protection for persons making such disclosures.

There are two types of disclosures that are covered by the PID Act. The first is a disclosure of information about substantial risks to public health or safety, or to the environment which is referred to in the PID Act as a disclosure of environmental and health information. The second is a disclosure of information about corruption, misconduct or maladministration in public administration which is referred to in the PID Act as a disclosure of public administration information.

Collectively those two types of disclosures are referred to in the PID Act as disclosures of public interest information.

The PID Act provides that if a person makes an appropriate disclosure of public interest information the person is not subject to any liability as a result of that disclosure. The PID Act also protects the identity of the person making an appropriate disclosure and makes it an offence to victimise that person.

Anyone can make an appropriate disclosure of environmental and health information. However, only a public officer can make an appropriate disclosure of public administration information. The PID Act picks up the definition of public officer that appears in the *Independent Commissioner Against Corruption Act 2012* (the ICAC Act). Schedule 1 of the

ICAC Act contains a comprehensive list of public officers, which includes public sector employees, local government employees and elected members, police officers, judges, members of parliament and anyone contracted to perform work for a public authority or the Crown.

In order to qualify as an appropriate disclosure of public interest information the person making the disclosure has to make it to a relevant authority and have a certain state of mind in relation to the information.

For the purposes of the PID Act, a person makes an appropriate disclosure of:

- Environmental and health information if the disclosure is made to a relevant authority and the person:
 - o Believes on reasonable grounds that the information is true; or
 - o Is not 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 so that its truth may be investigated.
- Public administration information if the disclosure is made to a relevant authority and the public officer reasonably suspects that the information raises a potential issue of corruption, misconduct or maladministration in public administration.

In order to qualify for the protections offered by the PID Act an appropriate disclosure of public interest information has to be made to a relevant authority.

The term relevant authority is defined in the PID Act and choosing the correct relevant authority can depend on the identity of the person or agency to whom the disclosure relates and the subject matter of the information. For example, where the information relates to a risk to the environment, the Environment Protection Authority is a relevant authority and where the information relates to an irregular or unauthorized use of public money or substantial mismanagement of public resources, the Auditor-General is a relevant authority.

The PID Act allows for appropriate disclosures of public interest information to be made to a journalist or a Member of Parliament but only in certain circumstances.

Essentially those circumstances are that the person has already made an appropriate disclosure of substantially the same information to a relevant authority and made the person's identity known to the relevant authority but has not received notification from the relevant authority within 30 days of making the disclosure of what action is being taken in relation to the information or within 90 days of making the disclosure (or longer if written notice has been given) of what the outcome of the action taken was.

Audit Committee Function

Clause 3 of the AHC Audit Committee Terms of Reference (TOR) set out a number of specific functions. The function relevant to whistleblowing/public disclosure management is as follows:

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. ANALYSIS

Preparation for commencement

Section 12 of the PID Act sets out the duties of principal officers (i.e. CEO) which include the designation of responsible officers for the purposes of the PID Act, appropriate communication of the contact details of those responsible officers and the development of documentation setting out procedures for persons wanting to make disclosures and officers and employees dealing with such disclosures.

On this basis there is a need to develop a PID Policy and associated guidance, consistent with the PID Act and to train public officers in the provisions of the Act. The Local Government Association (LGA) is currently developing guidelines, model policy, model procedures and a training program for councils for the purposes of the PID Act. All resources, including a training session, will be provided to member councils free of charge and will be made available when sufficient information is available to properly inform those resources.

In the normal course of events, the policy guidance would be provided to the Audit Committee for recommendation to Council, thereby facilitating the discharge of its specific function. Unfortunately the timing of the commencement of the Act (1 July), the Audit Committee meetings (next is 12 August) and the likely release of the LGA's products (in coming weeks), will result in the guidance being considered by Council prior to the next Committee meeting.

Nevertheless, it is intended for a fulsome report to the Committee's August meeting on the Administration's actions to implement the provisions of the Act along with suggestions to revise the Committee's TOR in light of the repeal of the WP Act and the commencement of the PID Act.

4. OPTIONS

The Committee has the following options:

- I. To note the information is the report.
- II. To provide direction on further/additional actions to be undertaken to prepare for the commencement of the PID Act.

5. APPENDICES

Nil

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 13 May 2019
AGENDA BUSINESS ITEM**

Item: 6.8

Originating Officer: Steven Watson, Governance and Risk Coordinator

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: Risk Management Policy Review

For: Decision

SUMMARY

Council has developed a range of policies over time that is reviewed regularly in accordance with the endorsed policy review schedule. On occasion's changes to legislation or in this particular case a change to the International Standard, ISO3000 Risk Management Guidelines, initiates a policy review.

Some of these policies have direct relevance to the role and specific functions of the Audit Committee in the fields of risk management, internal audit, fraud & corruption prevention and prudential management.

As such it is prudent for the Audit Committee to consider the proposed revisions to the Risk Management Policy and make comments/changes (if appropriate) prior to the Policy be being presented to Council for consideration.

RECOMMENDATION

The Audit Committee resolves that:

1. The report be received and noted.
 2. The Audit Committee recommends the Risk Management Policy, Appendix 1 to Council for consideration.
-

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

| | |
|----------|-------------------------------|
| Goal | Organisational Sustainability |
| Strategy | Governance |

Updating the Risk Management Policy 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* ('LG Act') require councils to identify and manage the risks associated with its functions and activities.

Section 125 of the LG Act requires Council to ensure that appropriate policies practices and procedures of internal control are implemented and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives.

Section 132A of the LG Act requires Council to ensure that appropriate policies, practices and procedures are implemented and maintained in order to ensure compliance with statutory requirements and achieve and maintain standards of good public administration.

Section 134(4)(b) of the LG Act requires Council to adopt risk management policies, controls and systems.

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 are considered within the development of the Risk Profile and Management Plan.

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

Consultation on the development of this report was as follows:

Council Committees: The Strategic Risk Profile report was last considered by the Audit Committee at its 20 February 2018 meeting. The Committee received and noted the report.

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

Administration: Executive Manager Governance and Performance

Community: 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.

The Risk Management Policy was further reviewed by Council on the 13 June 2017.

3. ANALYSIS

In undertaking the policy review, the requirements of applicable legislation and Local Government Risk Services (LGRS) guidance/templates were reviewed to determine any required/desirable changes to ensure Council's policy is compliant and contemporary. The Executive Leadership Team, Strategic Leadership Team, Staff and Volunteers are to be consulted following Council's consideration.

The Policy has served Council well and the Administration has not identified any shortcomings or potential improvements that require significant change.

Minimal changes were made to the Policy and these have been shown in mark-up form in **Appendix 1**.

4. OPTIONS

The Council has the following options:

- I. To recommend the proposed Risk Management Policy as contained in Appendix 1 to Council for consideration (Recommended).
- II. To determine not to recommend the Risk Management Policy or to suggest changes are made to the Risk Management Policy.

Should the Committee identify the need for substantial amendments to the proposed Policy, it is recommended that they be referred to staff for review, so as to allow for analysis of the implications of the amendments, prior to being brought back for consideration.

5. APPENDICES

- (1) Risk Management Policy

Appendix 1

Risk Management Policy

COUNCIL POLICY

| | |
|---|------------------------|
|  | RISK MANAGEMENT |
|---|------------------------|

| | |
|--|--|
| Policy Number: | GOV-19 |
| Responsible Department(s): | Governance & Performance |
| Other Relevant Policies: | Internal Audit Policy Fraud & Corruption Prevention Policy Work Health and Safety and Injury Management Policy |
| Relevant Procedure(s): | Risk Management Framework |
| Relevant Legislation: | <i>Local Government Act 1999</i> <i>Emergency Management Act 2004</i> <i>Work Health & Safety Act 2012</i> Civil Liabilities Act 1936 |
| Policies and Procedures Superseded by this policy on its Adoption: | Risk Management Policy, Item 12.1, 3, 25 February 2014 Risk Management Policy, Item 12.2, 13 June 2017, SP21/17 |
| Adoption Authority: | Council |
| Date of Adoption: | Entered Administratively |
| Effective From: | Entered Administratively |
| Minute Reference for Adoption: | Entered Administratively |
| Next Review: | No later than April 2022, or as required earlier by legislation or changed circumstances. |

Deleted: Risk

Deleted: Strategic Planning & Development Policy Committee

Deleted: 13 June 2017

Deleted: 27 June 2017

Deleted: Item 12.2, SP21/17

Deleted: 0

RISK MANAGEMENT POLICY

1. INTRODUCTION

- 1.1 There is always uncertainty associated with the decisions and actions Council takes to achieve its objectives.
- 1.2 The effect of uncertainty on objectives is known as 'risk'. The international risk management standard ISO 31000:2018 uses this definition of risk and elaborates that:
 - 1.2.1 An effect is a deviation from the expected – it can be positive and/or negative
 - 1.2.2 Risk is often characterised by reference to potential events and consequence or a combination of the two
 - 1.2.3 Risk is often expressed in terms of a combination of the consequences of an event and the associated likelihood of the occurrence of the event
 - 1.2.4 Uncertainty arises due to a deficiency of information, knowledge or understanding of an event, its consequences, or likelihood.
- 1.3 This policy provides a definition of risk as it applies to the Council, a clear risk policy statement and principles and sets down the responsibilities for Council Members, the Audit Committee, managers, employees, volunteers and contractors.
- 1.4 The policy should be read in conjunction with the risk management framework and associated guides.

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2. POLICY STATEMENT

- 2.1 The Council is committed to maintaining a robust and integrated Governance Framework that assures stakeholders that it is pursuing its objectives and fulfilling its responsibilities with due diligence and accountability.
- 2.2 A fundamental component of this Framework is the effective management of the Council's risks in order to provide greater certainty and security for all its stakeholders. In doing so, Council will be better informed, more decisive and function with increased confidence to achieve its objectives.
- 2.3 To provide consistency and confidence, Council will undertake these risk management activities in accordance with ISO 31000:2018.

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- 2.4 Council aims for high-quality risk management activities to be integrated with all its critical processes, so that before events occur or if there is a change in circumstances that might enhance or prevent Council achieving its objectives, the organisation is able to recognise and respond to the risk in a consistent, proactive way. Equally, when events occur, Council will use systematic processes to learn the lessons from its successes, failures and near misses. In this way Council will drive service improvement and organisational learning and growth.

3. POLICY PRINCIPLES

- 3.1. The principles of the Council's approach to managing risk are to:
- 3.1.1. Embed systematic and effective processes to identify, prioritise and manage existing and emerging risks;
 - 3.1.2. Ensure linkages to strategic goals and objectives;
 - 3.1.3. Develop a risk management methodology that supports and defines the Council's risk appetite;
 - 3.1.4. Foster a culture that encourages employee participation in the risk management process;
 - 3.1.5. Build a reporting framework that facilitates and enhances the disclosure of potential risk to appropriate levels of management;
 - 3.1.6. Demonstrate that a proper level of due diligence is undertaken in decision-making;
 - 3.1.7. Create an environment where all Council employees take responsibility for managing risk.

4. SCOPE

- 4.1. This policy encompasses every member of the organisation, including Council Members, Chief Executive Officer, Leadership Team, employees, volunteers and contractors given that each has responsibility for the effective management of risk with their area(s) of responsibility.

5. RESPONSIBILITIES

- 5.1. The **Council** has ultimate responsibility for risk management across the organisation, adopting the risk management policy and determining an acceptable level of risk (risk appetite).
- 5.2. The **Audit Committee** is responsible for monitoring strategic risk management and the adequacy of internal controls established to manage identified risks and to provide advice to the Chief Executive Officer on these and related matters as required.

- 5.3. The **Chief Executive Officer** is responsible for ensuring that a risk management framework is established, implemented and maintained in accordance with this Policy, allocating risk management responsibilities and monitoring the overall risk profile and mitigating strategies.
- 5.4. The **Leadership Team** members are accountable for the implementation, maintenance and evaluation of risk management within their areas of responsibility in accordance with the risk management framework. They are responsible for creating an environment where each staff member is responsible for and actively involved in managing risk.
- 5.5. **Employees, Volunteers and Contractors** are responsible for identifying potential risks and for the effective management of risk as part of their employment or contractual obligations with the Council.
- 5.6. The **Governance & Performance** is responsible for the development and continuous improvement of the Council's risk management systems and processes; the development of information resources, training, tools and templates; the monitoring of risk registration; and reporting to the Chief Executive Officer and Audit Committee regarding the Council's risk profile and mitigation strategies.
- 5.7. A **Risk Owner** (an employee to whom responsibility for the management of a specific risk has been allocated) is responsible for ensuring that they manage their designated risk in accordance with the Risk management Framework.

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6. RELATIONSHIP TO INTERNAL AUDIT

- 6.1. One of the key determinants for the selection of activities, systems and processes to be reviewed by the Internal Audit function is the level of risk they pose to the achievement of the Council's objectives.
- 6.2. Risk assessment information will be a key input in the selection of activities, systems and processes to be included in the Council's Internal Audit Plan. The outcomes of these audits/reviews will be entered into the Risk Register to further refine the risk information.

7. DELEGATION

7.1. The CEO has the delegation to:

7.1.1. Approve, amend and review any procedures that shall be consistent with this Code.

7.1.2. Make any formatting, nomenclature or other minor changes to the Code during the period of its currency.

Deleted: The CEO has the delegation to approve, amend and review any procedures that shall be consistent with this Policy.

8. AVAILABILITY OF THE POLICY

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- 8.1. This Code is available for inspection at the Council's Offices during ordinary business hours and via the Council's website www.ahc.sa.gov.au. Paper copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.