

AUDIT COMMITTEE

NOTICE OF MEETING

To: **Presiding Member** Cr Malcolm Herrmann

Members David Moffatt Peter Brass Natalie Johnston 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 14 February 2022 6.30pm Zoom Virtual Meeting Room

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. Meetings will be conducted in accordance with the applicable COVID-19 social distancing guidelines and may result in Members participating electronically in accordance with the provisions of the Committee's Terms of Reference.

Following amendments to s90 of the Act, this meeting of the Committee is taken to be conducted in a place open to the public given that the Committee Members will be participating via electronic means and the public can access a live stream of the meeting via the link contained on Council's website.

A 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 14 February 2022 6.30pm Zoom Virtual Meeting Room

ORDER OF BUSINESS

1. COMMENCEMENT

1.1. Acknowledgement of Country

Council acknowledges that we meet on the traditional lands and waters of the Peramangk and Kaurna people. We pay our respects to Elders past, present and emerging as the Custodians of this ancient and beautiful land. Together we will care for this country for the generations to come.

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 November 2021

Recommendation

That the minutes of the Audit Committee meeting held on 15 November 2021 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 CONFLICT OF INTEREST BY MEMBERS OF THE COMMITTEE

6. PRESENTATIONS, ACTION REPORT & WORKPLAN

- 6.1. Development & Regulatory Services Directorate Risk Presentation
- 6.2. Action Report and Work Plan Update
 - 1. That the report be received and noted.
 - 2. That the status of the Action Report and Work Plan be noted.

7. OFFICER REPORTS

- 7.1. External Audit Plan 2021–22
 - 1. That the report be received and noted.
 - 2. To recommend to Council the approval of the 2021-22 External Audit Plan by Galpins Accountants, Auditors and Business Consultants as contained in Appendix 1.
- 7.2. 2022-23 Long Term Financial Plan Review
 - 1. That the report be received and noted
 - 2. Notes the 2022-23 Draft Long Term Financial Plan.
 - 3. Recommends Council approve the 2022-23 Draft Long Term Financial Plan, as contained in Appendix 1 for community consultation in accordance with Section 122 of the Local Government Act 1999.
 - 4. That the Chief Executive Officer be authorised to make minor changes to the 2022-23 Draft Long Term Financial Plan arising from the Committee's consideration of the matter prior to it being provided to Council.
- 7.3. Budget Review 2
 - 1. That the report be received and noted.
 - 2. To recommend to Council the proposed budget adjustments presented in Budget Review 2 which result in:
 - a. An increase in the Operating Surplus from \$1.115m to \$1.546m for the 2021-22 financial year.
 - b. Changes to Capital Works, reducing capital income by \$1.299m and reducing capital expenditure by \$5.253m for the 2021-22 financial year resulting in a revised capital expenditure budget for 2021-22 of \$21.982m.
 - c. A reduction in Council's current Net Borrowing Result from \$7.348m to \$2.572m for the 2021-22 financial year as a result of the proposed operating and capital adjustments.



- 7.4. Debtors Report to 31 December 2021 The Audit Committee resolves that the report be received and noted.
- 7.5. Transferable Risk Profile Report The Audit Committee resolves the report be received and noted.
- 7.6. Risk Management Plan Update The Audit Committee resolves the report be received and noted.

7.7. Audit Committee Meeting Dates 2022

- 1. That the report be received and noted.
- 2. To approve the Audit Committee meeting schedule, timings and locations for 2022 as follows:

Commencement	6.30pm
	Monday 14 February 2022, 63 Mt Barker Road, Stirling (this meeting)
	Wednesday 20 April 2022, 63 Mt Barker Road, Stirling
Meeting Dates	Monday 23 May 2022, 63 Mt Barker Road, Stirling
and Locations	Monday 15 August 2022, 63 Mt Barker Road, Stirling
	Monday 17 October 2020, 63 Mt Barker Road, Stirling
	No meeting scheduled (Council General Elections Nov 2022)

3. That the Chief Executive Officer be authorised to adjust the meeting schedule, timings and locations as required (e.g. where there is a scheduling clash with another important corporate event or meeting, or where a scheduled meeting falls on a non-business day, or where a quorum is unlikely, or where no meeting is scheduled, although is required).

7.8. Internal Audit Quarterly Update

- 1. That the report be received and noted
- 2. To recommend to Council to adopt the revised Strategic Internal Audit Plan v1.9a as contained in Appendix 1.
- 7.9. Council Quarterly Performance Report Q2*The Audit Committee resolves that the report be received and noted.*
- 7.10. Legislative Reform Second Round Proclamation The Audit Committee resolves that the report be received and noted.
- 7.11. Audit Action Implementation Report
 - 1. That the report be received and noted
 - 2. To note the implementation status of Internal and External Audit actions.



8. CONFIDENTIAL ITEMS

Nil

9. NEXT MEETING

The next Audit Committee meeting will be held at 6.30pm on Wednesday 20 April 2022 at 63 Mount Barker Road, Stirling.

10. CLOSE MEETING

In Attendance

Members:

Cr Malcolm Herrmann	Presiding Member
Peter Brass	Independent Member
David Moffatt	Independent Member
Natalie Johnston	Independent Member
Councillor Leith Mudge	Council Member

In Attendance:

Andrew Aitken Chief Executive Officer				
Peter Bice Director Infrastructure & Operations				
Lachlan Miller	Executive Manager Governance & Performance			
Mike Carey	Manager Financial Services			
David Collins Manager Strategic Assets				
Kira-marie Laverty	-marie Laverty Corporate Planning & Performance Coordinator			
Steven Watson Governance and Risk Coordinator				
	Minute Taker			

Guests in Attendance:

Nil	

1. COMMENCEMENT

The meeting commenced at 6.30pm.

1.1. Acknowledgement of Country

Council acknowledges that we meet on the traditional lands and waters of the Peramangk and Kaurna people. We pay our respects to Elders past, present and emerging as the Custodians of this ancient and beautiful land. Together we will care for this country for the generations to come.

2. APOLOGIES/LEAVE OF ABSENCE

2.1. Apology

Nil

2.2. Leave of Absence

Nil

2.3. Absent

Nil

3. MINUTES OF PREVIOUS MEETINGS

3.1. Audit Committee Meeting – 18 October 2021

Moved Peter Brass S/- Natalie Johnston

That the minutes of the Audit Committee meeting held on 18 October 2021 as supplied, be confirmed as an accurate record of the proceedings of that meeting.

Carried Unanimously

53/AC21

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(s) 7.3, 7.4 and 7.9** are to be submitted to Council for consideration.

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

5.1. Material Conflict of Interest, Cr Malcolm Herrmann, Item 7.1

Under Section 74 of the *Local Government Act 1999* Cr Malcom Herrmann disclosed a Material Conflict of Interest in Item 7.1, CWMS Expansion, the nature of which is as follows:

• I own property which is connected to the CWMS and as a result of any discussion and or decision I may receive a benefit or suffer a loss.

Cr Malcolm Herrmann intends to leave the meeting when this item is discussed.

5.2. Material Conflict of Interest, Cr Malcolm Herrmann, Item 7.2, CWMS Service Charge Fee Adjustment

Under Section 74 of the *Local Government Act 1999* Cr Malcom Herrmann disclosed a Material Conflict of Interest in Item 7.2, CWMS Service Charge Fee Adjustment, the nature of which is as follows:

• I own property which is connected to the CWMS and as a result of any discussion and or decision I may receive a benefit or suffer a loss.

Cr Malcolm Herrmann intends to leave the meeting when this item is discussed.

6. PRESENTATIONS, ACTION REPORT & WORKPLAN

6.1. Director Infrastructure & Operations Risk Presentation

The Committee thanked the Director Infrastructure & Operations for his Risk presentation.

6.2. Action Report and Work Plan Update

Moved David Moffatt S/- Cr Leith Mudge

54/AC21

The Audit Committee resolves:

- 1. That the report be received and noted.
- 2. That the status of the Action Report and Work Plan be noted.
- 3. The draft Audit Committee Work Plan 2022, at Appendix 3, be adopted.

34

Carried Unanimously

7. OFFICER REPORTS – DECISION ITEMS

7.09pm Cr Malcolm Herrmann declared a Material Conflict of Interest at Agenda Item 5, Declaration of Interest by Members in relation to Items 7.1 and 7.2 and left the meeting and did not participate in the vote for Item 7.1 and Item 7.2.

7.09pm Peter Brass assumed the role of Presiding Member.

7.1. CWMS Expansion

Moved Cr Leith Mudge S/- Natalie Johnston

The Audit Committee resolves:

- 1. That the report be received and noted
- 2. That it supports Council's withdrawal from the current LGA CWMS Subsidy Scheme Program
- Carried

7.2. CWMS Service Charge Fee Adjustment

Moved Cr Leith Mudge S/- David Moffatt

The Audit Committee resolves:

- 1. That the report be received and noted
- 2. That it endorses the adjustment of the CWMS 21-22 Service Charge Fee and return of the savings to customers.

Carried

7.29pm Cr Herrmann returned to the meeting and Presiding Member role.

Presiding Member

_14 February 2022

56/AC21

55/AC21

7.3. End of Year Financial Report

Moved Peter Brass S/- Natalie Johnston

The Audit Committee resolves:

- 1. That the report be received and noted
- 2. To recommend to Council that the Audited 2020-21 Financial Results compared to Budget contained within this report have been appropriately considered.

7.4.

The Audit Committee resolves:

Draft Annual Report Moved Peter Brass S/- David Moffatt

- 1. That the report be received and noted
- 2. To advise Council that the Committee has reviewed the Draft 2020-21 Annual Report, as contained in Appendix 1, in terms of the reports adequacy in meeting its legislative requirements.
- **3.** That, on the basis of the Committee's review, to recommend the Annual Report to Council for adoption.

Carried Unanimously

57/AC21

58/AC21

Carried

7.5. Audit Committee Self-Assessment 2021

Moved Natalie Johnston S/- Cr Leith Mudge

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

Carried Unanimously

59/AC21

60/AC21

61/AC21

7.6. LGRS Risk Evaluation 2019 – Action Plan Review

Moved Natalie Johnston S/- David Moffatt

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

Carried Unanimously

7.7. **Audit Action Implementation Report**

Moved Peter Brass S/- Natalie Johnston

The Audit Committee resolves:

- 1. That the report be received and noted
- To note the implementation status of Internal and External Audit actions. 2.

Carried Unanimously

7.8. Internal Audit Quarterly Update

Moved Natalie Johnston S/- Cr Leith Mudge

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

Carried

7.9. Budget Review 1

Moved Peter Brass S/- Cr Leith Mudge

The Audit Committee resolves:

- 1. That the report be received and noted.
- 2. To recommend to Council the proposed budget adjustments presented in Budget Review 1 which result in:
 - a. An increase in the Operating Surplus from \$957k to \$1.115m for the 2021-22 financial year.
 - b. Changes to Capital Works, reducing capital income by \$259k and increasing capital expenditure by \$757k for the 2021-22 financial year resulting in a revised capital expenditure budget for 2021-22 of \$27.236m.
 - An increase in Council's current Net Borrowing Result from \$6.460m to \$7.348m for the 2021-22 financial year as a result of the proposed operating and capital adjustments.

Carried Unanimously

63/AC21

62/AC21

7.10. **Risk Management Plan Update**

Moved Peter Brass S/- Cr Leith Mudge

64/AC21

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

Carried Unanimously

8. **CONFIDENTIAL ITEMS**

Nil

9. **NEXT MEETING**

The next ordinary meeting of the Audit Committee will be held on Monday 14 February 2022 from 6.30pm at 63 Mt Barker Road, Stirling.

10. **CLOSE MEETING**

The meeting closed at 8.17pm

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE MEETING Monday 14 February 2022 AGENDA BUSINESS ITEM

ltem:	6.2
Responsible Officer:	Steven Watson Governance & Risk Coordinator Office of the Chief Executive
Subject:	Action Report
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.

The Audit Committee 2022 Work Plan has NIL (0) suggested amendments for this meeting.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted.
- 2. That the status of the 2022 Action Report and Work Plan be noted.

1. GOVERNANCE

Strategic Management Plan/Council Policy

Strategic Plan 2020-24 – A brighter futureGoal 5A Progressive OrganisationObjective 05We are accountable, informed, and make decisions in the best interests
of the whole communityPriority 05.1Enhance governance structures and systems to prudently adapt to
changing circumstances and meet our legislative 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)	Low (3E)	Low (3E)

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.

With the current COVID-19 social distancing requirements, Audit Committee meetings are continuing to be held in the advertised venue with Committee Members participating by following COVID safe practices.

Sustainability Implications

There are no direct sustainability implications arising from this report.

> Engagement/Consultation conducted in the development of the report

Council Committees:	Not Applicable
Council Workshops:	Not Applicable
Council Committees:	Not Applicable
Advisory Groups:	Not Applicable
External Agencies:	Not Applicable
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.

Work Plan Amendment

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 an updated Work Plan at its 15 November 2021 meeting.

3. ANALYSIS

Action Report

There are two (2) completed items and three (3) outstanding item on the Audit Committee Action Report (*Appendix 1*) arising from previous Committee meetings. Commentary against the item is provided for the Committee's information.

Work Plan and Reporting Schedule

As per the 2022 Audit Committee Work Plan and Reporting Schedule (**Appendix 2**), the following items are detailed below are included in this meeting:

Item	Commentary	Month Scheduled
Financial Reporting		
Long Term Financial Plan (LTFP)	Included in this meeting	February
Annual Business Plan		April
Budget Review 1		November
Budget Review 2	Included in this meeting	February
Budget Review 3		May
End of Year Financial Report		November
End of financial year reporting timetable		May
End of financial year update		August
Final Annual Financial Statements (incl management representation letter)		October
Internal Control and Risk Management		
Placement of Council's insurance portfolio (for noting)		August
Internal Financial Controls update		Мау
Risk Management Plan update	Included in this meeting	February/May/ August/November

Results of LGRS Risk Management Review	N/A	February (Biennial)
LGRS Risk Evaluation - Action Plan Review		May/November
Internal Audit		•
Internal Audit quarterly update	Included in this meeting	February/May/ August/November
Internal audit reports		As Required
Implementation of internal audit actions progress report	Agreed Actions Implementation Report (included in this meeting)	February/August
Internal Audit Plan review		May
External Audit		
External audit interim letter		April
Implementation of external audit actions progress report	Agreed Actions Implementation Report (included in this meeting)	February/August
External Audit Plan review	Included in this meeting	February
Meeting attendance by external auditors		February/October
Review of auditor independence and legislative compliance		October
Audit Committee Completion Report	There was one audit action arising from the Audit Completion Report and this is reported in the Audit Actions Implementation Report (included in this meeting).	October/November
Public Interest Disclosure		
Public Interest Disclosure Policy review (replaces Whistle-blowers)		April 2022
Public Interest Disclosure Arrangements and Compliance		May 2022
Other Business		
Audit Committee self-assessment review		November
Presiding Member's Report		November
Work Plan and Reporting Schedule		November
Audit Committee Meeting Dates		November
Debtors Report	Included in this meeting	February/August
Annual Report		November
Action Report & Work Plan Update		All Meetings

Audit Committee Terms of Reference		August
Directors Presentation	Included in this meeting	February/May/ August/November
Other Reports	As required	As Required

2022 Work Plan

There is no suggested changes to 2022 Audit Committee Work Plan (Appendix 2).

4. OPTIONS

The Committee has the following options:

- I. To note the status of the Action Report at *Appendix 1* (recommended).
- II. To alter or substitute elements of the Action Report (not recommended).

5. APPENDICES

- 1. Audit Committee Action Report
- 2. 2022 Audit Committee Work Plan (v1.0)

Appendix 1

Audit Committee Action Report

Audit Committee Action Report February 2022

Meeting Date	Meeting	Res No.	Item Name	Previously Declared COI	Action Required (Council Resolution)	Responsible Director	Responsible Officer	Status Date of Upda	e Due Date	Status (for Council reporting)
24/05/2021	Audit Commi	iittee AC33/21	Cyber Security Report - Period of Confidentiality	None declared	That the report, related attachments and the minutes of the Audit Committee and the discussion and considerations of the subject matter be retained in confidence until the control deficiencies are mitigated but no longer than 30 June 2023.	Terry Crackett	James Sinden	In Progress 25/01/2022	30/06/202	All C SMH have been assisting with the development of a local Government Cyber Security Framework that has been part included by the IC Land Relitated by GIGTS (local Government Information Technology South Australia) and external consultants. A draft wrvision of the framework is expected to be released shortly to the LG Sector for feedback. 30 Allow work keiting vontification on advecting a number of norminendiation from the Cyber Security Audit working with external consultants. The progression of a local Government Cyber Security Framework that commenced working to cubicardion with LGA, LGTSA and consultants. A dard version of the framework will commence consultation with the G Security form
16/08/2021	Audit Commi	iittee 42/AC21	7.6.Internal Audit Quarterly Update	NIL	Administrative Action - Review the Strategic Internal Audit Plan, construct an assurance map of the scheduled audits and propose a revised Plan.	Andrew Aitken	Lachlan Miller	In Progress 3/02/2022	14/02/202	² To be presented in the Internal Audit Quarterly Update the 14 February 2022 meeting.
16/08/2021	Audit Commi	iittee 40/AC21	7.4.Audit Action Implementation Update	NIL	Administrative Action -Once appointed, the Director Corporate Services to invite Team Leader ICT to present at Audit Committee.	Terry Crackett	Terry Crackett	In Progress 14/01/2022	28/02/202	Recruitment to the Team Leader ICT position has been completed. Recruitment to the 1 Technical Officer role was not successful after approaching the market. A revised approach to support this activity is curred by eding implement. An update to the Audit Committee from the Team Leader ICT will be provided in April 2022.
18/10/2021	Audit Commi	iittee AC48/21	7.2.Climate Risk & Governance - Update	Nil	That an annual status update be provided on the Climate Change Adaptation Governance and Risk Assessment indicator progression	Andrew Aitken	Steven Watson	Completed 30/11/2021	11/11/202	1 Workplan updated to reflect resolution.
15/11/2021	Audit Commi	iittee 58/AC21	Draft Annual Report	None declared	That the report be received and notedTo advice Council that the Committee has reviewed the Draft 2020-21 Annual Report, as contained in Appendix 1, in terms of the reports adequacy in meeting its legislative requirements. That, on the basis of the Committee's review, to recommend the Annual Report to Council for adoption.	Andrew Aitken	Kira-Marie Laverty	Completed 14/01/2022	23/12/202	The 2020-21 Annual Report was taken to November Council Meeting with Audit Committee's recommendation. The report was adopted per Res 253/21.

Appendix 2

2022 Audit Committee Work Plan (v1.0)

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE

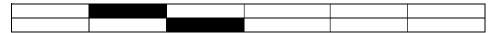
2022 Work Plan and Reporting Schedule

Terms of Reference		
Financial Reporting &	Long Term Financial Plan (LTFP)	Annual
Prudential Requirements	Annual Business Plan	Annual
rudential nequilements	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
nternal Control and Risk	Placement of Council's insurance portfolio (for noting)	Annual
Management	Internal Financial Controls update	Annual
	Risk Management Plan Update	Quarterly
	LGRS Risk Evaluation - Results	Biennial
	LGRS Risk Evaluation - Action Plan Review	Bi-annual
Internal Audit	Internal Audit quarterly update	Quarterly
	Internal audit reports	As require
	Implementation of internal audit actions progress report	Bi-annual
	Internal Audit Plan review	Annual
External Audit	External audit interim letter	Bi-annual
	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 Completion Report	Annual
Public Interest Disclosure	Public Interest Disclosure Policy review (replaces Whistleblowers)	Triennial
	Public Interest Disclosure Arrangements and Compliance	Annual
Other Business	Audit Committee self assessment review	Annual
other business	Presiding Member's Report	Annual
	Work Plan and Reporting Schedule	Annual
	Audit Committee Meeting Dates	Annual
	Debtors Report	Bi-annual
	Council's Annual Report	Annual
	Action Report & Work Plan Update	All Mtgs
	Audit Committee's Terms of Reference	Annual
	Climate Change Adaptation Governance Assessment Report - July 2019	Bi-annual
	Quarterly Performance Report	Quarterly
	Directorate Risk Profile Presentation	Quarterly
	Other Reports	As require

Version Control: V1.0 - Adpoted 15 November 2021

			2022	-	
Feb	April	Мау	Aug	Oct	Nov
	Draft				
2021-22					2022-2023
		2021-22			
					2021-22
		2021-22			
			2021-22		
				2021-22	

	verbal	letter		
			in camera	
			draft	final



Q2 (pre-Council)	Q3 (pre-Council)		Q4 (post-Council)	Q1 (pre-Council)	
Director Development & Regulatory Services		Director Corporate Services	Office of the CEO	Director Community Capacity	Director Infrastructure & Operations
as required	as required	as required	as required	as required	as required

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE MEETING Monday 14 February 2022 AGENDA BUSINESS ITEM

ltem:	7.1
Responsible Officer:	Lachlan Miller Executive Manager Governance & Performance Office of the Chief Executive
Subject:	2021-22 External Audit Plan
For:	Decision

SUMMARY

At its 15 December 2020 meeting, Council (upon the Audit Committee's recommendation) resolved to exercise the two-year option under the Professional Services Agreement for External Audit with Galpins Accountants, Auditors and Business Consultants (Galpins) for the conduct of the 2020-21 and 2021-22 audits years of the audit contract.

With the financial year approaching completion, Galpins have prepared a 2021-22 External Audit Plan (**Appendix 1**) for the 2021-22 Annual Financial Statements Audit and Internal Financial Control Audit.

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

Mr Tim Muhlhausler of Galpins will be attending the meeting to provide any further information or clarifications.

The purpose of this report is to provide the 2021-22 External Audit Plan for the Committee's review and, if satisfied, to seek the Committee's recommendation to Council for approval.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted.
- 2. To recommend to Council the approval of the *2021-22 External Audit Plan* by Galpins Accountants, Auditors and Business Consultants as contained in Appendix 1.

1. GOVERNANCE

Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5	A Progressive Organisation
Objective O5	We are accountable, informed and make decisions in the best interests of the whole community
Priority 05.1	Enhance governance structure and systems to prudently adapt to changing circumstances and meet our legislative obligations
Priority O5.3	Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community

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

Legal Implications

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

Legislative changes arising form the *Statute Amendment (Local Government Review)* Act 2021 continue to be progressively commenced and a separate report in the 14 February 2022 agenda summarises the changes that will impact the Audit Committee's role and functions.

Specifically related to external audit, new provisions in s128(6) of the *Local Government Act 1999* require that where an auditor has provided services for 5 successive financial years, that the council must appoint another audit firm and not use the previous firm until at least 5 years have passed.

Risk Management Implications

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

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

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Low (3E)	Low (3E)

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

Financial and Resource Implications

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

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

> Customer Service and Community/Cultural Implications

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

Sustainability Implications

Not directly applicable

> Engagement/Consultation conducted in the development of the report

Consultation on the development of this report was as follows:

Council Committees:	Not Applicable
Workshops:	Not Applicable
Advisory Groups:	Not Applicable
External Agencies:	Galpins Accountants, Auditors and Business Consultants
Community:	Not Applicable

2. BACKGROUND

The Audit Committee's Terms of Reference set out a number of specific functions, one of which relates to External Audit and contains key roles for the Committee, relevant to the conduct of the 2021-22 Annual Financial Statement Audit and Internal Financial Control Audit, as follows:

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

Roles 1 & 4 occur in the framing of the external audit plan and engagement letter and is traditionally considered by the Audit Committee at the February meeting. Roles 2 & 3 occur when considering the Audit Completion Report at the October meeting.

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

On 15 December 2020, Council (upon the Audit Committee's recommendation) resolved to exercise the two-year option under the Professional Services Agreement for External Audit with Galpins Accountants, Auditors and Business Consultants (Galpins) for the conduct of the 2020-21 and 2021-22 audits years of the audit contract.

3. ANALYSIS

The *Audit Engagement Letter*, as approved by Council for the 2018-19 audit (*Appendix 2*), contains a clause that it remains effective for future years. Galpins have confirmed that there are no changes to the provisions of the letter (other than the obvious applicability to each successive year's audits)

In preparation for the 2021-22 External Audit, Galpins have prepared a *2021-22 External Audit Plan* (*Appendix 1*) for the Audit Committee's review and, if satisfied, recommendation to the Council for approval.

The External Audit Plan is similar to previous years with the exception that the Audit Methodology has been expanded to provide additional information following queries being raised by the Committee regarding the use of substantive testing.

The Administration has reviewed the Plan and is agreeable with the scope, methodology and timeframes set out in the Plan.

Tim Muhlhausler (Partner) will be attending the Audit Committee meeting to provide any further information or clarifications.

Should the Audit Committee determine to recommend to Council to approve both documents, a report will be prepared for the Council's 22 February 2022 meeting.

4. OPTIONS

The Committee has the following options:

- I. To recommend to Council the scope of work and timing of the 2021-22 External Audit Plan by Galpins Accountants, Auditors and Business Consultants as contained in *Appendix 1*. (Recommended)
- II. To seek amendments to the scope of work and timing of the 2021-22 External Audit Plan by Galpins Accountants, Auditors and Business Consultants as contained in *Appendix 1*. Seeking amendment may impact on the timeliness and/or cost of External Audit service provision (Not Recommended)

5. APPENDICES

- (1) 2021-22 External Audit Plan
- (2) Audit Engagement Letter Galpins

Appendix 1

2021-22 External Audit Plan



2021/22 External Audit Plan

Adelaide Hills Council



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1. AUDIT SCOPE

Applicable Financial Reporting Framework

The financial report is a general purpose financial report. The financial report is prepared in compliance with section 127 of the *Local Government Act 1999,* in accordance with relevant Australian Accounting Standards and in accordance with the requirements set out in the Model Financial Statements (as required by the *Local Government (Financial Management) Regulations 2011*).

The financial report prepared by council comprises a Statement of Comprehensive Income, a Statement of Financial Position, a Statement of Changes in Equity, a Statement of Cash Flows, notes disclosures and a certificate from the Mayor and the Chief Financial Officer.

Opinion on the Financial Report

The financial statements prepared for each financial year must be audited by the council's auditor as required by section 127(3) of the *Local Government Act 1999*. The auditor must provide to the council an opinion with respect to the financial statements (s129(3)(a)).

We are to provide an opinion as to whether council financial report presents fairly, in all material aspects, the financial position of the council as at the end of current financial year, and its financial performance and its cash flow for the year ended on that date in accordance with the *Australia Accounting Standards*, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.

Opinion on the Internal Controls

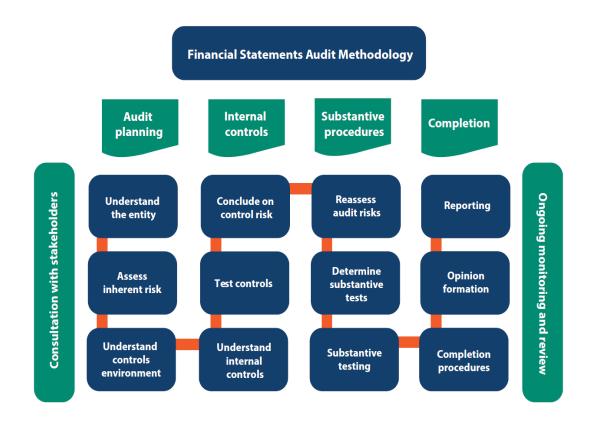
Section 125(1) requires council to ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records. The auditor must provide audit opinion as to whether the controls audited are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with the law (s129(3)(b)).

Section 125(2) of the Act, in conjunction with section 10A of the Local Government (Financial Management) Regulations 2011, requires internal financial controls of council to be designed and implemented in accordance with the *Better Practice Model – Internal Financial Controls*.

We are to provide an opinion whether council has complied, in all material aspects, with section 125 of the *Local Government Act 1999* only as it relates to financial internal controls established by Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law for the period being audited.

2. AUDIT METHODOLOGY

The Galpins Audit Methodology is a risk-based methodology consisting of four main stages – Audit Planning, Internal Controls, Substantive Procedures and Completion. Further detail regarding these stages is provided below.



Our audit methodology incorporates all the key elements of a traditional audit approach, enhanced with the addition of modern audit techniques and artificial intelligence technology to create our own unique, industry leading methodology.

The stages are managed in an environment of ongoing monitoring and review and consultation with stakeholders.

Galpins

Audit planning

The objective of the audit planning stage is to develop an understanding of the entity, its unique characteristics and requirements, allowing us to tailor our audit approach accordingly.

- We research and document the entity's industry, regulatory environment, legislative responsibilities, financial reporting environment and internal governance arrangements.
- We perform analytical review, carry out structured interviews with management and other relevant staff and conduct walkthroughs to gain an understanding of the internal controls at the entity level and the financial reporting process.
- Based on this knowledge, we identify and rank the risks of material misstatement, fraud and non-compliance with legislation
- Materiality for the engagement is determined for the financial statements as a whole; for individually significant items, and a threshold for clearly trivial differences is also established.
- The overall audit strategy is then developed and audit procedures defined to achieve an efficient and effective audit approach to mitigate identified risks.

Internal controls

We design and perform tests of internal controls to determine the risk of material misstatement in the financial statements, and add value by identifying opportunities for improvement in processes and controls.

- Informed by the insights gained from our planning, we obtain an understanding of key internal financial controls and perform tests of design and effectiveness for these controls.
- We use the results of control testing to refine our assessment of the risks of material misstatement and design further audit procedures to reduce risk where necessary.
- We apply our significant experience in the design, implementation and audit of internal control environments and activities to identify opportunities for improvement in our clients' internal financial controls

Substantive procedures

Using the latest Artificial Intelligence Assisted Audit Techniques, we analyse every transaction in the financial ledger, supporting identification of high-risk transactions. Informed by insights gained from planning, controls testing and AI analysis, we design and perform tests of account balances and transaction streams.

- We use cutting edge Artificial Intelligence Assisted Audit Techniques to risk-rate 100% of financial transactions in the general ledger, using at least 28 different criteria.
- We perform advanced anomaly detection and trend analysis using next-generation Artificial Intelligence Assisted data analytics layered with machine learning and natural language capabilities.
- The results of our analysis are used to identify specific high risk transactions to be tested, such as suspicious manual journals and payments, and provide insights into the financial health of the entity, performance trends, and other risk factors requiring audit attention.
- We design targeted substantive procedures, including analytical review and tests of detail, to address identified risks.
- The results of substantive testing performed during the audit are evaluated to determine the extent to which risks have been addressed. This enables us to develop a final assessment of the risk of material misstatement.

Completion

This stage consolidates all of the audit work performed during the previous stages to determine the appropriate audit opinion and report results to management and those charged with governance.

- We evaluate the results of audit testing and determine whether adjustments to the financial statements are required.
- We review the final financial statements to provide support regarding the best presentation of these reports.
- Following discussions with management, we prepare a management letter/s providing relevant feedback on the entity's financial operations, performance, internal controls and legislative compliance together with recommendations for improvements.
- Based on our final assessment of the risk of material misstatement, we issue an audit opinion regarding the presentation of the financial statements.

3. SUMMARY AUDIT PLAN

Audit Plan Summary Table – Statement of Comprehensive Income – Income

Account balance	Key Business cycle	2021	2020	Key Audit Matter	Audit Approach	Inherent risk
Rates and charges	Rates	40,110	38,547	N/A	Controls and Substantive	High
Statutory charges	User Pay Income	1,489	1,180	N/A	Substantive	Low
User charges	User Pay Income	705	704	N/A	Substantive	Low
Grants	Grants	8,219	5,245	Section 4.4	Substantive	Moderate
Investment Income	Investment Income	22	42	N/A	Substantive	Low
Reimbursements	Other revenue	235	228	N/A	Substantive	Low
Other Income	Other revenue	637	605	N/A	Substantive	Low
Equity Accounted Business	Other revenue	764	73	N/A	Substantive	Low
		52,181	46.536			

Audit Plan Summary Table – Statement of Comprehensive Income – Expenses

Account balance	Key Business cycle	2021	2020	Key Audit Matter	Audit Approach	Inherent risk
Employee costs	Payroll	18,644	17,664	N/A	Controls and Substantive	High
Materials, contracts and other expenses	Purch/Procurement and contracting	21,101	21,608	N/A	Controls and Substantive	High
Depreciation, amortisation and impairment	Fixed assets	9,451	9,207	Sections 4.1/4.2/4.3	Controls and Substantive	High
Finance costs	Other expenses	615	589	N/A	Substantive	Low
Net loss – equity accounted businesses	Other expenses	13	10	N/A	Substantive	Low
		49,824	49,078			

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

Account balance	Key Business cycle	2021	2020	Key Audit Matter	Audit Approach	Inherent risk
Physical Resources Received Free of Charge	Fixed assets	1,884	970	N/A	Controls and Substantive	High
Asset Disposal & Fair Value Adjustments	Fixed assets	(2,405)	(1,757)	N/A	Controls and Substantive	High
Amounts Received Specifically for new/up assets	Grants	1,108	556	Section 4.4	Substantive	Moderate
		587	(231)			

Audit Plan Summary Table – Statement of Financial Position – Assets

Account balance	Key Business cycle	2021	2020	Key Audit Matter	Audit Approach	Inherent risk
Cash and cash equivalents	Banking	637	518	N/A	Controls and Substantive	High
Trade and other receivables	Debtors	3,225	2,761	N/A	Controls and Substantive	Moderate
Inventories	Inventories	23	18	N/A	Substantive	Low
Equity accounted investments	Other assets	2,342	1,491	N/A	Substantive	Low
Infrastructure, property, plant & equipment	Fixed assets	433,592	422,745	Sections 4.1/4.2/4.3	Controls and Substantive	High
		439,819	427,533			

Audit Plan Summary Table – Statement of Financial Position – Liabilities

Account balance	Key Business cycle	2021	2020	Key Audit Matter	Audit Approach	Inherent risk
Trade and other payables	Accounts Payable	7,734	5,254	N/A	Controls and Substantive	High
Borrowings current	Borrowings	5,523	7,285	N/A	Substantive	Low
Provisions current	Provisions	3,963	3,588	N/A	Substantive	Moderate
Borrowings non-current	Borrowings	5,425	5,446	N/A	Substantive	Low
Provisions non-current	Provisions	1,527	1,528	N/A	Substantive	Moderate
		24,172	23,101			

Audit Plan Summary Table – Statement of Financial Position – Equity

Account balance	Key Business cycle	2021	2020	Key Audit Matter	Audit Approach	Inherent risk
Accumulated surplus	Other business cycles	142,182	138,645	N/A	Substantive	Low
Asset revaluation reserves	Fixed assets	273,017	265,206	Sections 4.1/4.2/4.3	Controls and Substantive	High
Other reserves	Other business cycles	448	581	N/A	Substantive	Low
		415,647	404,432			

4. KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditor's professional judgement, ARE of most significance in the audit of the financial report. We address these matters in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

4.1 Valuation of Infrastructure assets

Why the matter is significant	Overall audit response
Infrastructure assets are valued at fair value. The	Our audit includes but is not limited to the following
fair values of these assets were based on	activities:
depreciated current replacement costs which is	reconciling closing balances to the asset register/s
comprised by the gross replacement cost less	reconciling the movements in note 7 to the asset
accumulated depreciation.	register/s
 Council values the gross replacement cost using the estimated average cost (unit cost) at which it could construct a substitute asset of comparable quality in the normal course of business. There is inherent subjectivity involved in making judgments in relation to assumptions used to estimate unit rates which also involved determining the: components of assets that are replaced at different times in the asset lifecycle costs required to replace these components using current prices for materials, labour, and plant costs indices for measuring subsequent changes in unit rates. The useful lives of assets and the measurement of accumulated depreciation are determined by 	 register/s reviewing the basis for valuation used by external valuers assessing the competence of external valuers (experts) in accordance with Australian Auditing Standards reviewing the fair value hierarchy disclosed in note 7 for each category of asset reconciling the useful lives used to calculate the accumulated depreciation and the depreciation for the period to revaluation reports reviewing useful lives for different components in comparison to other local government entities and industry standards performing a recalculation of depreciation reviewing the methodology used by Council to perform componentisation of infrastructure assets and comparing the methodology used to Council's actual asset management practices and to other
external valuers and management. Estimated useful lives are a significant unobservable input which materially impacts asset valuations. The appropriate useful life depends on many different factors that vary between councils, including asset management strategies adopted, target service levels, maintenance strategies applied, traffic volumes, soil conditions, levels of flooding, construction materials used, etc. Significant judgement is used to determine the different useful lives for different components of assets and to calculate the accumulated depreciation since original construction using these estimated useful lives.	 local government entities reconciling the unit rates used for different components of infrastructure assets to the unit rates provided in revaluation reports / other supporting documents (e.g. actual contract rates) reviewing the unit rates in comparison to other local government entities assessing the adequacy of disclosures in the financial report.
The significant professional judgments used to estimate the gross replacement cost and the accumulated depreciation directly influence the calculation of annual depreciation expense.	

4.2 Valuation of Land and Buildings

Why the matter is significant	Overall audit response
 Land and buildings are valued at fair value. The basis of valuation to be used for these assets depends on a number of factors such as the nature of the asset, purpose of their use, the highest and best use of the asset, and potential restrictions to the disposal of these assets among other factors. Valuation of land depends on whether the land is classified as Crown land or community land. Community land and Crown land are valued using unobservable (level 3) inputs as the allowance for the restriction on sale (requiring Ministerial consent) is an unobservable input, and is likely to have a significant effect on valuation. Land, where Council has an unfettered right to sell, is typically valued at current market value based on their highest and best use. Level 2 inputs are primarily used for unrestricted land during the valuation process. Valuation of buildings depends on the nature of these assets. Some Council buildings have no active market due to the specialised nature of the assets and the services they provide. For such buildings, fair value is usually determined on the basis of replacement with a new building having similar service potential. Valuation techniques used to measure fair value of these buildings include significant unobservable inputs (level 3). For buildings that have an active market, valuation is assessed on market value principles which is deemed to be their fair value based on level 2 inputs. The most significant input into this valuation approach is sales transactions of comparable properties within the local area, adjusted for any pertinent differences. The significant professional judgments used to estimate the value of buildings directly influence the calculation of annual depreciation expense of these assets. 	 Our audit includes but is not limited to the following activities: reconciling closing balances to the asset register/s reconciling the movements in note 7 to the asset register/s reviewing the basis for valuation used by external valuers assessing the competence of external valuers (experts) in accordance with Australian Auditing Standards analysing the nature of the land and building assets to conclude whether the fair value hierarchy provided in note 7 for each category of asset was reasonable reconciling the useful lives used to calculate accumulated depreciation and depreciation expense for the period to the revaluation reports reviewing useful lives for different components in comparison to other local government entities performing a recalculation of depreciation; and assessing the adequacy of disclosures in the financial report.

4.3 Accounting treatment of capitalisation of assets

Why the matter is significant	Overall audit response
 Councils are asset intensive and highly dependent on large portfolios of assets to deliver services to the community. Hence, there is a high volume of transactions and significant amounts involved in relation to capitalisation of assets. Due to the unique characteristics of Council's assets a number of considerations are taken into account when an expenditure is capitalised which include: whether Council is incurring capital expenditure on physical resources that are controlled by Council. Control is the most difficult of the characteristics of an asset to be defined, including considerations beyond legal ownership Inclusions and exclusions of costs at initial recognition of an asset in accordance with AASB 116, including treatment of internal salaries and wages Treatment of costs involved in dismantling and removing the asset and/or restoring the site under AASB 137 Borrowing costs to be capitalised into the cost of IPPE where the asset is a "qualifying asset" per AASB 123, and accounting for subsequent costs as being capital or maintenance expenditure. 	 Our audit includes but is not limited to the following activities: performing analytical procedures to define whether the amounts capitalised for the FY were in accordance with our expectation and our understanding of the entity; reviewing internal policies and controls in place for capitalisation of assets; selecting a sample of additions and performing an assessment of the nature of the addition to conclude whether it has been recognised in accordance with Australian Accounting Standards; reviewing the Work In Progress (WIP) schedule and selecting a sample of transfers out to ensure that the asset was appropriately valued and capitalised in the right account; and reviewing the WIP schedule in order to identify projects that should have been capitalised but were not.

4.4 Revenue Recognition

Why the matter is significant	How the matter will be addressed
AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities provide the freamework for determining the timing of revenue recognition for councils.	Our audit includes but is not limited to the following activities: • performing analytical procedures to identify any variance that would represent a risk or incorrect application of AASB 15 and/or AASB 1058
Income from capital and other specific purpose grants may require recognition over time as performance obligations are met (where these obligations are sufficiently specific and arise from enforceable contracts), and a liability recognised for unspent monies. Analysis of funding agreements and some level of professional judgement is required in making such determinations.	 reviewing a sample of grant agreements and assessing whether agreements contain sufficiently specific performance obligations evaluating the accounting policies used by Council to account for grants in accordance with AASB 15 and AAB 1058 testing a sample of financial transactions for compliance with Australian Accounting Standards.

5. KEY BUSINESS CYCLES – CONTROLS APPROACH

5.1. High risk areas where audit will place reliance on controls

The Galpins audit methodology requires a controls approach for account balances and business cycles with inherent risks assessed as high. The account balances and business cycles listed below are considered high risk areas due to the materiality of the account balances, the high volume of transactions involved and other reasons outlined below:

Key Business Cycles	Account balance	Why the risk is High	
Purchasing and Procurement / Contracting	Materials, Contracts & Other expenses	 One of the largest expense items high volume of transactions / data – subject to error fraud risk area (procurement, payments and credit cards) 	
		 procurement and contracting are key focus areas for ICAC and the Auditor-General's Department. 	
Fixed Assets	IPPE, Depreciation expense, Asset Disposals and FV adjustments, Asset Revaluation Reserves Physical Resources Received Free of Charge	 Involves three Key Audit Matters that require high degree of professional judgement (refer to section 4 – Key Audit Matters). councils are asset intensive and highly dependent or multiple assets to deliver services to the community largest account balance in the Statement of Financia Position high volume of transactions / data – subject to error fraud risk area (capitalisation of assets / depreciation). 	
Accounts Payables	Trade and other payables	 One of the largest liabilities opportunity for understatements if there is a poor use of accrual basis of accounting it can be indicative of poor culture payments represent an opportunity for fraud. 	
Rates / Rates Rebates	Rates and charges	 One of the largest revenue items often used as a reference point for analysing expenditure decisions politically sensitive – reputational risk involved if rates are raised incorrectly. 	
Payroll	Employee costs	 One of the largest expense items high volume of transactions / data – subject to error. errors impact individuals financially. 	
Credit Cards	Materials, Contracts & Other expenses	 Amounts are not material, however the use of public money is politically sensitive (qualitative factors). fraud risk area. The nature of the amount rather than the significance of the amount may cause public opinion concerns. 	
Banking	Cash and cash equivalents	 Material balance fraud risk any instances of errors and/or fraud it can be indicative of broader errors poor attitude to cash controls may be indicative of overall culture related to the entity's controls environment public money. 	

5.2. Medium risk areas where audit will place reliance on controls

The Galpins audit methodology provides that auditors can adopt either controls or substantive approach for areas with inherent risks assessed as moderate. We have outlined below the medium risk areas where audit intend to place some reliance on controls.

Key Business Cycles	Account balance	Reasons for controls approach
General ledger	All accounts	 Values from all business cycles are captured in the GL, and therefore any concerns over GL controls are pervasive across all financial statement balances good controls to ensure completeness and accuracy of the GL are essential to ensure the fair presentation of the financial report.
Debtors	Trade and other receivables	 Material balance valuation assertion can only be fully addressed by performing a review of the internal controls related to debt collection, review of debtors ageing profile and reconciliation process in place to reconcile the GL to the subsidiary ledgers.
Receipting	Trade and other receivables	 Material balance Completeness and Existence assertions can only be fully addressed by reviewing receipting processes to ensure that receipts are accurately recorded.

5.3. Medium risk areas where audit will not place reliance on controls

Below, the medium risk areas where audit understands that key assertions at risk can be addressed through substantive procedures (i.e. no reliance on controls).

Key Business Cycles	Account balance	Reasons for substantive approach	
Employee Provisions	Provisions	 Key assertion at risk (valuation) can be addressed through substantive procedures (e.g. analytical procedures, recalculation and analysis of inflation and discount rates used). controls related to hourly rates, leave approvals, existence of the employees included in the payroll reports, maintenance of employees' data master file collection of payroll data that impact on the calculation of the provisions are covered in the payroll business cycle. 	
Grants	Grants / Amounts Received Specifically for new upgraded assets.	 payroll business cycle. This business cycle involves a low volume of transactions key assertions at risk (accuracy and cutoff) can be addressed by performing substantive procedures (e.g. analytical procedures, reviewing grant agreements, inspecting receipts, analysis of classification of the grant and review of the clauses of the agreement to determine the appropriate revenue recognition criteria). 	

6. CONTROLS OPINION

6.1. Financial Internal Controls Selected for Audit

In forming a controls opinion the auditor must assess the internal controls of the council based on criteria provided in the *Better Practice Model* – *Internal Financial Controls* (section 19(1)(3) of the *Local Government (Financial Management) Regulations 2011*).

The Better Practice Model – Internal Financial Controls (BPM) provides a number of internal financial controls within different business cycles that address a variety of inherent risks. A risk based approach is used to determine the key business cycles, and key risks within these business cycles, that we have determined as critical for the purpose of issuing a controls opinion.

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

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

The audit of internal controls of a council referred in section 129 must be carried out in accordance with the Australian Standards on Assurance published by the Auditing and Assurance Standards Board, specifically ASAE 3000 – *Standard on Assurance Engagements* and ASAE 3150 – *Assurance Engagement on Controls*.

During our interim audit we perform tests of design and effectiveness of the internal financial controls selected. Based on the results of the control testing, we form our controls opinion. The overall assessment of the risk of non-compliance with s125 of *the Local Government Act 1999* (refer to section *1. Audit Scope*) and the related findings are rated as follows:

Category	Description
High Risk Weaknesses	The issue described could lead to a material weakness in the Council's internal controls and non-compliance with s125 of the Local Government Act.
Moderate Weaknesses	The issue described does not represent a material weakness due to the existence of compensating controls. However, the failure of the compensating controls or the existence of any other moderate weakness within the same business cycle may lead to a material weakness in the Council's internal controls and non-compliance with s125 of the Local Government Act.
Low Risk Weaknesses	The issue described is a low risk weakness due to the existence of compensating controls and/or the failure or absence of the internal controls does not impact significantly on the Council's financial risk. However, multiple low-level risk weakness within the same business cycle may lead to a material weakness in the Council's internal controls and non-compliance with s125 of the Local Government Act.

A prioritised list of controls from the Better Practice Model is provided in Appendix 1. After completing our tests of effectiveness of internal controls we perform a control risk assessment for each account balance. The control risks are combined with our initial inherent risk assessment performed during our audit planning stage for determining the risk of material misstatements for each account balance (see section 7 of this plan for more details).

6.2. IT Entity Level Controls

In addition to consideration of Better Practice Model controls, our 2021/22 financial year audit will include a review of the following IT controls (in so far as they relate to financial risk):

IT Areas	Topics covered
IT Entity Level Controls	 IT Governance IT Strategic Planning Adequate financial resources Adequate IT Personnel resources IT Risk Management
Change Management	 Process for changes to software / programs Process for changes to IT Infrastructure
Information Security	 Physical access to the Data Centre including locks including alarms, fire protection, air conditioning Logical access to the network Remote access to the network Logical access to the financial system
Backup and recovery	- Backup process - IT Disaster Recovery Plan - Business Continuity Plan
Third Party IT Providers	 - Understanding outsourced IT services - Access of Third Parties to the network - Business Continuity Plan

7. RISK OF MATERIAL MISSTATEMENTS

Risk of material misstatement consists of the following components:

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

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

		Inherent Risks		
		HIGH	MEDIUM	LOW
Controls Risks	HIGH	Н	Н	M
	MEDIUM	Н	М	L
	LOW	М	L	L

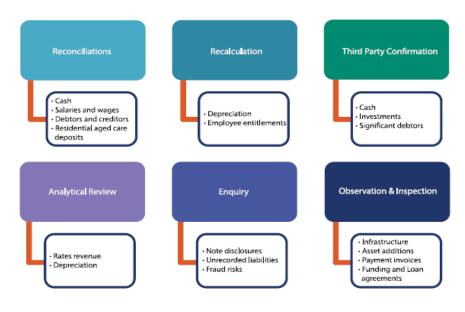
The risk of material misstatement will determine the nature and extent of our audit procedures and sample sizes to be utilised. Once we assess the risk of material misstatements (RoMM) we will design our substantive audit procedures to address identified risks. The table below summarises the impact of risk of material misstatements on our audit strategy:

Inherent	Controls	RoMM	Impact on audit strategy		
Risk	Risk				
Low	Low	Low	High reliance on controls/minimum level of substantive tests		
	Medium	Low	Medium reliance on controls / low level of substantive tests		
	High	Medium	No reliance on controls / medium level of substantive tests		
Medium	Low	Low	High reliance on controls / low level of substantive tests		
	Medium	Medium	Med. reliance on controls/medium level of substantive tests		
	High	High	No reliance on controls / high level of substantive tests		
High	Low	Medium	High reliance on controls / medium level of substantive tests		
	Medium	High	No reliance on controls / high level of substantive tests		
	High	High	No reliance on controls / high level of substantive tests		

8. SUBSTANTIVE PROCEDURES

From our risk analysis (please refer to section 6 of this plan), we are able to design and refine appropriate substantive procedures, including analytical review and test of details, to address identified risks of material misstatements of financial statements.

Testing methods to be applied to account balances and transactions include:



Please refer to the audit timetable indicating the dates for our final visit to perform our final substantive procedures (please refer to section 10 of this plan).

Audit will request authorisation from Council to request an independent confirmation from banks of information such as Council's account balances, securities, treasury management instruments, documents and other related information held by banks on behalf of Council.

We will also require Council to request its lawyers to send a 'Legal Representation Letter' to us, identifying any matters with potential financial reporting implications (a template of the letter will be provided by the auditors).

9. AUDIT COMPLETION

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

An audit completion report will be provided to the audit committee members containing:

- Our audit clearance
- Final Management Letter
- Final report listing key matters addressed during the audit
- Draft financial statement auditor's report and controls opinion, and
- List of immaterial uncorrected misstatements (IUMs)

10. AUDIT TIMETABLE

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

Audit A	Activities	Indication of Dates
1.	Initial Meetings with Finance Management and Key Staff	Late February
	Members	
2.	Detailed Audit Plan / Audit Program Development	10 February
3.	Presentation of the plan to the audit committee members	14 February
4.	Interim Site Visit (Internal controls review)	2, 3, 4 May
5.	Interim Management Letter	Late May
6.	Final Audit Visit	TBA
7.	Audit Completion Report (with audit clearance)	TBA
8.	Final auditor's reports	TBA



11. CONTACT DETAILS



Tim Muhlhausler CA, B Comm, Grad Dip. (ICAA),

Registered Company Auditor, MIIA (Aust), Registered SMSF Auditor Partner

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Juliano Freitas CA, B Acc, Registered Company Auditor

Audit Director

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APPENDIX 1 – CRITICAL INTERNAL FINANCIAL CONTROLS



Risks

R1 R2

D0

Purchasing and Procurement Council does not obtain value for money in its purchasing and procurement. Purchases of goods and services are made from non-preferred suppliers.

R3 R4	Purchase orders are either recorded inaccurately or not recorded at all. Purchase orders are made for unapproved goods and services.	
RISKS	Control	Control Type
R1	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.	Core
R1,R2	Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.	Core
R1	The organisation has a process in place to ensure use of preferred suppliers where relevant to maximise the best value for money to Council	Core
R2,R3	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers	Additional
R3	Purchase order numbers are either system generated and/or sequentially numbered.	Core
R3	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.	Core
R3	There is a process in place to follow up and action incomplete purchase orders.	Additional

CONTRACTING

Risks R1 R2	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process. Council does not obtain value for money in relation to its Contracting.	
	· · · ·	
RISKS	Control	Control Type
R1,R2	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.	Core
R1	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.	Core
R1	Council maintains a current contract register.	Core

Adelaide Hills Council



FIXED ASSETS

Risks Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register R1 (FAR) does not remain pertinent. If fixed assets are not securely stored, they may be subject to damage or theft. R2 If fixed assets are not valued correctly, the management reports and financial statements will be misstated. For example, R3 incorrect carrying values may result from the use of inappropriate depreciation rates. Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives R4 and residuals. Fixed Asset maintenance and/or renewals are inadequately planned. R5 RISKS Control **Control Type** R1 There is a process in place for the verification of fixed assets which is reconciled to the FAR. Core Recorded changes to the FAR and/or masterfile are approved by appropriate staff compared to authorised source **R1** Core documents and General Ledger to ensure accurate input. All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant R1 Core Procurement and Fixed Asset Policies. R1 Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties. Core Council has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored R1 Core to ensure adherence. Reconciliation of fixed assets to the General Ledger is performed in accordance with schedule of review or R1 Core procedure. R1 Asset register calculations are reviewed for accuracy. Core Fixed assets are recorded on acquisition, creation or when provided free of charge to facilitate accurate R1 Core identification of assets and recording of details with regards to the Asset Accounting Policy. R1 Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans Additional R2 Core Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users.

RISKS	Control	Control Type
R2	Where appropriate, identification details are recorded for portable and attractive assets such as IT and fleet assets, on acquisition to facilitate accurate identification.	Additional
R3	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.	Core
R3	Profit or loss on disposal calculations can be substantiated and verified with supporting documentation.	Core
R4	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.	Core
R5	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.	Core
R5	Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999.	Core

GENERAL LEDGER

Risks	
R1	General Ledger does not contain accurate financial information
R2	Data contained within the General Ledger is permanently lost.

RISKS	Control	Control Type
R1,R2	All major updates and changes to General Ledger finance system are authorised, tested and documented.	Core
R1,R2	Access to General Ledger maintenance is restricted to appropriately authorised personnel.	Core
R1	Reconciliation of all balance sheet accounts are completed in accordance with a schedule of review and/or procedure.	Core
R1	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.	Core
R1	Journal entry access is restricted to appropriately authorised personnel.	Core
R1,R2	Financial data is backed up and stored offsite.	Core
R1	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.	Core
R1	Amendments to the structure of the General Ledger framework and accounts are reviewed and approved by appropriately authorised personnel.	Core
R1,R2	General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff.	Core
R2	Formal disaster recovery plan is in place and communicated to relevant staff.	Core
R1	There is a process in place to review actual vs budget and significant variances investigated.	Core



ACCOUNTS PAYABLE

Risks	
R1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all.
R2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all.
R3	Disbursements are not authorised properly.
R4	Accounts are not paid on a timely basis.
R5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

RISKS	Control	Control Type
R1,R2,R4	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable subledger regularly and differences are investigated.	Additional
R3	Records must be maintained of all payments with supporting documentation.	Core
R1	Payments are endorsed by relevant staff separate to the preparer, who ensures that they are paid to the correct payee.	Core
R5	Access to the supplier masterfile is restricted to authorised staff	Core
R2,R5	Separation of Accounts Payable and Procurement duties.	Core
R3	All invoices and payment requests are approved in accordance with relevant policies and/or Delegations of Authority.	Core
R1	Predetermined variances between Purchase Orders and Invoices are assessed and payment released only after verification by the officer with delegation to do so.	Additional
R1	Payments are verified to appropriate supporting documentation and are in line with Delegations of Authority.	Core
R4	Relevant staff to review aged payables listing on a predetermined basis and investigate where appropriate.	Core
R5	Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately.	Core

RISKS	Control	Control Type
R5	Requested changes or additions to supplier masterfile are verified independently of source documentation.	Additional
R4	There is a system generated report detailing supplier invoices due for payment at any one time.	Core
R5	There is a process in place to ensure the supplier master file is periodically reviewed for ongoing pertinence.	Additonal



RATES / RATES REBATES

Risks	
R1	Council does not raise the correct level of rate income.
R2	Rates and rate rebates are either inaccurately recorded or not recorded at all.
R3	The Property master file data does not remain pertinent.
R4	Rates are not collected on a timely basis.

RISKS	Control	Control Type
R1,R2	Rates are automatically generated by the rate system, including the calculation of rate rebates and other parameters as applicable.	Core
R2	Rates are generated and tested for accuracy of calculation methodology prior to the rates billing run	Core
R1	All software changes to rate modelling functionality fully tested and reviewed by relevant staff.	Core
R1	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.	Core
R2	Annual valuation update is balanced prior to the generation of rates; all mismatches resolved prior to finalising rate generation.	Core
R2	All rate rebates and adjustments including write offs are appropriately authorised, with reference to Delegations of Authority and source documents.	Core
R4	There is a process in place to ensure that rates are collected in a timely manner and overdue rates are followed up.	Core
R3	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.	Core
R3	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.	Core
R2	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	Core

Adelaide Hills Council



PAYROLL

Risks		
R1 R2 R3 R4 R5 R6	Payroll expense is inaccurately calculated. Payroll disbursements are made to incorrect or fictitious employees. Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all. Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll mast Voluntary and statutory payroll deductions are inaccurately processed or without authorisation. Employees termination payments are not in accordance with statutory and enterprise agreements.	ter file.
RISKS	Control	Control Type
R1	Where possible standard programmed formulae perform payroll calculations.	Core
R1, R3	There is a process to ensure all overtime is verified and approved by relevant appropriate staff.	Core
R1	All calculations for generating payroll payments are verified for accuracy.	Core
R4,R5	Managers periodically review listings of current employees within their departments and variances are investigated.	Additional
R1	Payroll is periodically reconciled to the General Ledger accounts.	Additional
R2	The payment for the payroll must be reconciled to a system generated report detailing amount and employee prior to payment.	Core
R2	There is a process to ensure an independent review of proposed payroll payments by authorised staff.	Additional
R2	The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll.	Core
R2	Employee records to include employment details and/or contract terms and conditions, authorisations for payroll deductions and leave entitlements.	Core
R2	There is a process to ensure employees are made inactive in payroll records upon termination	Core

RISKS	Control	Control Type
R5	All payroll deductions must be approved by the relevant employee.	Core
R3	Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the relevant supervisor.	Core
R2	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).	Core
R2	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.	Core
R2	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.	Core
R5	Access to the payroll deduction listing is restricted to authorised staff.	Core
R6	There is a process in place to ensure termination payments comply with relevant policies, procedures and legislation.	Core
R3	Time recording and attendance exceptions such as TOIL or flexitime are based on relevant policies/agreement are identified, monitored and corrected.	Core
R4	The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised staff.	Core

Adelaide Hills Council



CREDIT CARDS

Risks		
R1	Credit Cards are issued to unauthorised employees.	
R2	Credit Cards are used for purchases of a personal nature.	
R3	Credit Card limits are set at inappropriate levels.	
RISKS	Control	Control Type
R1,R3	There is a process in place to ensure there are appropriate approvals prior to the issuing of Credit Cards and limits.	
R1,R2	Credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released.	
R2	There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	
R2	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.	
R3	There is a process in place to ensure credit card limits and usage is reviewed for operational efficiency.	

	BANKING	
Risks		
R1	Banking transactions are either inaccurately recorded or not recorded at all.	
R2	Fraud (i.e. misappropriation of funds)	
RISKS	Control	Control Type
R1,R2	There is a process in place to ensure all cash, blank cheques and/or cheque signing machine are adequately safeguarded.	Core
R1	Access to EFT Banking system is restricted to appropriately designated personnel.	Core
R1,R2	Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated.	Core
R2	Cash transfers between bank accounts and investment bodies are undertaken by appropriate staff.	Core

R2 There is a process in place to ensure all cash collected is adequately recorded and banked regularly. Core



DEBTORS

Risks	
R1	Debtors are either inaccurately recorded or not recorded at all.
R2	Rebates and credit notes to debtors are either inaccurately recorded or not recorded at all
R3	An appropriate provision for doubtful debts is not recorded
R4	Debtors are either not collected on a timely basis or not collected at all
R5	The Debtors master file data does not remain pertinent.
-	

RISKS	Control	Control Type	CSA Importance Weighting
R1, R4	Debtor's reconciliation performed on a regular basis to the General Ledger and reviewed by an independent person.	Core	4
R1	Council maintains a Debt Collection Policy.	Core	5
R2, R3, R4	Management and/or Council review and approve all rebates, credit notes, bad debt write-offs and movements in the provision for doubtful debts, in accordance with delegations of authority and Local Government Act.	Core	5
R3, R4	Management reviews debtors ageing profile on a regular basis and investigates any outstanding items.	Core	4
R5	Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by management for accuracy and on-going pertinence.	Core	5
R5	Recorded changes to debtor's master file data are compared to authorised source documents or confirmed with customers/ratepayers to ensure that they were input accurately.	Core	4

EC			TIN	
 EC	EI	-		

Risks	
R1	Receipts are either inaccurately recorded or not recorded at all.
R2	Receipts are not deposited at the bank on a timely basis.

RISKS	Control	Control Type
R2	Prior to and during the banking process, cash is stored securely at all times.	Core
R1	Customers are provided with a system generated or pre-numbered (manual) sequential tax compliant receipt detailing payment made.	Core
R1	There is a review process for the authorisation of the reversal of transactions.	Additional
R1	Receipt transactions are reconciled to the daily takings and out-of-balance banking is corrected promptly.	Core
R2	Receipts are deposited regularly at the bank by a person independent from the initial recording of the cash receipts.	Additional

Appendix 2

Audit Engagement Letter – Galpins

Galpins

Accountants, Auditors & Business Consultants

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

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Liability limited by a scheme approved under Protessional Standards Legislation

13 February 2019

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

Dear Andrew,

AUDIT ENGAGEMENT LETTER

Scope

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

The responsibilities of the auditor

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

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

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

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

The responsibilities of the Council and management

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

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

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

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

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

Quality control

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

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

Independence

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

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

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

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

Communication

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

Limitation of liability

Our liability is limited by a scheme approved under Professional Standards Legislation. Further information on the scheme is available from the Professional Standards Councils' website: http://www.professionalstandardscouncil.gov.au.

Paperless files

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

Presentation of audited financial report on the internet

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

Fees

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

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

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

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

Ownership of documents

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

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

Other

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

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

Yours sincerely,

Tim Muhihausier CA, Registered Company Auditor Partner

Acknowledged and agreed on behalf of Adelaide Hills Council by

Mr Andrew Aitken CEO

Date 5/8/2019

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE MEETING Monday 14 February 2022 AGENDA BUSINESS ITEM

7.2
Mike Carey Manager Financial Services Corporate Services
2022-23 Long Term Financial Plan Review
Decision

SUMMARY

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

The LTFP was last considered by the Audit Committee on 15 February 2021 and was ultimately endorsed for public consultation by Council prior to the budget setting process and adopted by Council in April 2021.

As part of the development of the 2022-23 LTFP, an Elected Member workshop session was held on 9 November 2021 as well as a full day workshop of Council on 4 February 2022. In addition to these workshops, a discussion board website was set up and open for a 2 month period prior to the February 2022 workshop seeking Elected Member opinions and discussion on a number of questions relating to the development of the 2022-23 LTFP.

Feedback from this process and workshop sessions has resulted in the incorporation in the draft 2022-23 LTFP of the financial impact of:

- a number of new strategies that had been considered by Council since the previous LTFP adoption
- the adoption of a detailed Savings & Efficiency Strategy to improve Council's Operating Surplus over the period of the LTFP thus providing the capacity to reduce debt whilst also funding a proportion of capital upgrade expenditure
- locking in a \$3m capital carry forward within the LTFP model while acknowledging that the adopted Annual Business Plan would still maintain the full budget allocation

After taking into account workshop feedback, the draft 2022-23 LTFP does not propose any changes to revenue assumptions other than adjusting for changes in economic indices. In addition, the Administration is recommending to maintain indexing rates relative to the Local Government Price Index from 2023-24 as endorsed in the adopted 2021-22 LTFP.

Due to the impact on the 2022-23 base budget, carry forwards proposed from the 2021-22 Budget Review 2, also tabled at this meeting have been considered in the 2022-23 Draft LTFP. It is also proposed that further work in terms of capital reset opportunities is considered as part of the 2022-23 budget development.

Further it is proposed that the financial sustainability targets also remain unchanged from the previously adopted LTFP.

After factoring these elements into the LTFP, it is considered that the draft LTFP continues to demonstrate that the Council is financially sustainable over the 10 year term of the LTFP, whilst achieving the objectives outlined in the Strategic Plan.

The LTFP will be submitted to Council for consideration on 23 February 2022 prior to community consultation being undertaken.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted
- 2. Notes the 2022-23 Draft Long Term Financial Plan.
- 3. Recommends Council approve the 2022-23 Draft Long Term Financial Plan, as contained in Appendix 1 for community consultation in accordance with Section 122 of the Local Government Act 1999.
- 4. That the Chief Executive Officer be authorised to make minor changes to the 2022-23 Draft Long Term Financial Plan arising from the Committee's consideration of the matter prior to it being provided to Council.

1. GOVERNANCE

- Strategic Management Plan/Functional Strategy/Council Policy Alignment
- Strategic Management Plan/Council Policy

Strategic Plan 2020-24 – A brighter future

Goal 5 A Progressive Organisation

- Objective O3 Our organisation is financially sustainable for both current and future generations
- Priority O3.1 Ensure the delivery of agreed strategic plan requirements whilst meeting endorsed long term targets for a sustainable operating surplus and level of debt
- Objective O5 We are accountable, informed, and make decisions in the best interests of the whole community
- Priority O5.1 Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations

The Council is committed to open, participative and transparent decision making and administrative processes. We diligently adhere to legislative requirements to ensure public accountability and exceed those requirements where possible.

One key aspect of Council's legislative responsibilities is to develop and adopt a long-term financial plan for a period of at least 10 years to ensure Council continues to be financially sustainable.

The Audit Committee *Terms of Reference* out a number of specific functions. In relation to the Long Term Financial Plan the Committee shall:

3.1.1 Provide comment on the assumptions underpinning Council's Strategic Management Plans (Strategic Plan, Annual Business Plan and Budget and Long Term Financial Plan), the consistency between plans and the adequacy of Council's plans in the context of maintaining financial sustainability;

Legal Implications

The LTFP is prepared as a part of the suite of Strategic Management Plans and in accordance with Section 122(1)(a) of the *Local Government Act 1999* (the Act) and Regulation 5 of the *Local Government (Financial Management) Regulations 2011.*

Risk Management Implications

Preparing a LTFP as required by the Act and Regulations will assist in mitigating the risk of:

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

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

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

The LTFP has been developed based on the best information and assumptions available at the time. However, users of this information should be aware that there are risks associated with using estimated increases to Consumer Price Index (CPI), Local Government Price Index (LGPI), Average Weekly Earnings (AWE) and predictions in finance costs and interest rates.

In addition, the LTFP may be impacted by events such as new legislation or disasters that could materially affect the projected outcomes and results of the LTFP. Whilst Council has factored in the known impacts of prior events (including recent bushfires and the COVID-19 pandemic), it is important to acknowledge that significant future events will necessitate ongoing review. The projected increase in the operating surplus ratio will assist in mitigating this risk.

Council is aware that Campbelltown City Council (CCC) has received approval from the Boundaries Commission to lodge a Stage 2 proposal for the boundary between CCC and Adelaide Hills Council to be realigned to the eastern and southern side of Woodforde and Rostrevor suburbs, effectively moving those suburbs into CCC's area. Given that boundary change process involves a number of assessments (and some development is still to occur) prior to the Commission determining whether to recommend a change, no adjustment has been made to Council's LTFP for any possible impact on rates revenue, servicing costs and capital expenditure.

In order to reduce risk the plan is reviewed and updated annually to incorporate the best available information. This includes the LTFP and its assumptions being reviewed by Council's Audit Committee as part of this report.

Financial and Resource Implications

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

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

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

> Customer Service and Community/Cultural Implications

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

Sustainability Implications

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

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

Consultation on the development of this report was as follows:

Council Committees:	Not Applicable
Council Workshops:	A Council Workshop Session was held on 9 November 2021 as well as a full day workshop on 4 February 2022 to provide an overview of the process undertaken to develop the LTFP; better understand a number of emerging pressures and proposed new strategies and consider various options in relation to savings initiatives, revenue options, capital reset opportunities and other options to ensure Council can continue to achieve its financial sustainability targets.

In addition, a discussion board website was set up and open for a 2 month period prior to the February 2022 workshop seeking Elected Member opinions on a number of questions relating to the development of the 2022-23 LTFP with these comments subsequently considered at the 4 February 2022 workshop.

Advisory Groups: Not Applicable

External Agencies: Not Applicable

Community: Not applicable at this stage however public consultation will be undertaken following consideration by Council on 23 February 2022.

2. BACKGROUND

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

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

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

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

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

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

The model is a fluid document, continually reviewed, modified and refined as new information is discovered, usually at each Budget Review and during the construction and adoption of the annual budget. As such, the LTFP will regularly be amended to incorporate feedback from different sources (Management, Council Members, Public, new initiatives, new legislation and identified savings).

The LTFP was last considered by the Audit Committee on 15 February 2021 and was ultimately endorsed for public consultation by Council prior to the budget setting process and subsequently adopted by Council in April 2021.

Over time Council had managed to absorb a number of new activities and/or increases in service level through significant savings initiatives but has not been explicit in terms of how this specifically had been managed in budget documentation.

These new activities and / or increases in service level and costs over the last 5 years have included:

- Tree Management / Horticultural program
- Playground/park furniture/cemeteries resourcing
- Sport & Recreation Planning
- China Sword & other waste costs
- FABRIK development
- Economic Development resources to support the business community
- Disability and Community Well Being support
- Community Centre resourcing
- Digital Literacy
- CWMS oversight and operational support
- Emergency Management COVID & Fires
- Other support area resourcing including Procurement, Governance and Event Management

3. ANALYSIS

The draft LTFP is based upon 2021-22 adopted budget that has been revised for amendments adopted by Council including Budget Review 2 (BR2) considerations. Indices have been applied to categories within the LTFP to produce an uplifted 2022-23 LTFP budget that is capable of being used as a "target" for the 2022-23 budget setting process.

The LTFP starting point has also been updated to reflect the 30 June 2021 audited end of year financial position adopted by Council in October 2021.

In the development of the 2022-23 LTFP Council also considered its alignment to Council's Strategic, Plan, consistency with updated Asset Management Plans and the financial sustainability of Council.

Key Considerations

As part of the development of the 2022-23 LTFP, an Elected Member workshop session was held on 9 November 2021 as well as a full day workshop of Council on 4 February 2022 to:

- provide an overview of the process undertaken to develop the LTFP;
- understand a number of emerging pressures and proposed new strategies which were now better costed
- consider the establishment of a detailed Savings & Efficiency Strategy
- review revenue options (recognising limited capacity outside of rates and statutory charges)
- consider options to reduce capital expenditure and therefore reduce maintenance and interest costs
- consider options to decrease Council's "discretionary" spend in Operating Programs
- review the current sustainability ratios and consider whether the current LTFP targets should be maintained

This review highlighted that Council has made a number of budget decisions since the 2021-22 LTFP adoption that had impacted on Council's expenditure base including additional Green Waste days. Further, since the last LTFP adoption, Council has also been impacted by a number of additional cost imposts that have impacted on Council's Operating Surplus including:

- bridge maintenance as per draft Asset Management Plan to be adopted by Council in February 2022
- cloud transition / cyber security / licencing changes
- insurance increases & distribution reductions
- Local Government Reforms

These cost imposts have been included in the 2022-23 LTFP together with the financial impact of the following strategies that have now been costed and considered appropriate to include at this time:

- Community & Recreation Facilities Framework
- implementation of the Trails Strategy (Operating)
- new development maintenance costs including Hamilton Hill and Dunfield
- dog/cat temporary accommodation as a result of new cat registration bylaws

Having regard to these emerging cost pressures and new strategies the Administration has proposed the adoption of a detailed Savings & Efficiency Strategy to improve Council's Operating Surplus over the period of the LTFP. It is noted that this has occurred in previous years whereby increases in service level have been balanced by significant savings initiatives but budget documentation has not been that explicit in terms of how this had been achieved. Consultation for the 2021-22 Annual Business Plan also highlighted that the community wished to better understand and therefore have Council communicate how Council was being more efficient in their business as usual activities to limit rate rises to as low as possible.

Items included under the saving & efficiency strategy include:

- critical examination of all materials, contract & other expenses to determine if Council can maintain existing budgets where contracts and costs are not linked to CPI or regular increases
- consideration of strategies to increase electronic rate notices including opt out
- change of payment options and consideration of surcharges for credit card use
- fleet management opportunities
- insourcing opportunities including tree management
- vacancy management budget adjustments
- leave management budget adjustments
- other savings opportunities including cleaning and electricity

These estimated savings have been factored into the 2022-23 Draft LTFP.

It is further proposed that the Administration regularly report the progress in achieving these savings and efficiency targets to the Audit Committee each quarter.

As part of the LTFP development, Administration also gave consideration to the existing assumptions in terms of maintenance timing for new and upgraded assets as well as the depreciation allowance for projects constructed across multiple years. Some adjustments were subsequently made to the model to better reflect when increased costs imposts were likely to be incurred which has improved the Operating Surplus across the forecast years of the LTFP.

Further, it was agreed that the LTFP should reflect a \$3m capital carry forward within the LTFP assumptions to reflect Council's historical actual capital delivery outcomes. It is acknowledged that the adopted Annual Business Plan would still need to maintain the full budget allocation given the requirement for Council to only commit expenditure contained within a budget in accordance with legislation.

Some time was spent at the workshop in terms of considering options to reduce capital expenditure across future years (ie a "capital reset") thus having a favourable result on reducing maintenance, operational costs and depreciation. Feedback indicated that it was difficult to achieve significant savings with this strategy given that many of the projects were being funded by grants with specific requirements as to the timing of delivery. However, further work in terms of capital reset opportunities will be considered as part of the 2022-23 budget development which will also allow Council to address an additional round of Local Roads and Community Infrastructure program funding and other grant funding opportunities.

Council's 2021-22 Budget Review 2, also being presented to the February 2022 Audit Committee Meeting, proposes capital expenditure carry forwards of \$4.7m together with associated capital income funding of \$1.4m. Due to the impact on the 2022-23 base budget these carry forwards have been considered in the 2022-23 Draft LTFP.

Council considered a report in January 2022 in relation to Stage 4 of the Amy Gillett Bikeway which has received confirmation of \$2.6m funding from the Commonwealth Government. It was noted in that report that the Bikeway asset is seen as the sole responsibility of the State Government and not Council. Given that the Council decision at the January 2022 meeting was in part to undertake further negotiation with the State Government in terms of

construction and project delivery responsibility and that the project is in theory cash neutral no financial impact has been factored into the LTFP at this point in time.

At Council's LTFP February workshop, there was some keenness for Council to consider increased expenditure in relation to electric vehicles and water efficiency measures with the view that such a strategy would not only achieve good environmental outcomes but also cost savings. Preliminary investigations indicated that there may not significant cost savings in the short term. As such no changes were factored into the LTFP but it is proposed that there be the opportunity to consider increased expenditure as part of the 2022-23 budget development.

After taking into account workshop feedback, the draft 2022-23 LTFP does not propose any changes to revenue assumptions other than adjusting for changes in economic indices. This includes the Administration recommending that there is no change to the assumption to index rates relative to the Local Government Price Index from 2023-24 as currently endorsed in the adopted 2021-22 LTFP. It is noted that there will still be the opportunity to fine tune rating policy decisions as part of the 2022-23 budget development.

It is also proposed that the financial sustainability targets also remain unchanged from the previously adopted LTFP.

LTFP Outcomes Summary:

The revised Draft 2022-23 LTFP included at **Appendix 1** demonstrates that the Council is financially sustainable over the 10 year term of the LTFP, whilst achieving the objectives outlined in the Strategic Plan.

This includes:

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

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

- Operating Surplus Ratio, target range 1% to 5%
- Net Financial Liabilities Ratio, target range 25% to 75%
- Asset Renewal Funding Ratio, target range 95% to 105%

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

Importantly, as the draft LTFP demonstrates sustainability over a ten year period, and the 2022-23 LTFP target budget is embedded within the LTFP, then the subsequent development of a 2022-23 budget that aligns with the LTFP targets that have been set will also demonstrate that a financially sustainable position is being achieved.

4. OPTIONS

- I. To receive and note this report and recommend to Council the 2022-23 Draft Long *Term Financial Plan* as prepared (Recommended).
- II. To make additional comments or suggestions to Administration to consider prior to finalising the *2022-23 Draft Long Term Financial Plan* for Consultation to Council.

5. APPENDIX

(1) 2022-23 Draft Long Term Financial Plan

Appendix 1 2022-23 Draft Long Term Financial Plan

2022-23 Long Term Financial Plan





Long Term Financial Plan Feb 2022

Why does Council prepare a Long Term Financial Plan (LTFP)?

The *Local Government Act 1999* requires Council to prepare a Long Term Financial Plan (LTFP) as part of its Strategic Management Plans. Council considers that its Long Term Financial Plan (LTFP) is a fundamental instrument of accountability and provides projections for Council's planned activities over a ten year timeframe.

The LTFP provides Council with a decision making tool that ensures there is an understanding of the impact of decisions made today on future sustainability. This means ensuring the cost effective delivery of works and services, and the appropriate maintenance and renewal of our asset base in a financially sustainable manner.

The LTFP contains estimated financials over a ten year period and includes estimates of the key ratios which are operating surplus, net financial liabilities and asset renewal funding ratios. This projection of estimates creates a model that illustrates the expected long term financial performance of the Council, and hence whether financial sustainability is being achieved.

The model is a complex and fluid document, continually reviewed, modified and refined as new information is discovered. This is usually at each quarterly Budget Review and during the construction and adoption of Council's Annual Budget.

The plan does not provide specific detail about individual works or services, as this level of detail is addressed in the Annual Business Plan and Budget.

The key objective of Council's LTFP is financial sustainability in the medium to long term, while still achieving Council's corporate objectives as specified in its Strategic Plan, Corporate Plans and Functional Strategies.



How does Council prepare the plan?

The 10 year LTFP is prepared using a number of assumptions about projected rate income, projected fees, charges and grants and also includes assumptions about future operational and capital expenditure. As the plans are derived from an estimate of future performance, the actual results are likely to vary from the information contained in this LTFP.

Calculating a sustainable Long Term Financial Plan

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

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

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

For non-controllable variables, the plan uses reasonable long term estimates which do not change (except to update them at the beginning of each budget cycle). In this way the impact of different choices about the controllable variables can be better assessed.

For example: Inflation which is measured by the Local Government Price Index (LGPI) for Councils has fluctuated substantially in recent years. Because inflation works differently on different elements of Council's income and expense it can easily distort the LTFP, especially in later years. If the distortion negatively impacted the LTFP, Council could assess which controllable variables could be adjusted to keep the plan sustainable.

COUNCIL



Key considerations incorporated in the current LTFP review

As part of the development of the 2022-23 LTFP, a full day workshop of Council was held in February 2022 to:

- understand a number of emerging pressures and proposed new strategies
- consider the establishment of a detailed savings & efficiency strategy
- review revenue options (recognising limited capacity outside of rates and statutory charges)
- consider options to reduce and reset capital expenditure and therefore reduce maintenance and interest costs

Feedback from the workshop session has resulted in the incorporation in the draft 2022-23 LTFP of the financial impact of:

- a number of new strategies including Community & Recreation Facilities Framework and trail strategy operational costs
- the adoption of a detailed savings & efficiency strategy to improve Council's Operating Surplus over the period of the LTFP
- locking in a \$3m capital carry forward within the LTFP model while acknowledging that the adopted Annual Business Plan would still maintain the full budget allocation

Once the above elements were factored in, LTFP modelling showed that Council's operating surplus had improved from that previously projected and therefore Council had increased its flexibility to better absorb the financial impacts of events such as bushfires and pandemics without significantly impacting on the delivery of Council's Strategic Plan outcomes and the full range of services and activities.

The draft 2022-23 LTFP does not propose any changes to revenue assumptions other than adjusting for changes in economic indices

Further it is proposed that the financial sustainability targets also remain unchanged from the previously adopted LTFP



Local Government Price Index (LGPI)

The Consumer Price Index (CPI) is calculated using the mix of goods and services typically consumed by households, however the mix of goods and services purchased by Local Councils is quite different. Council's major expenditure purchases include waste disposal and processing, solid waste levy, arboriculture services, maintenance for infrastructure including bitumen and other materials, insurance, energy, diesel and water as well as employment costs

Because Council's expenses are so different from households, the Australian Bureau of Statistics were commissioned to develop a Local Government Price Index (LGPI) over 10 years ago as an independent measure of price movements faced by Local Government in South Australia in respect of their purchases of goods and services. In more recent years the South Australian Centre for Economic Studies has taken over responsibility for preparing the LGPI.

Council has then used both the LGPI and CPI when considering the setting of rates as part of its Annual Business Planning and Budget process.

When Council bases rate increases only on CPI it can significantly impact Council's overall financial sustainability as it may not accurately reflect the actual cost increases that Council is facing over time.

Improving Council's Operating Surplus Ratio is important to Adelaide Hills Council given Council's desire to:

- increase Council's capacity to absorb such events as bushfires and COVID-19 and the associated expenditure impacts
- Increase capacity to fund additional services required by the community including tree management and the Community & Recreation Facilities Framework;
- keep the operating surplus at a level to fund a proportion of new/upgraded capital expenditure without requiring additional borrowings
- provide for the capacity to reduce debt

This position to improve the operating surplus has been further supported by community consultation on the LTFP. As such it is recommended to maintain indexing rates relative to the Local Government Price Index from 2023-24 as endorsed in the current adopted 2021-22 LTFP.



What key conclusions may be drawn from the plan?

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

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

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

- 1. Operating Surplus Ratio, target range 1% to 5%
- 2. Net Financial Liabilities Ratio, target range 25% to 75%
- 3. Asset Renewal Funding Ratio, target range 95% to 105%

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

Adelaide Hills COUNCIL

Ratios

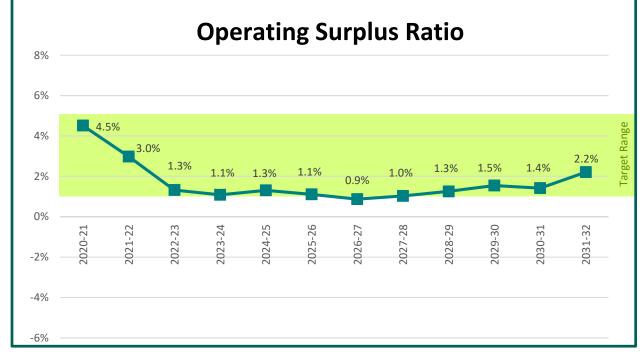
Operating Surplus Ratio

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

The Operating Surplus ratio expresses the operating surplus as a percentage of total operating income. A negative ratio indicates the percentage that the operating expenses outweigh the operating income. A positive ratio indicates the percentage that the operating revenue exceeds the operating expenses.

Target Range: 1% - 5% 10 Year Result Range 0.9% - 2.2%

The ratio above indicates that the cost of services provided to ratepayers is being met from operating revenues with surplus's being used to fund new infrastructure works in line with our LTFP projections. It is noted that in 2026-27 the Operating Surplus is marginally below target as a result of factoring in once every 4 year election expenditure. Normalising this expenditure brings all years within target



Net Financial Liabilities Ratio

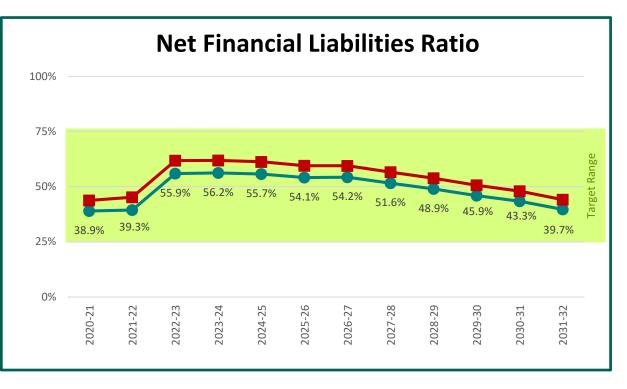
Net Financial Liabilities is an indicator of the Council's total indebtedness and includes all Council's obligations including provisions for employee entitlements and creditors.

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

Council has considered the financial impact of significant events such as disasters including bushfire or storm as these type of events have occurred more regularly in recent years. As a result, Council has also assessed its Net Financial Liability ratio with an additional \$3m of borrowings represented by the top red line in the graph below. The resultant ratio shows that even with the additional \$3m, Council still maintains this ratio within a sustainable target range.

The \$3m represents the likely Council net contribution to a very significant disaster in the order of \$10m taking into account financial assistance from State and Federal Governments. This assumption is also based on Council's strong preference to borrow if such a major event did occur rather than requiring an increase in rates to fund any financial impact.

Target Range:	25% - 75%
10 Year Result Range	40% - 56%





Asset Renewal Funding Ratio

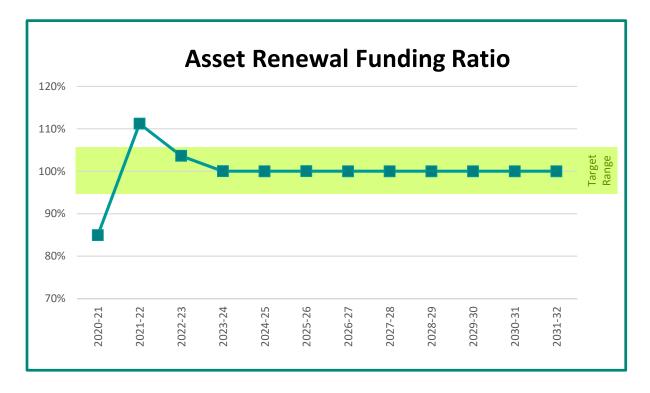
This ratio indicates whether a Council is renewing or replacing existing infrastructure assets at the same rate that its asset management plan requires.

The target for this ratio is to be between 95% and 105% in any given year, with 100% on average over five years. This would mean that Council is replacing 100% (or all) of the assets that require renewal.

 Target:
 95 - 105%

 10 Year Result Range
 100%

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



COUNCIL



Key sections explained.....

Uniform Presentation of Finances (including key assumptions and financial indicators)

In accordance with the requirements of *Local Government (Financial Management) Regulations 2011* this section of the LTFP presents the financial position of Council for the next 10 years in the mandated format consistent across the Local Government sector.

This section of the LTFP is broken into the following key elements:

- A summary of all operating income and expenditure to highlight the Net Operating Surplus
- Net outlays on existing assets after providing for depreciation and proceeds from any replacement asset sales
- Net outlays on new and upgraded assets after providing for grants received and proceeds from any surplus asset sales
- Key indexation forecasts and interest rate projections for borrowings and investments

The resultant key financial ratios are derived from the above and demonstrate financial sustainability through the adherence to the agreed target ranges over the 10 year life of the LTFP. Detailed information is provided in relation to each ratio within this plan.

Statement of Comprehensive Income

This Statement provides a 10 year projection of the state of a council's annual operating result (ie. the surplus or deficit between its annual spending and revenue). It shows Council's operational income and expenditure using the projected 30 June 2022 Budget as the base year.

In relation to operational income, it can be seen that Council has a heavy reliance on rates and to a lesser extent grants with rates constituting over 85% of Operating income. Other revenue sources include statutory fees (largely development and dog and cat registration) and user charges relating to cemeteries, community centre programs and Lobethal Woollen Mill Precinct rental.

For expenditure key expenditure items are employee costs and material, contracts & other expenses both constituting around 40% of operational expenditure.

This statement also shows the predicted increase from revaluations relating to Council's large investment in infrastructure & related assets



Statement of Financial Position

This Statement provides a 10 year projection of Council's assets and liabilities using the projected 30 June 2022 Budget as the base year. The projections result from proposed capital expenditure emanating from the Asset Management Plans and adopted strategies, together with borrowings necessary to meet those capital requirements, and net funding generated by operations.

Council's borrowings are represented by a Cash Advance Drawdown (CAD) facility as well as credit foncier (principal and interest) loans split between short term and longer term loans. **Over the life of the LTFP, total borrowings peak at \$25m in 2026-27.**

Capital Investment by Asset Category

Council's Asset Management Plans are progressively reviewed to ensure future provisions for asset related expenditure are sufficient. Recent reviews have highlighted the need for additional renewal expenditure in some of the infrastructure categories which has been provided for within the current LFTP.

Key points of note include

- Total capital expenditure projected over the 10 year period totals \$145 million of which \$115 million has been allocated to the renewal of existing assets.
- As identified above, the remaining \$30 million relates to new assets, as well as capacity/upgraded assets derived from Council's current adopted Strategic Plan and endorsed Functional Strategies.



Economic and Key Financial Indicators

The LTFP has been developed based on a number of assumptions using the best up to date information available at the time. Key economic indicators used include estimated increases to Consumer Price Index (CPI), Local Government Price Index (LGPI) and predictions in relation to short tem and long term interest rates. These LTFP assumptions are detailed in this section.

Further, these LTFP assumptions are affected by various external and internal influences as listed below.

<u>External</u>

- Local Government Price Index
- Consumer Price Index
- Interest rates
- Landscape and Community Wastewater Management System (CWMS) forecast increases
- Utility increases including water and electricity and waste related costs including solid waste levy
- Insurance and governance related costs
- Increased compliance costs through new legislation
- Federal & State Government Policy including cost shifting
- Broader economic environment

Internal

- Workforce planning
- Enterprise Bargaining Agreements
- Treasury Management Policy and decisions on borrowings
- Service Improvement Reviews
- Risk Management consideration
- Asset Sustainability & Service levels
- Increase/decrease in Services.



Risks Associated with the Long Term Financial Plan

The LTFP has been developed based on the best information and assumptions available at the time. However, users of this information should be aware that there are risks associated with using estimated increases to Consumer Price Index (CPI), Local Government Price Index (LGPI), Average Weekly Earnings (AWE) and predictions in finance costs and interest rates.

In addition, the LTFP may be impacted by events such as new legislation or disasters that could materially affect the projected outcomes and results of the LTFP. Whilst Council has factored in the known impacts of prior events (including recent bushfires and the COVID-19 pandemic), it is important to acknowledge that significant future events will necessitate ongoing review. The projected increase in the operating surplus ratio will assist in mitigating this risk.

Council is aware that Campbelltown City Council (CCC) has received approval from the Boundaries Commission to lodge a Stage 2 proposal for the boundary between CCC and Adelaide Hills Council to be realigned to the eastern and southern side of Woodforde and Rostrevor suburbs, effectively moving those suburbs into CCC's area. Given that boundary change process involves a number of assessments (and some development is still to occur) prior to the Commission determining whether to recommend a change, no adjustment has been made to Council's LTFP for any possible impact on rates revenue, servicing costs and capital expenditure.

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

Adelaide Hills Council													
10 Year Financial Plan for the Years ending 30 June 2032													
	A . 4	0											
UNIFORM PRESENTATION OF FINANCES	Actuals	Current Year		ojected Years					ojected Years				
Scenario: 2022-23 Draft Long Term Financial Plan	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	Accumulation of
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	10 Yrs of LTFP
Operating Activities													
Income	52,181	51,691	50,775	52,813	54,359	56,085	57,866	59,707	61,608	63,572	65,591	67,676	590,052
less Expenses	(49,824)	(50,145)	(50,105)	(52,240)	(53,647)	(55,462)	(57,361)	(59,091)	(60,834)	(62,591)	(64,662)	(66,182)	(582,173)
Operating Surplus / (Deficit)	2,357	1,546	671	574	712	623	505	616	774	981	929	1,494	7,879
Capital Activities													
less (Net Outlays) on Existing Assets													
Capital Expenditure on Renewal and Replacement of Existing Assets	(7,823)	(11,982)	(11,356)	(11,296)	(10,830)	(10,461)	(12,015)	(10,881)	(11,485)	(11,555)	(12,303)	(12,377)	(114,558)
add back Depreciation, Amortisation and Impairment	9,451	10,122	10,812	11,418	11,744	12,038	12,408	12,850	13,235	13,629	14,034	14,380	126,549
add back Proceeds from Sale of Replaced Assets	604	842	636	719	566	543	731	717	778	625	872	931	7,118
(Net Outlays) on Existing Assets	2,232	(1,019)	93	840	1,481	2,119	1,125	2,686	2,528	2,699	2,603	2,934	19,108
less (Net Outlays) on New and Upgraded Assets													
Capital Expenditure on New and Upgraded Assets													
(including Investment Property & Real Estate Developments)	(5,372)	(6,954)	(11,381)	(2,184)	(2,241)	(2,235)	(2,097)	(2,118)	(2,063)	(2,111)	(2,158)	(2,206)	(30,794)
add back Amounts Received Specifically for New and Upgraded Assets	2,409	4,176	3,109	(2,104)	(2,241)	(2,200)	(2,007)	(2,110)	(2,003)	(2,111)	(2,100)	(2,200)	(30,794) 3,109
add back Anounis Received Specifically for New and Opgraded Assets add back Proceeds from Sale of Surplus Assets	2,409	4,170	5,105	-	-	-	-	-	-	-	-	-	5,105
(including Investment Property & and Real Estate Developments)	17	2,724		_		_	_	_	_		_		
(Net Outlays) on New and Upgraded Assets	(2,946)	(54)	(8,273)	(2,184)	(2,241)	(2,235)	(2,097)	(2,118)	(2,063)	(2,111)	(2,158)	(2,206)	(27,685)
Net Lending / (Borrowing) for Financial Year	1,643	474	(7,509)	(770)	(48)	507	(467)	1,183	1,239	1,570	1,375	2,222	(698)
			(1,503)	(110)	(+0)	507	(407)	1,105	1,200	1,570	1,575	2,222	(050)
In a year the financing transactions identified below are associated with eithe		-											
from a net lending result or accommodating the funding requirement stemmin	ng from a net bor	rowing result.											
Financing Transactions													
•		0.000	0.000	0.000	0 700	4 700	0.000	1 000	4 700	1 000	0.000	4 500	
New Borrowings	(5.000)	2,000	9,000	2,000	6,700	1,700	2,900	1,600	1,700	1,600	2,000	1,500	
Repayments of Borrowings	(5,000)	-	(174)	(951)	(6,153)	(1,762)	(1,966)	(2,280)	(2,495)	(2,722)	(2,946)	(3,210)	
Repayment of Lease Liabilities	(336)	(400)	(429)	(440)	(451)	(463)	(474)	(486)	(498)	(511)	(523)	(536)	
(Increase)/Decrease in Cash & Drawdown	3,081	481	58	(55)	26	17	(3)	51	90	101	87	104	
(Increase)/Decrease in Working Capital	1,363	(2,141)	186	343	54	128	140	63	95	93	140	54	
Increase/(Decrease) in Remediation Provision		(314)	(1,032)	(27)	(28)	(29)	(30)	(30)	(31)	(32)	(33)	(33)	
Non Cash Equity Movement	(751)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	
How the Net Borrowing/(Lending) Result is accommodated/(applied)	(1,643)	(474)	7,509	770	48	(507)	467	(1,183)	(1,239)	(1,570)	(1,375)	(2,222)	
TOTAL NET FINANCIAL LIABILITIES	20,310	20,331	28,370	29,680	30,279	30,334	31,375	30,778	30,137	29,178	28,427	26,841	
TOTAL BORROWINGS	10,948	13,256	22,176	23,170	23,743	23,699	24,629	24,000	23,295	22,275	21,416	19,810	
INDEXATION FORECASTS													
General operating income and expenditure - CPI applied	-		3.25%	3.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
Employment Costs (includes superannuation guarantee increases)			4.28%	4.25%	3.23%	3.21%	2.30%	3.25%	3.25%	3.25%	3.25%	3.25%	
Proposed rate increase (from 2023-24 Local Government Price Index)			4.25%	3.65%	2.65%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	
Rates growth from new development			0.80%	0.60%	0.50%	0.50%	0.50%	2.90%	0.50%	0.50%	2.90%	2.90%	
			0.00 /0	0.0070	0.00 /0	0.0078	0.0070	0.0070	0.0070	0.0070	0.00 /0	0.0070	
TREASURY FORECASTS													
Estimated Loan rate			3.35%	3.50%	3.50%	3.50%	3.50%	3.50%	4.00%	4.50%	4.75%	5.00%	
Estimated Cash Advance Rate			0.85%	1.00%	1.20%	1.50%	3.20%	3.20%	3.70%	4.20%	4.45%	4.70%	
KEY FINANCIAL INDICATORS		_											10 Yr Average
Operating Surplus Ratio	4.5%	3.0%	1.3%	1.1%	1.3%	1.1%	0.9%	1.0%	1.3%	1.5%	1.4%	2.2%	1.3%
Net Financial Liabilities Ratio	39%	41%	56%	56%	56%	54%	54%	52%	49%	46%	43%	40%	50.5%
Net Financial Liabilities Ratio + \$3m	45%	47%	62%	62%	61%	59%	59%	57%	54%	51%	48%	44%	55.7%
Asset Renewal Funding Ratio	85%	115%	104%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100.4%

Adelaide Hills Council												
10 Year Financial Plan for the Years ending 30 June 2032												
STATEMENT OF COMPREHENSIVE INCOME	Actuals	Current Year	D,	rojected Years				р	rojected Years			
Scenario: 2022-23 Draft Long Term Financial Plan	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Scenario. 2022-23 Drait Long Territ Financial Fian	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income				· ·							· ·	
Rates	40,110	41,457	43,533	45,344	46,738	48,293	49,899	51,559	53,275	55,049	56,883	58,778
Statutory Charges	1,489	1,280	1,252	1,292	1,322	1,355	1,388	1,423	1,459	1,495	1,533	1,571
User Charges	705	816	908	938	959	983	1,008	1,033	1,059	1,085	1,112	1,140
Grants, Subsidies and Contributions	8,219	7,360	4,259	4,360	4,436	4,522	4,610	4,700	4,793	4,888	4,985	5,085
Investment Income	22	17	17	17	17	17	17	17	17	17	17	17
Reimbursements	235	210	217	224	229	235	241	247	253	259	266	272
Other Income	637	452	489	538	558	581	603	628	652	678	696	713
Net gain - equity accounted Council businesses	764	100	100	100	100	100	100	100	100	100	100	100
Total Income	52,181	51,691	50,775	52,813	54,359	56,085	57,866	59,707	61,608	63,572	65,591	67,676
Expenses												
Employee Costs	18,644	19,500	19,563	20,375	21,047	21,841	22,457	23,340	24,098	24,880	25,687	26,521
Materials, Contracts & Other Expenses	21.101	20,186	19,335	19,779	20,127	20.921	21.826	22,212	22,825	23,425	24,303	24,660
Depreciation, Amortisation & Impairment	9,451	10,122	10,812	11,418	11.744	12,038	12,408	12,850	13,235	13,629	14,034	14,380
Finance Costs	615	337	394	668	729	663	670	689	676	656	637	621
Net loss - Equity Accounted Council Businesses	13	-	-	-	120	-	-	-	-	-	-	
Total Expenses	49,824	50,145	50,105	52,240	53,647	55,462	57,361	59,091	60,834	62,591	64,662	66,182
OPERATING SURPLUS / (DEFICIT)	2,357	1,546	671	574	712	623	505	616	774	981	929	1,494
Asset Disposal & Fair Value Adjustments	(2,045)			_	_	_		_		_		_
Amounts Received Specifically for New or Upgraded Assets	1,108	4,176	3,109	-	-	-	-	-	-	-	-	-
NET SURPLUS / (DEFICIT)	3,304	5,722	3,780	574	712	623	505	616	774	981	929	1,494
Other Comprehensive Income												
Amounts which will not be reclassified subsequently to operating result												
Changes in Revaluation Surplus - I,PP&E	7,811	5,215	5,309	5,404	5,529	5,678	5,831	5,989	6,150	6,317	6,487	6,646
Share of Other Comprehensive Income - Equity Accounted Council Businesses	31		-	-	-	-	-	-	-	-	-	-
Other	69	<u> </u>		-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	7,911	5,215	5,309	5,404	5,529	5,678	5,831	5,989	6,150	6,317	6,487	6,646
Total Comprehensive Income	11,215	10,937	9,088	5,978	6,241	6,301	6,336	6,604	6,924	7,297	7,416	8,140

Adelaide Hills Council												
10 Year Financial Plan for the Years ending 30 June 2032												
STATEMENT OF FINANCIAL POSITION	Actuals	Current Year		rojected Years					Projected Years			
Scenario: 2022-23 Draft Long Term Financial Plan	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS												
Current Assets												
Cash & Cash Equivalents	637	464	500	500	500	500	500	500	500	500	500	500
Trade & Other Receivables	3,225	3,033	2,764	2,579	2,649	2,731	2,816	2,900	2,987	3,078	3,173	3,265
Inventories	23	19	19	19	19	19	19	19	19	19	19	19
Total Current Assets	3,885	3,516	3,283	3,098	3,168	3,250	3,335	3,419	3,506	3,597	3,692	3,784
Non-Current Assets												
Financial Assets			-	-	-	-	-	-	-	-	-	-
Equity Accounted Investments in Council Businesses	2,342	2,442	2,542	2,642	2,742	2,842	2,942	3,042	3,142	3,242	3,342	3,442
Infrastructure, Property, Plant & Equipment	433,592	444,455	461,483	468,671	475,411	481,667	488,945	494,852	501,036	507,274	513,839	520,293
Total Non-Current Assets	435,934	446,897	464,025	471,313	478,153	484,509	491,887	497,894	504,178	510,516	517,181	523,735
TOTAL ASSETS	439,819	450,413	467,308	474,410	481,321	487,759	495,222	501,313	507,684	514,113	520,872	527,519
LIABILITIES												
Current Liabilities												
Cash Advance Debenture	5,200	5,508	5,602	5,547	5,574	5,591	5,587	5,639	5,728	5,829	5,917	6,020
Trade & Other Payables	7,734	5,396	5,313	5,471	5,596	5,806	6,032	6,178	6,361	6,544	6,778	6,925
Borrowings	323	604	1,391	6,604	2,224	2,440	2,766	2,993	3,232	3,469	3,746	3,758
Provisions	3,963	3,742	3,655	3,650	3,645	3,641	3,637	3,633	3,631	3,630	3,630	3,630
Total Current Liabilities	17,220	15,250	15,962	21,273	17,039	17,478	18,022	18,442	18,952	19,473	20,071	20,333
Non-Current Liabilities												
Trade & Other Payables			-	-	-	-	-	-	-	-	-	-
Borrowings	5,425	7,144	15,182	11,019	15,946	15,668	16,276	15,369	14,335	12,976	11,754	10,032
Provisions	1,527	1,434	489	467	444	419	394	367	338	307	275	242
Total Non-Current Liabilities	6,952	8,578	15,671	11,485	16,389	16,087	16,669	15,736	14,673	13,283	12,028	10,273
TOTAL LIABILITIES	24,172	23,828	31,634	32,758	33,428	33,565	34,691	34,178	33,625	32,756	32,099	30,606
NET ASSETS	415,647	426,585	435,674	441,652	447,893	454,194	460,531	467,135	474,059	481,357	488,773	496,913
EQUITY												
Accumulated Surplus	142,182	147,904	151,684	152,258	152,970	153,593	154,098	154,714	155,488	156,469	157,398	158,892
Asset Revaluation Reserves	273,017	278,232	283,541	288,945	294,474	300,152	305,983	311,972	318,123	324,439	330,926	337,572
Available for Sale Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Reserves	448	448	448	448	448	448	448	448	448	448	448	448
TOTAL EQUITY	415,647	426,584	435,673	441,651	447,892	454,193	460,530	467,134	474,058	481,356	488,772	496,912
TOTAL NET FINANCIAL LIABILITIES	20,310	20,331	28,370	29,680	30,279	30,334	31,375	30,778	30,137	29,178	28,427	26,841
TOTAL BORROWINGS	10,948	13,256	22,176	23,170	23,743	23,699	24,629	24,000	23,295	22,275	21,416	19,810

Adelaide Hills Council 10 Year Financial Plan for the Years ending 30 June 2032					Projected Years					
CAPITAL INVESTMENT BY ASSET CATEGORY	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2020.20	2030-31	2024 22
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	2029-30 \$'000	\$'000	2031-32 \$'000
Scenario: 2022-23 Draft Long Term Financial Plan RENEWAL CAPITAL WORKS	\$ 000	Ş 000	Ş 000	Ş 000	Ş 000	\$ 000	\$ 000	Ş UUU	\$ 000	\$ 000
	90	97	289	119	105	57	116	95	84	
Bridges	900	900	685	638	762	582	613	656	650	65
Buildings Cemeteries	900	900 41	42	43	44	46	47	48	49	0
CWMS	160	538	588	323	44	111	114	360	296	12
Footpaths	395	395	395	323	394	394	393	393	391	38
Kerb & Water	259	265	272	279	286	293	393	308	391	33
Other (Guardrail/RetWalls/Cemeteries/Sfurniture	149	153	148	142	145	149	152	156	160	
Road Pavement	1,804	1,135	1,062	1,486	1,729	1,261	1,293	1,325	1,358	1,39
Road Seal	1,004	2,043	2,057	1,400	2,314	2,230	2,285	2,343	2,401	2,46
Shoulders	259	2,043	2,037	279	2,314	2,230	300	308	315	32
Sport and Recreation	410	408	157	150	200	293	226	190	197	20
Playgrounds	145	149	157	156	160	164	168	190	197	18
Stormwater	145	149	105	108	100	104	100	172	123	1
Unsealed Roads	1.035	1,213	1.214	1.214	1.215	1,215	1.215	1,216	1.246	1.2
Heavy Plant	1,035	1,213	565	490	883	962	1,152	574	1,240	1,2
Light Fleet	684	702	720	738	756	776	796	815	835	85
Information, Communication & Technology	525	379	555	501	477	335	453	680	528	5
F&F including Library	60	62	63	65	66	68	70	71	73	
Project Management Costs	1,403	1,445	1,489	1,533	1,579	1,627	1,675	1,726	1,778	1,8
TOTAL RENEWAL CAPITAL WORKS:	11,356	11,296	10,830	10,461	12,015	10,881	11,485	11,555	12,303	12,3
		,	.,		,	.,	,	,	,	1-
NEW, CAPACITY / UPGRADE CAPITAL WORKS										
Bridges	-	-	-	-	-	-	-	-	-	
Buildings	7,691	305	315	323	331	339	348	357	366	37
Cemeteries	39	40	41	42	-	-	-	-	-	
CWMS	100	308	315	269	133	113	116	119	122	1:
Footpaths	325	325	342	350	359	368	377	386	396	40
Kerb & Water	-	-	-	-	-	-	-	-	-	
Other	220	230	156	157	158	159	160	162	163	16
Road	1,878	200	158	162	166	170	174	178	183	18
Road Seal	-	-	-	-	-	-	-	-	-	
Shoulders	-	-	-	-	-	-	-	-	-	
Sport & Rec	590	150	200	200	200	200	100	100	100	10
Playgrounds	260	267	273	280	287	294	302	309	317	3
Stormwater	200	300	420	431	442	453	464	476	487	50
Street Lighting	-	-	-	-	-	-	-	-	-	
Unsealed Roads	-	-	-	-	- 22	-	-	-	-	
Plant and Fleet	20	20	21	22		23	23	24	24	2
ICT Minor Plant	59	40	-	-	-	-		-	-	
Minor Plant Minor Equipment including Library		-	-	-	-			-	-	
Project Management Costs	-	-	-	-	-	-	-		-	
TOTAL NEW CAPACITY / UPGRADE CAPITAL WORKS:	- 11.381	2.184	- 2.241	- 2.235	- 2.097	- 2.118	2.063	2.111	2.158	2,2
			,					,		
TOTAL CAPITAL WORKS:	22,737	13,480	13,071	12,696	14,111	12,999	13,548	13,666	14,461	14,5
AMOUNTS RECEIVED SPECIFICALLY FOR NEW/UPGRADED ASSETS										
Grants for New/Upgrade Assets	3,108	0	0	0	0	0	0	0	0	
TOTAL AMOUNTS RECEIVED FOR NEW/UPGRADED ASSETS:	3,108	-	-	-	-	-	-	-	-	

Adelaide Hills Council										
10 Year Financial Plan for the Years ending 30 June 2032					Projecteo					
ECONOMIC & KEY FINANCIAL INDICATORS	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Scenario: 2022-23 Draft Long Term Financial Plan	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
GENERAL INDEXATION:										
CPI - Adelaide	3.25%	3.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
LGPI - Operating	3.65%	3.65%	2.65%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.70%
CPI - LGPI diff	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.20%
LGPI - Capital	3.55%	3.55%	2.55%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.70%
Indice Applied to General Revenue	3.25%	3.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Indice Applied to General Expenditure	3.25%	3.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Indice Applied to Depreciation & Capital	3.55%	3.55%	2.55%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.70%
EMPLOYMENT COSTS:										
Aligned to CPI	3.25%	3.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Enterprise Agreement	0.25%	0.25%	0.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Leave Revaluation	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Grade Step Increases	0.25%	0.25%	0.25%	0.25%	0.25%	0.70%	0.70%	0.70%	0.70%	0.70%
Indice Applied to LTFP	3.80%	3.80%	2.80%	2.80%	2.80%	3.25%	3.25%	3.25%	3.25%	3.25%
Superannuation	10.50%	11.00%	11.50%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Superannuation Increase in % Terms	5.00%	4.76%	4.55%	4.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RATES INCOME										
Adjustment to CPI	1.00%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%
Growth	0.80%	0.60%	0.40%	0.40%	0.50%	0.50%	0.40%	0.50%	0.50%	0.50%
Indice Applied to CWMS Revenue	0.00%	3.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	0.0070	5.2570	2.23/0	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50/3
ELECTRICITY COSTS										
Anticipated price variation to CPI	(0.75%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Anticipated change in consumption	(1.00%)	0.00%	0.00%	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)
Indice Applied to LTFP (excl CPI) Electricity	(1.75%)	0.00%	0.00%	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)
Indice Applied to LTFP (excl CPI) Streetlighting	(1.75%)	0.00%	0.00%	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)
WATER COSTS										
Anticipated price variation to CPI	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Anticipated change in CONSUMPTION	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Indice Applied to LTFP (excl CPI)	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
INSURANCE COSTS										
Anticipated price variation to CPI	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Anticipated change in VOLUME	0.75%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Indice Applied to LTFP (excl CPI)	2.75%	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WASTE COSTS	1.000/	4.000/	4.000/	1.000/	1.000/	1.000/	1.000/	1.000/	4.000/	4.000
Anticipated price variation to CPI	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Anticipated change in consumption	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)
Indice Applied to LTFP (excl CPI)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TREASURY COSTS										
Estimated Investment rate	0.15%	0.25%	0.40%	0.50%	1.20%	1.70%	2.20%	2.70%	2.95%	3.20%
Estimated Loan rate 3.00%	3.35%	3.50%	3.50%	3.50%	3.50%	3.50%	4.00%	4.50%	4.75%	5.00%
Estimated Cash Advance Rate	0.85%	1.00%	1.20%	1.50%	3.20%	3.20%	3.70%	4.20%	4.45%	4.70%
Average Diff	2.50%	2.50%	2.30%	2.00%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
KEY FINANCIAL INDICATORS	4.30/	4 4 4 4	4 344	4 4 4 4	0.000	4.00/	4.304	4 50/	4 404	3.00
Operating Surplus Ratio	1.3%	1.1%	1.3%	1.1%	0.9%	1.0%	1.3%	1.5%	1.4%	2.2%
Net Financial Liabilities Ratio	55.9%	56.2%	55.7%	54.1%	54.2%	51.5%	48.9%	45.9%	43.3%	39.7%
Net Financial Liabilities Ratio + \$3m	61.8%	61.9% 100.0%	61.2%	59.4%	59.4%	56.6%	53.8%	50.6%	47.9%	44.1%
Asset Renewal Funding Ratio	103.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE MEETING Monday 14 February 2022 AGENDA BUSINESS ITEM

Item:	7.3
Responsible Officer:	Mike Carey Manager Financial Services Corporate Services
Subject:	2021-22 Budget Review 2
For:	Decision

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

This report presents the second Budget Review (BR2) of the 2021-22 financial year to the Audit Committee for review. BR2 will be submitted to Council for consideration on 23 February 2022.

The proposed budget changes increases Council's Operating Surplus by \$431k from \$1.115m to \$1.546m, largely due to a number of one off favourable items including an interest saving.

BR2 also proposes a reduction of \$1.299m to capital income and a reduction of \$5.253m to capital expenditure. The capital expenditure reduction largely relates to proposed carry forwards to 2022-23 of \$4.730m.

As a result of the proposed operating and capital adjustments, Council's Net Borrowing Result for the year is reduced from \$7.348m to \$2.572m.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted.
- 2. To recommend to Council the proposed budget adjustments presented in Budget Review 2 which result in:
 - a. An increase in the Operating Surplus from \$1.115m to \$1.546m for the 2021-22 financial year.
 - b. Changes to Capital Works, reducing capital income by \$1.299m and reducing capital expenditure by \$5.253m for the 2021-22 financial year resulting in a revised capital expenditure budget for 2021-22 of \$21.982m.
 - c. A reduction in Council's current Net Borrowing Result from \$7.348m to \$2.572m for the 2021-22 financial year as a result of the proposed operating and capital adjustments.

1. GOVERNANCE

Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5	A Progressive Organisation
Objective O3	Our organisation is financially sustainable for both current and future generations
Priority O3.1	Ensure the delivery of agreed strategic plan requirements whilst meeting endorsed long term targets for a sustainable operating surplus and level of debt
Objective O5	We are accountable, informed, and make decisions in the best interests of the whole community
Priority O5.1	Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations
Priority O5.3	Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community

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

With the *Audit Committee Terms of Reference* does not set out a specific function with respect to budget reviews, it has been the practice for these reviews to come to the Committee prior to being considered by Council.

Legal Implications

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

- Section 123(13) of the Act states that a council must, as required by the regulations, and may at any time, reconsider its annual business plan or its budget during the course of a financial year and, if necessary or appropriate, make any revisions.
- Section 9 of the Regulations requires a council to prepare and consider the following reports:
 - (a) at least twice, between 30 September and 31 May (both dates inclusive) a report showing a revised forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances; and
 - (b) between 30 November and 15 March (both dates inclusive) a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.

Risk Management Implications

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

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

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

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

Financial and Resource Implications

The proposed operating variations of \$431k have increased Council's budgeted Operating Surplus from \$1.115m to \$1.546m. This is largely due to a number of one off favourable items including interest savings and an operating insurance payout received for a major plant item where the plant replacement was requested as part of Budget Review 1.

BR2 also proposes reduction of \$1.299m to capital income and a reduction of \$5.253m to capital expenditure. The capital expenditure reduction largely relates to proposed carry forwards to 2021-22 of \$4.730m.

As a result of the proposed operating and capital adjustments, Council's Net Borrowing Result for the year is reduced from \$7.348m to \$2.572m

It should be noted that the figures in this report and supporting appendices have been rounded and consequently individual sub-totals, whilst being correct, may differ slightly from the sum of the rounded amounts.

Customer Service and Community/Cultural Implications

Not applicable.

Sustainability Implications

Not applicable.

> Engagement/Consultation conducted in the development of the report

Consultation on the development of this report was as follows:

Council Committees: Not Applicable

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

External Agencies: Not Applicable

Community: Not Applicable

2. BACKGROUND

The Regulations require Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require, or offer opportunities for changes to, the budget during the year. This report presents the second Budget Review (BR2) of the 2020-21 financial year.

At the Council meeting held on the 22 June 2021, Council adopted the original *2021-22 Annual Business Plan and Budget*, reflecting a Budgeted Operating Surplus before Capital Revenue of \$1.344m and an estimated Net Borrowing for the financial year of \$8.199m.

Subsequent to that meeting, Council, in consideration of agenda reports from a number of meetings, has approved a number of the 2021-22 Budget changes as detailed in the budget reconciliation included as part of this report as **Appendix 4**.

At the Council meeting held on the 23 November 2021, Council adopted the 2021-22 Budget Review 1 (BR1) with a Budgeted Operating Surplus before Capital Revenue of \$1.115m and the Net Borrowing Result reduced to \$7.348m.

Given that Audit Committee meeting timing has both Budget Review 2 and the 2022-23 draft *Long Term Financial Plan* being presented to the February 2022 meeting, it is noted that where possible, the draft LTFP is based upon Budget Review 2 (BR2) considerations.

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

Budget Review Presentation

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

In addition, a council must also include in this report revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators (*Appendix 3*).

3. ANALYSIS

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

Budget Review 2 Proposed Adjustments

\$000s	2021-22 Current Budget	Proposed BR2 Adjustments	Capital CFWD	Revised Budget after BR2
Operating Income	51,334	357	-	51,691
Operating Expenditure	50,219	(74)	-	50,145
Operating Surplus	1,115	431	-	1,546
Depreciation	9,732	390	-	10,122
Capital income	9,041	145	1,444	7,742
Capital Expenditure	(27,236)	523	4,730	21,982
Net Borrowing Position	(7,348)	1,489	3,287	(2,572)

Operating:

Operating Income - \$357k increase

- a reduction of \$40k in rates legal and other charges recovery income as a result of a the reduction in legal costs relating to debt recovery
- an increase in statutory income of \$68k in development income (offset by increase in expenditure) and \$15k in animal registrations based on year to date income received
- a \$43k reduction in hard waste income (offset by a corresponding reduction in expenditure) together with an extra \$10k in user charges for waste additional bins based on income received
- a reduction of \$15k in Outdoor Dining licences as fees were waived for the 21-22 financial year to support food & beverage business' due to the impact of COVID19 density restrictions
- an increase in Biodiversity grants funding of \$164k also requiring associated expenditure commitments
- \$30k relating to a Bushfire recovery grant to fund a Amy Gillett signage and activation project under Economic Development also requiring expenditure offset
- unbudgeted insurance recoveries of \$168k relating to council major plant write-off as a result of an accident with the replacement previously budgeted under capital in BR1

Operating Expenditure - \$74k reduction

More significant items include:

- an increase in expenditure of \$164k relating to Biodiversity grant funding increases as discussed above
- an increase on expenditure of \$30k relating to the bushfire recovery grant funding as discussed above
- an increase in development expenditure of \$66k including court fees which largely offsets income increases discussed above
- a reduction of \$40k in rates legal costs relating to debt recovery as discussed above
- a \$43k reduction in hard waste expenditure in line with the income reduction discussed above together with a further savings of \$23k relating in part to reduced gates rates for recycling processing
- a reduction of \$60k in TDU expenditure as a result of the cancellation of the event, noting that there were still expenditure requirements for the Santos Festival of cycling
- savings of \$10k relating to the late cancellation of Christmas pageants and Australian Day ceremonies
- a reduction in Office of CEO budget of \$12k relating to contributions, training and function costs

- a net increase in the order of \$12k in ICT expenditure relating to software licensing. These costs are ongoing and will impact on the expenditure base for future years.
- Interest savings of \$150k due to reduction in rates as a result of a new Cash Advance Debenture facility and improved cash flow

In addition, it is noted that the budgets for leasing were adjusted to align to Accounting Standards which resulted in \$400k being taken out of materials, contract & other and transferred to depreciation \$390k and finance costs \$10k.

<u>Capital</u>

\$000s	2021-22 Current Budget	Proposed BR2 Adjustments	Carry Forwards	Proposed BR2 Budget
Capital income	9,041	145	(1,444)	7,742
Capital - Renewal Expenditure	(12,469)	87	400	(11,982)
Capital - New Capital Expenditure	(14,767)	436	4,330	(10,000)
Total Capital Expenditure	(27,236)	523	4,730	(21,982)
Net Capital Position	(18,195)	668	3,287	(14,240)

The net impact resulting from proposed changes in the capital works program including carry forward adjustments reduces capital income by \$1.299m and total capital expenditure by \$5.253m as summarised below:

Proposed Adjustments to Capital Income \$145k increase

Capital income is being increased by \$145k to account for funding due to be received for Gumeracha Main Street Stormwater and Stirling to Crafers Bikeway from the State Government Department for Infrastructure and Transport (DIT) as detailed in *Appendix 1*.

Proposed Adjustments to Capital Expenditure \$523k decrease

For Budget Review 2 there are a number of variations in the capital budget spread across asset categories.

As result of the increased funding discussed above, the associated capital expenditure budget has been increased by \$68k. This has been offset by the cancellation of the Woodside Water Reuse Project of \$200k, a reallocation of \$298k of ICT Projects to future years and identified net savings of \$93k across a number of projects. Specific details by project have been provided in *Appendix 1*.

<u>Carry Forwards - Capital Expenditure reduction of \$4.730m and Capital income reduction</u> <u>of \$1.444m</u>

In addition, Budget Review 2 has identified proposed carry forwards in capital expenditure of \$4.730m which will not be able to be completed this financial year and will be addressed separately as part of the 2022-23 budget preparation. These were identified as part of the consideration of the Capital Reset linked to the 2022-23 LTFP Review.

The carry forwards relate to AHBTC capital divestment, Fabrik Redevelopment, 2 Blackspot Projects (fully funded by Federal Government grants and therefore income will also need to be carried forward), Tiers Road Basket Range Road Pavement Project and a Feasibility Study in relation to a Skate Park at Stirling. Details of the capital expenditure carry forwards have been provided in *Appendix 2*.

Movements in Budgeted Borrowings

As a result of proposed BR2 changes, forecast borrowings including Council's short term drawdown have been revised downwards from \$19.2m to \$14.2m at 30 June 2022, as shown below.

Borrowings excluding Leases \$000s	Opening July 2021	New Borrowings	Repayments	Forecast June 2022
CAD (Short Term Drawdown)	5,200	(24)	-	5,176
Current Other Borrowings	-	4,000	-	4,000
Fixed Term Borrowings	5,000		-	5,000
Total Borrowings	\$10,200	\$3,976	-	\$14,176

The Financing transaction detail as shown at the bottom of Council's *Uniform Presentation* of Finance (Appendix 3) highlights that in addition to Borrowings as discussed above, the financing result for the financial year also includes budgeted payments relating to the landfill remediation provision and the reduction in aged care debenture loans as part of Bridgewater Retirement Village sale.

Other points of note:

Financial Indicator Analysis

The BR2 Revised Budget Financial Indicators are shown with reference to both the 2021-22 Original Budget adopted in June 2021 and the Current Adopted Budget for 2021-22 BR1 adopted in November 2021.

Financial Indicator	Target	Original Adopted Budget for 2021-22	Current Budget for 2021-22 (BR1 Nov 2021)	Proposed Revised Budget 2021-22	
Operating Surplus Ratio	0% to 10%	2.7%	2.2%	3.0%	
Net Financial Liabilities Ratio	0% to 100%	55%	54%	44%	
Asset Renewal Funding Ratio	90% to 110%	106%	116%	111%	

Contributing factors that have impacted on the changes in ratios since they were last reported as per the table above are as follows:

Operating Surplus Ratio

The 2021-22 Operating Surplus and hence the relevant ratio has been significantly impacted by a number of one off items.

As seen from the table above the Operating Surplus Ratio was reduced from 2.7 % per the Original Budget to the current Operating Surplus for BR1 of 2.2%. This movement of the largely related to the transfer to operating of Council's contribution to the Heathfield High School court redevelopment previously recorded as capital, thus reducing Council's Operating Surplus.

The \$431k proposed increase in the Operating Surplus as highlighted in this report has adjusted the Operating Surplus Ratio for BR2 from 2.2% to 3.0%.

Net Financial Liabilities Ratio

In terms of the net financial liabilities ratio there was a minor improvement in the ratio from the Original Budget to BR1 as there some savings achieved as part of the year end carry forward of capital expenditure and adjusted for Council's 30 June 2021 audited balances.

The reduction in Council's net borrowing position for BR2 is largely as a result of the reduced borrowing as a direct result of the reduction in capital expenditure for proposed carry forwards which has reduced Council's Net Financial Liabilities Ratio between BR1 and BR2 from 54% to 44%.

Asset Renewal Funding Ratio

This ratio increase from the Original Budget to BR1 is as a result of accounting for the carry forwards from 2021-22 which included \$816k of renewals.

The reduction in capital renewal expenditure as part of BR2relates to the proposed carry forward for Tiers Rd into 2022-23 which has the effect of reducing the asset renewal ratio from 116% to 111%.

3.3 Summary

As Council has approved a number of the 2021-22 Budget changes from Council's original adopted budget, a summary of those adjustments has been detailed in the budget reconciliation included as part of this report as **Appendix 4**.

This shows that the proposed operating variations of \$431k have reduced Council's budgeted Operating Surplus from \$1.115m to \$1.546m.

BR2 also proposes a reduction of \$1.299m to Capital Income and a reduction of \$5.253m to Capital Expenditure.

As a result of the proposed operating and capital adjustments, Council's Net Borrowing Result for the year is reduced from \$7.348m to \$2.572m

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

\$000s	\$
BR1 Adopted Budget Net Lending (Borrowings) Result	(7,348)
Impact of Operating Budget Adjustments for BR2	431
Change in Depreciation	390
Impact of Capital income and Expenditure BR2 Adjustments for BR2	668
Impact of Capital income and Expenditure BR2 Carry Forwards	3,287
BR2 Revised Net Lending (Borrowing) Result	(2,572)
2021-22 Underlying Operating Surplus	\$330

In the last couple of years, Councils operating surplus has been impacted by a significant number of one off budget items together with a large amount of grant funding received with associated expenditure commitments often accounted for in different years.

It has therefore been agreed that Administration would provide details of Council's underlying Operating Surplus as part of financial reporting performance and Budget Reviews to assist in the assessment of Council's ongoing financial sustainability and long term financial planning.

As noted in *Appendix 4*, which shows the budget reconciliation of 2021-22 Budget changes Council's underlying Operating Surplus has increased from \$317k to \$330k from Budget Review 2, largely to account for:

- the additional animal management registration income of \$15k which is considered ongoing
- the additional waste additional bin income of \$10k which is considered ongoing

The above have been in part offset by a net increase in ICT expenditure relating to software licensing in the order of \$12k. These costs are ongoing and will impact on the expenditure base for future years.

4. OPTIONS

The Committee has the following options:

- I. To receive and note this report and recommend to Council the proposed budget adjustments presented in Budget Review 2 as prepared (Recommended).
- II. To make additional comments or suggestions to Administration to consider prior to finalising Budget Review 2.

4. APPENDICES

- (1) 2021-22 Capital Works Budget Review 2 Proposed Changes
- (2) 2021-22 Capital Works Budget Review 2 Carry Forwards
- (3) 2021-22 Budget Review 2 Statutory Financial Statements

(4) 2021-22 Budget Adjustments subsequent to Original Budget Adoption

DO NOT DELETE THIS SECTION BREAK

Appendix 1

2021-22 Capital Works Budget Review 2 Proposed Changes

Proj #	Project Name	Project Description	Suburb	Туре	Current Budget	Change FAV/	Revised Budget	Comment
APITAL E	XPENDITURE				Dudget	(UNFAV)	Buuget	
ut dan as								
3902	Bridge Audit	Bridge Audit and Renewal Plan	Regionwide	Renewal	\$22,350	22,350	Śſ	Project delivered last Financial Year and no additional funds required
3302		Bridge Addit and Kenewar Han	Regionwide	Total	\$22,350	22,350	\$0	
ootpaths								
3625	Stirling to Crafers Bikeway	Construction of a bikeway between Stirling and Crafers as part of the Council local Roads and Community Infrastructure Program.	Stirling	New	\$323,000	(68,057)	\$391,057	Additional costs associated with increased scope of work along Waverly Ridge Rd, on behalf DIT (offset by additional income below).
				Total	\$323,000	(68,057)	\$391,057	1
iuardrails								
4006	Safety Barrier Renewal	Carey Gully Rd - Fowler Rd to Bridge - \$65k; Hillcrest Avenue - \$35k	Carey Gully, Crafers West	Renewal	\$100,000	51,581	\$48,419	Tendered prices below budget - program completed and savings
				Total	\$100,000	51,581	\$48,419)
СТ	1	-	r	1		T		
	ICT Programs	ICT Programs		New	\$1,000,000	298,000	\$702,000	This amount to be moved to future years as part of Capital Reset but as draft LTFP has alread been updated for future year requirements, amount does not need to be carried forward
				Total	\$1,000,000	298,000	\$702,000	
port & Re	ecreation			1				
3752	WRG Design Development for Reuse	Implementing water efficiencies through irrigation renewals/ upgrades (year 1 - Birdwood play space).	Woodside	New	\$200,000	200,000	\$0	Project not proceeding following Council decision
3975	21/22 LRCIP Mylor Pump Track	BMX Track	Mylor	New	\$50,000	(45,000)	\$95,000	consultation. Previously advised to Council
				Total	\$250,000	155,000	\$95,000	
tormwate	er		1	1				
3611	Gumeracha Main Street Stormwater	Install stormwater in the Gumeracha Main Street in line with Stormwater Master Plan as part of construction works for PLEC and main street upgrade.	Gumeracha	New	\$391,000	51,000	\$340,000	Savings achieved. Final expenditure for project is \$340,000
4026	Christie Street	Renewal side entry pit & drainage	Bridgewater	Renewal	\$13,000	13,000	\$C	Incorporated into future planned renewal of kerbing and seal on Christie St Bridgewater
				Total	\$404,000	64,000	\$0	9
			Total Expenditu	ire Change		522,874		
Capital Expendit Split as follows:		Capital Expenditure Split as follows:	Renewal New/Upgrade			86,931 435,943 522,874		
	NCOME							
3611	Gumeracha Main Street Stormwater	Install stormwater in the Gumeracha Main Street in line with Stormwater Master Plan as part of construction works for PLEC and main street upgrade.	Gumeracha		\$0	45,310	\$45,310	DIT contribution to new stormwater infrastructure
3625	Stirling to Crafers Bikeway	Construction of a bikeway between Stirling and Crafers as part of the Council local Roads and Community Infrastructure Program.	Stirling		\$0	100,000	\$100,000	DIT contribution to new footpath arrangements in Crafers
			Total Income Cl	hange	0	145,310	145,310	

Appendix 2

2021-22 Capital Works Budget Review 2 Carry Forwards

PROPOSED	2021-22 CAPITAL BUDGET	REVIEW 2 CARRY FORWARDS						
Proj #	Project Name	Project Description	Suburb	Туре	21/22 Budget	Revised 21/22 Budget	Carry Forward to 22/23 Budget	Comment
CAPITAL EXP	PENDITURE							
Buildings								
3741	FABRIK Buildings Upgrades	Redevelop Buildings 14, 20 and 21		New	\$2,167,000	400,000	\$1,767,000	Transfer to 2022-23 - COVID 19 complications extended the timeline for the completion of construction drawings and associated approvals. Major works will now commence in June 2022, with the majority of the budget being expended in the 22-23 financial year.
3742	AHBTC Capital Divestment	Upgrades buildings and infrastructure to enable sale of properties		New	\$1,450,550	340,000	\$1,110,550	Transfer to 2022-23 - extensive research and investigation has been undertaken on important components within the site. This report was imperative to enable divestment discussions to be concluded. This report will be completed prior to 30 June 2022, and then the final divestment works and discussions will be completed.
			Tot	tal	\$3,617,550	740,000	\$2,877,550	
Roads								
4012	Tiers Rd	Full Pavement Renewal; Vickers to Kumnick Hill Road	Basket Range	Renewal	\$400,000	0	\$400,000	Due to market pressures, it will be more cost effective to deliver the project next Financial Year
4042	Blackspot 21/22	Blackspot 21/22 - Woodshill Rd Ashton	Ashton	New	\$302,000	6,000		Transfer to 2022-23, due to insufficient time and resources to design and construct in one year. Desig will continue in 2021-22, funded from project 4011
4043	Blackspot 21/22	Blackspot 21/22 - Montacute Rd Montacute	Montacute	New	\$1,141,882	0		Transfer to 2022-23, due to insufficient time and resources to design and construct in one year. Desi will continue in 2021-22, funded from project 4011
			Tot	tal	\$1,843,882	6,000	\$1,837,882	
Sports and R	ecreation	•						
4020	Stirling regional skate park	Feasibility study		New	\$15,000	0	\$15,000	As part of the capital reset program, it is proposed that the Skate Park Feasibility study be carried forward to 22-23. Due to additional work being undertaken on the Mylor Bike track, commencemer of the feasibility study had been delayed
			Tot	tal	\$15,000	0		
Total Capital Expenditure						Change	\$4,730,432	
CAPITAL INC	OME							
4042	Blackspot - Woods Hill Rd				(302,000)	0	(302,000)	Transfer the funding to 22/23 to align with timing of construction works.
4043	Blackspot - Montacute Rd				(1,141,882)	0	(1,141,882)	Transfer the funding to 22/23 to align with timing of construction works.
		1	Total Income	Change		0	(1,443,882)	
		Capital Expenditure	Renewal			400.000		

Split as follows:

Renewal New 400,000 4,330,432 **4,730,432**

Appendix 3

2021-22 Budget Review 2 Statutory Financial Statements

Adelaide Hills Council BUDGETED UNIFORM PRESENTATION OF FINANCES 2021-22 Budget

	2021-22 Budget					
2020-21 Actuals		2021-22 Adopted Budget	Total Budget Movement since Adoption	BR1	BR2	2021-22 Revised Budget
\$'000		\$'000	\$'000			\$'000
40 440		44 570		(70)	(40)	44 455
40,110	Statutory charges	41,573 1,197	-	(76)	(40) 83	41,457
	User charges	869	-	(6)	(48)	1,280 815
	Grants, subsidies and contributions	5,869	- 657	640	194	7,360
,	Investment income	17		040	- 194	7,360
	Reimbursements	210	_			210
	Other income	467	(210)	27	168	452
	Net gain - equity accounted Council businesses	100	(=)		-	100
	Total Income	50,302	447	585	357	51,691
	EXPENSES					
18,644	Employee costs	19,424	18	58	-	19,500
21,101	Materials, contracts & other expenses	19,295	816	399	(324)	20,186
9,451	Depreciation, amortisation & impairment	9,762	-	(30)	390	10,122
615	Finance costs	477	-		(140)	337
	Net loss - equity accounted Council businesses	-	-		-	0
49,824	Total Expenses	48,958	834	427	(74)	50,145
2,357	NET BUDGETED SURPLUS / (DEFICIT) BEFORE CAPITAL AMOUNTS	1,344	(387)	158	431	1,546
	Net Outlays on Existing Assets					
(7 823)	Capital Expenditure on Renewal and Replacement of Existing Assets	(11,451)	(816)	(202)	487	(11,982)
	Proceeds from Sale of Replaced Assets	665	177	(202)	-	842
	Depreciation	9,762	-	(30)	390	10,122
	NET OUTLAYS ON EXISTING ASSETS	(1,024)	(639)	(232)	877	(1,018)
	Net Outlays on New and Upgraded Assets					
(5,372)	Capital Expenditure on New and Upgraded Assets & Remediation costs	(11,823)	(2,389)	(555)	4,767	(10,000)
2,409	Capital Grants & Monetary Contributions - New & Upgraded Assets	2,000	3,734	(259)	(1,299)	4,176
17	Proceeds from Sale of Surplus Assets	1,304	1,420		-	2,724
(2,946)	NET OUTLAYS ON NEW AND UPGRADED ASSETS	(8,519)	2,765	(814)	3,468	(3,100)
1,643	Net Lending/ (Borrowing) Result for Financial Year	(8,199)	1,739	(888)	4,776	(2,572)
(10 000)	Net Financial Liabilities at Beginning of Year	(20.211)		. /		(20.214)
	Decrease / (increase) in Other	(20,311)	-			(20,311) 0
	Non Cash Equity Movement	(100)	-			(100)
	Net Financial Liabilities at End of Year	(28,610)	1,739	(888)	4,776	(22,983)
(20,311)		(20,010)	1,739	(000)	4,770	(22,303)

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

Financing Transactions					
- New Borrowings	10,350	(1,350)	1,000	(6,000)	4,000
3,081 Increase/(Decrease) in Short Term Draw Down	(73)	201	(112)	(40)	(24)
- (Increase)/Decrease in Cash & Investments	-	-		-	Ó
1,363 (Increase)/Decrease in Working Capital	-	-		-	0
(5,000) Principal Repayments on Borrowings	(1,000)	-		1,000	0
(336) Lease Liabilities	-	-		(400)	(400)
- Reinstatement/Restoration Provision Payment	(978)	-		664	(314)
- Debenture Payment	-	(590)		-	(590)
(751) Non Cash Equity Movement	(100)			-	(100)
(1,643)	8,199	(1,739)	888	(4,776)	2,572

It should be noted that the figures in this appendix have been rounded and consequently individual sub-totals, whilst being correct, may differ slightly from the sum of the rounded amounts.

	Adelaide Hills Council	
:	STATEMENT OF COMPREHENSIVE INCOME 2021-22 Budget	
2020-21 Actuals		2021-22 Revised Budget
\$'000	NCOME	\$'000
705 8,219 22 235 637 764	INCOME Rates Statutory charges User charges Grants, subsidies and contributions Investment income Reimbursements Other income Net gain - equity accounted Council businesses Total Income	41,457 1,280 815 7,360 17 210 452 100 51,691
21,101 9,451 615 13	EXPENSES Employee costs Materials, contracts & other expenses Depreciation, amortisation & impairment Finance costs Net loss - equity accounted Council businesses Total Expenses	19,500 20,186 10,122 337 - 50,145
	OPERATING SURPLUS / (DEFICIT)	1,546
	Asset disposal & fair value adjustments Amounts received specifically for new or upgraded assets	748 4,176
	Physical Resources Received Free of Charge NET SURPLUS / (DEFICIT)	6,470
7,811 6 9	Changes in revaluation surplus - infrastructure, property, plant & equipment Other Comprehensive Income	5,215 -
31 7,911	Share of Other Comprehensive Income JV Total Other Comprehensive Income TOTAL COMPREHENSIVE INCOME	- 5,215 11,685

	Adelaide Hills Council STATEMENT OF FINANCIAL POSITION 2021-22 Budget	
2020-21 Actuals		2021-22 Revised Budget
\$'000	ASSETS	\$'000
007	Current Assets	
	Cash and cash equivalents	637
,	Trade & other receivables	3,225
	Inventories	23
3,885		3,885
	Non-current Assets held for Sale	-
3,885	o Total Current Assets	3,885
	Non-current Assets	
	- Financial assets	-
2,342	Equity accounted investments in Council businesses	2,442
433,592	Infrastructure, property, plant & equipment	447,848
435,934	Total Non-current Assets	450,290
439,819	Total Assets	454,175
	LIABILITIES	
	Current Liabilities	
7.734	Trade & other payables	7,143
	Borrowings - Short Term Draw Down	5,176
	Borrowings - Other	3,923
	B Provisions	3,649
	Total Current Liabilities	19,891
	Non-current Liabilities	
5,425	Borrowings	5,425
	' Provisions	1,527
	- - Total Non-current Liabilities	6,952
	Total Liabilities	26,843
	NET ASSETS	427,332
	EQUITY	
142.182	Accumulated Surplus	148,652
	Asset Revaluation Reserves	278,232
-	Other Reserves	448
		427,332
20,311	NET FINANCIAL LIABILITIES	22,983

Adelaide Hills Council

STATEMENT OF CHANGES IN EQUITY 2021-22 Budget

2021-22	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	Available for sale Financial Assets \$'000	Minority Interest Equity \$'000	TOTAL EQUITY \$'000
Balance at end of previous reporting period	142,182	273,017	448	-		415,647
Net Surplus / (Deficit) for Year Other Comprehensive Income	6,470	-	-		-	6,470
Gain on revaluation of infrastructure, property, plant & equipment Transfers between reserves	-	5,215	-	_	_	5,215 -
Balance at end of period	148,652	278,232	448	-	-	427,332
2020-21						
Balance at end of previous reporting period Restated opening balance	138,645	265,206	581	-	-	404,432
Net Surplus / (Deficit) for Year	3,304	-	-		-	3,304
Other Comprehensive Income Changes in revaluation surplus -	100					100
infrastructure, property, plant & equipment	-	7,811	-			7,811
Share of Other Comprehensive Income JV						-
Transfers between reserves Balance at end of period	133 142,182	273,017	(133) 448			415,647
		,				,
FINANCIAL RATIOS						
			2021-22 Budget			
Operating Surplus Ratio Operating Surplus Total Operating Revenue			3.0%			
Net Financial Liabilities Ratio <u>Net Financial Liabilities</u> Total Operating Revenue			44%			
Asset Sustainability Ratio <u>Asset Renewals</u> Infrastructure & Asset Management Plan required	expenditure		111%			

	Adelaide Hills Council	
	CASH FLOW STATEMENT 2021-22 Budget	
2020-21		2021-22
Actuals		Revised
\$'000	CASH FLOWS FROM OPERATING ACTIVITIES	Budget \$'000
	Receipts	
39,969	Rates - general & other	41,45
	Fees & other charges	1,28
705	6	81
7,857		7,36
4		1
235		21
988		45
(18/10)	Payments Employee costs	(19,50
	Materials, contracts & other expenses	(19,50
	Finance payments	(33
	NET CASH USED IN OPERATING ACTIVITIES	11,25
	CASH FLOWS FROM FINANCING ACTIVITIES	
	Receipts	
-	Proceeds from Borrowings	4,00
(5.000)	Payments	
	Repayment from Borrowings	(40
(330) (192)	Repayment of Lease Liabilities Repayments of Aged Care facility deposits	(40 (59
(192)		3,01
	CASH FLOWS FROM INVESTING ACTIVITIES	
	Receipts	
2,409	Grants for new or upgraded assets	4,17
604 17		84 2,72
17	Sale of surplus assets Payments	2,12
(5.372)	Expenditure on new/ upgraded assets	(10,00
	Expenditure on renewal/ replacement of assets	(11,98
	NET CASH USED IN INVESTING ACTIVITIES	(14,24
(3,081)	NET INCREASE / (DECREASE) IN CASH HELD	2
	CASH AT BEGINNING OF YEAR	(4,56
(4,563)	CASH AT END OF YEAR	(4,53
	Cash & Investments	63
(5,200)	Short Term Drawdown	(5,17
(4,563)		(4,53

Appendix 4

2021-22 Budget Adjustments subsequent to Original Budget Adoption

ADELAIDE HILLS COUNCIL 2021-22 BUDGET ADJUSTMENTS SUBSEQUENT TO BUDGET ADOPTION

Description	Operating Income	Operating Expenses	Net Operating Result	Capital Expenditure	Capital Income	Depreciation	Net Borrowing Result Impact	2021-22 Underlying Surplus
Original 2021-22 Budget	50.302	48.281	2.021	17.745	3,969	Depreciation	(1,993)	448
Council Resolutions transferred to 2021-22 financial year relating to 2 Operating (\$485k Heathfield High School Court Redvelopment and \$192k Planning Resources Bushfire Recovery) and 21 Capital Projects Council Meeting 22 June 2021 CR 123/21 Item 1.12	00,001	677	(677)	5,529	0,000		(6,206)	
Published 2021-22 Annual Budget Plan	50,302	48,958	1,344	23,274	3,969		(8,199)	448
Event Opportunity Council Meeting 22 June 2021 CR 146/21		45	(45)				(45)	
2020-21 Operating Initiatives Carry Forwards (6 in total including \$150k tree management & \$80k Heathfield High School) Council Meeting 24 August 2021 CR179/21 Recommendation 2		333	(333)				(333)	
2020-21 Operating Grants Carry Forwards (14 in total, with Operating Impact of \$220k Gumeracha Court Resurfacing and \$78k 2020-21 Phase 1 LRCIP Grants), Council Meeting 24 August 2021 CR179/21 Recommendation 3	657	360	297				297	
2020-21 Capital Carry Forwards (36 Expenditure and 10 Income Projects), Council Meeting 24 August 2021 CR179/21 Recommendation 4			0	1,717	3,617		1,900	
Capital Bring Back to 2020-21 relating to 2021-22 Approved LRCIP Projects (3), Council Meeting 24 August 2021 CR179/21 Recommendation 5			0	(55)			55	
2021-22 Budget Changes relating to \$209k Fabrik adjustment and \$296k Heathfield High School Court Redevelopment transferred from Capital, Council Meeting 24 August 2021 CR179/21 Recommendation 6	(210)	86	(296)	(296)			0	
2021-22 Additional Budget Requests (3 Capital - 2 insurance recovery related and 1 Operating - Stirling Cricket Nets) Council Meeting 24 August 2021 CR179/21 Recommendation 7		10	(10)	315	190		(135)	
2021-22 Additional Capital Budget Black Spot Funding Council Meeting 28 September 2021 CR 206/21				1,524	1,524		0	
Sub total Budget Adjustments since Annual Business Plan Adoption	447	834	(387)	3,205	5,331		1,739	
AHC Current Budget prior to Council Meeting 23 Nov 2021	50,749	49,792	957	26,479	9,300		(6,460)	448
2021-22 Budget Review 1	585	426	159	757	(259)	(30)	(887)	(131)
AHC Adopted Budget at 23 November 2021 Council Meeting	51,334	50,218	1,115	27,236	9,041		(7,348)	317
2021-22 Budget Review 2	356	(75)	431	(5,253)	(1,299)	390	4,775	13
AHC Proposed Budget for 22 February 2022 Council Meeting	51,690	50,143	1,546	21,982	7,742		(2,572)	330

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE MEETING MONDAY 14 FEBRUARY 2022 AGENDA BUSINESS ITEM

ltem:	7.4
Responsible Officer:	Mike Carey Manager Financial Services Corporate Services
Subject:	Debtors Report
For:	Information

SUMMARY

In accordance with the 2022 Work Plan a debtors report is provided to the Audit Committee for consideration.

This report covers the period ending 31 December 2021. An analysis of rates debtors is provided annually to the first Audit Committee after 30 June of each year.

RECOMMENDATION

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

1. GOVERNANCE

Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020	-24 – A brighter future
Goal	A progressive Organisation
Objective O5	We are accountable, informed, and make decisions in the best interests of the whole community
Priority O5.3	Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community

It is important that debt recovery practices are monitored on a regular basis to ensure that Council's cash flow is optimised and that the non-recovery of Council debts is minimised.

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

Not applicable

Sustainability Implications

Not applicable

Engagement/Consultation

Council Committees:	Not applicable
Council Workshops:	Not applicable
Advisory Groups:	Not applicable
External Agencies:	Not Applicable
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 that 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 last Debtors report covering balances as at 30 June 2021 was presented to the Audit Committee on 16 August 2021.

3. ANALYSIS

Sundry Debtors

A summary of the aged debtors as at 31 December 2021 is provided below with the amount outstanding totalling **\$123k** across **117** individual debtor accounts.

As at 30 June 2021 the amount outstanding was \$1.026m of which \$886k related to grants yet to be paid.

With respect to sundry debtors management, Council is undertaking a similar approach to rates, in terms of consideration of a payment plan over a period in relation to any debtor that contacts Council and meets financial hardship criteria.

As at 31 December 2021, the balance > 150 days is just under \$4k and is a significantly lower balance than any time over the past five years since reporting of debtor balances commenced being reported to Audit Committee. This has been assisted by resolution of a large Regulatory Services debt that was paid after Council took action to pursue the debt by arranging the sale of the debtor's real estate property last calendar year.

Description	TOTAL	No of Debtors	<30 Days	<60 Days	<90 Days	<120 Days	<150 Days	>150 Days
Additional Bins	5,840	1	5,840	0	0	0	0	0
Burial Fees	51,773	20	13,477	31,974	3,500	2,662	0	160
Fire Hazard Reduction	977	2	0	0	0	0	0	977
Food Premises Inspection	8,435	46	4,437	1,048	655	131	0	2,164
Grants Receivable	0	0	0	0	0	0	0	0
Private Works	0	0	0	0	0	0	0	0
Road Rent	2,777	26	70	0	2,353	0	0	354
AHBTC	27,826	1	27,826	0	0	0	0	0
Regulatory Services	383	1	0	383	0	0	0	0
Other Councils	14,756	5	4,756	10,000	0	0	0	0
Property	3,186	8	3,110	0	76	0	0	0
Miscellaneous (Other)	7,569	7	7,519	0	0	0	0	50
TOTAL: 31/12/2021	123,522	117	67,035	43,405	6,584	2,793	0	3,705

In relation to the Aged Debtors as at 31 December 2021, the following points of clarification are provided:

- There is only one Burial Fees debtor > 150 days. Council's assessment is that this \$160 debt is currently uneconomical to refer to debt collection.
- Council will send letters to the two Fire Hazard Reduction debtors totalling \$977 advising that if payment is not made shortly the amounts outstanding will be attached to their properties as rates arrears and fines and interest will begin to be accrued.
- There were seven Food Premises Inspection (FPI) debtors >150 days as at 31 December 2021 totalling \$2,164. Of these:
 - Six of the debtors are at various stages of recovery with Council's debt collection agency,
 - The largest (and oldest) debtor (pre-2013) totalling \$1,265, has been located via a skip trace search undertaken by Council's debt collection agency which found the new address for the owners. However, reminder letters sent in June 2021 and July 2021 were returned to Council a few months later in October 2021. Attempts to serve notice to the owners at the registered business address have also been unsuccessful. However, Council's debt collection agency will continue to pursue the owners for payment.
- There are two Road Rent debtors > 150 days totalling \$354. Council's assessment is that these debts are currently uneconomical to refer to debt collection.
- Council officers under delegation have approved the write off of two miscellaneous debts dating back to mid-2018 totalling \$25 each for the period ending 31 December 2021. These debts were dishonour fees charged by Council for cheques presented by the two debtors, which were subsequently dishonoured by the bank. All attempts to contact the two debtors have been unsuccessful and the cost of further follow-up work will exceed any recovery of monies that may arise. Monthly statements being sent each month will cease.

Description	TOTAL	< 30 days	< 60 days	<90 days	<120 days	< 150 days	> 150 days
TOTAL: 31/12/2021	123,522	67,035	43,405	6,584	2,793	0	3,705
TOTAL: 30/6/2021	1,026,374	863,133	126,520	9,730	3,896	196	22,899
TOTAL: 31/12/2020	228,878	147,203	14,341	15,427	11,563	254	40,090
TOTAL: 30/6/2020	348,203	263,176	30,351	18,535	3,803	381	31,957
TOTAL: 31/12/2019	143,073	36,940	57 <i>,</i> 541	13,864	2,287	972	31,469
TOTAL: 30/9/2019	198,845	75,795	39,486	27,305	42,916	302	13,041
TOTAL: 30/6/2019	367,439	177,658	160,835	12,981	4,765	812	10,388
TOTAL: 31/3/2019	452,552	364,616	30,542	19,440	29,720	0	8,235
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

The comparison of Debtor movement over the past five years is shown below.

4. OPTIONS

The Audit Committee is limited to receiving this report.

5. APPENDIX

Nil

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE MEETING Monday 14 February 2022 AGENDA BUSINESS ITEM

Item:	7.5
Responsible Officer:	Steven Watson Governance & Risk Coordinator Office of the Chief Executive
Subject:	Transferable Risk Profile Report
For:	Information

SUMMARY

To provide the Audit Committee with the results of the Transferable Risk Profile Report.

RECOMMENDATION

The Audit Committee resolves the report be received and noted.

1. GOVERNANCE

Strategic Management Plan/Council Policy

Strategic Plan 2020-24 – A brighter future

Goal 5	A Progressive Organisation
Objective 05	We are accountable, informed, and make decisions in the best interests
	of the whole community
Priority 05.1	Enhance governance structures and systems to prudently adapt to
	changing circumstances and meet our legislative obligations
Priority O5.2	Make evidence-based decisions and prudently assess the risks and
	opportunities to our community before taking action.

Legal Implications

Section 126 of the *Local Government Act 1999* sets out the functions of an audit committee. The Committee reviewing Council's Risk Profile facilitates the achievement of these functions.

Risk Management Implications

Undertaking a Transferable Risk Profile process 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)	Low (3E)	Low (3E)

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

Financial and Resource Implications

The Local Government Asset Mutual Fund sponsored the \$5,000 cost to undertake the Transferable Risk Profile workshop and to produce the report.

Actions arising from the Transferable Risk Profile Report are generally accommodated in existing functional budgets. Where an agreed action requires unbudgeted funds, this will be managed through Council's budget review processes.

> Customer Service and Community/Cultural Implications

There is a high expectation that Council has appropriate corporate governance and risk management processes in place including an understanding of its Risk Profile.

Sustainability Implications

There are no direct sustainability implications arising from this report.

> Engagement/Consultation conducted in the development of the report

Council Committees:	Not Applicable
Council Workshops:	Not Applicable
Council Committees:	Not Applicable
Advisory Groups:	Not Applicable
External Agencies:	Local Government Risk Services
Community:	Not Applicable

2. BACKGROUND

The LGA Asset Mutual Fund Board has fully funded a new initiative provided through JLT Consulting to enable councils to participate in a workshop to test transferable risk exposures.

Part of the process includes a workshop, followed by a report that will identify major risk scenarios and measure them against Council's appetite to retain, manage or transfer risk.

The objectives of the program are:

- To determine whether the current Risk Protection Program for Council adequately addresses the Council's Maximum Foreseeable Loss (MFL) risk exposures; and
- To enable Council, in consultation with our LGRS Client Services Manager, to review the results and contribute to the ongoing design of the Council's protection offered via the Schemes by providing information on the MFL risks to which the Council may be exposed, the suitability of existing protection or any additional protection that may be required.

The workshop included the following key senior staff:

Chief Executive Officer A/Manager Economic Development Manager Open Space Director Community Capacity Manager Information Systems Manager Sustainability, Waste & Emergency Management Exec Manager Governance & Performance Exec Manager Organisational Development A/Director Development & Regulatory Services Manager Financial Services Coordinator Property Projects & Maintenance Director Infrastructure & Operations Governance & Risk Coordinator A/Manager Library Services Director Corporate Services

The participants discussed a range of loss events as they relate to Council's transferable risks. In particular the focus was on those events that deviate beyond what is normally expected of a situation and are extremely difficult to predict. It also focused on those events that are random and unexpected.

3. ANALYSIS

The TRP Report identified two (2) recommendations for implementation, which are as follows:

- 1. Put in place a continuity plan for loss or theft of money. Review the risk and controls in place for the current exposure.
- 2. Investigate Principal Controlled Contract work insurance with enquiries directed to the LGRS Client Services Manager.

The Administration is working with the LGRS Client Services Manager on these recommendations.

4. OPTIONS

The Committee has the following options:

- I. To receive and note the report (Recommended)
- II. To determine alterative actions (Not Recommended)

Should the Committee identify the need for alternative actions, it is recommended that they be referred to staff for review to allow for analysis of the implications of the amendments, prior to the matter being brought back to the Committee for further consideration.

5. APPENDIX

(1) Transferable Risk Profile Report

Appendix 1

Transferable Risk Profile Report



Adelaide Hills Council Transferable Risk Profiling Report

6 December 2021

DISCLAIMER

The information provided by Marsh Advisory in this document is of a general nature, and has been provided solely on the basis that users will be responsible for making their own assessment of it, having regard to their own circumstances, needs & requirements and those of their organisation.

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WORKSHOP FACILITATORS

NAME	ORGANISATION
Adity Roy Chowdhury	Marsh
REPORT PREPARED BY	
Adity Roy Chowdhury	Marsh
REPORT REVIEWED BY	
Shayne Wooley – Client Services Manager	LGRS

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Section One Executive Summary

The Engagement

The objective of this program is to undertake a high level review of the current risk exposures that exist in Council's operations. The program encompasses the following:

- Identification and assessment of major transferable risks through scenario analysis;
- Quantification of these risk events in terms of the Maximum Foreseeable Loss (MFL) we would expect for an operation of your nature;
- A Gap Analysis identifying what we believe to be potential exposures in protection between the MFL and your current limit of protection; and
- Our recommendations, intended to better align Council's risk transfer program to its risk profile, focusing on the exposures identified over the course of the program

The Program

To assist with the preparation of the Transferable Risk Profiling report the following activities were undertaken:

Activity	Date Complete
Desktop Review	13 th September 2021
TRP Workshop at the Council	15 th September 2021
Scenario Analysis & Quantification	24 th September 2021
Draft Report	10 th November 2021

Section Two Findings – Gap Analysis

As part of our analysis we reviewed a number of documents and information available in the public domain together with our experience and internal data from the Adelaide Hills Council. As a result of this review we have been able to update the initial risk register comprising potential Asset & Business Interruption risks, and Liability risks. This register formed the basis for the workshop.

During the workshop the participants discussed the relevance of each risk to Council. A number of scenarios with perils were identified for each major risk component based on the financial impact on Council and potential exposures when tested against existing protection.

All scenarios discussed during the workshop that fell in one or both of these categories were finetuned. This included a discussion on risk source, cause and impact of a 'worst case' scenario. As a next step the financial consequence of the scenario that was deemed to have the highest Impact (i.e. Maximum Foreseeable Loss (MFL)) was rated.

After the workshop we conducted a Gap Analysis which mapped the existing protection against the risk profile, any potential gaps identified are highlighted within the following tables (Figures 1 and 2) which present a detailed overview of the TRP.

Risk Scenario	MFL	Current Status	Gap Analysis
Fraud - Collusion amongst staff with high financial delegations who commit fraud by creating a false invoice and transferring funds into their bank accounts. Maximum daily payment limit is \$5,000,000 and with additional costs of investigation and legal fees estimated to be \$50K we take \$5,050,000M as the maximum loss for this scenario with the assumption that all controls have failed.	\$5,050,000	Partially Protected	If losses total more than \$300,000 arise, it will exceed the current limit for fidelity. The scenario that has been devised has the potential to exhaust this limit and lead to an exposure for Council.
Contract Works - Scenario e.g. Heathpool changing rooms where the principal contractor for Council's highest value contract project becomes insolvent: Scenario where the principal contractor for Council's highest value contract project becomes insolvent: If the principal contractor was to become insolvent, Council might find itself with an unfinished infrastructure project that cannot be insured, leaving Council exposed up to the full value of the project.	\$4,500,000	Not Protected	Protection is available - Risk transferred to builder via their insurance however if contractor becomes insolvent and policy is cancelled - risk is transferred to Council.
Infectious Diseases- Effects of Covid-19: 18 months of Covid has cost Council \$200,000 as additional costs to put structure in place to operate within Covid restrictions and some additional time costs for resources which cannot be quantified without further detailed analysis.	\$200,000	Not protected	Communicable Disease exclusion applies which effectively provides no coverage. No protection available as most insurers have applied this or similar exclusion
Registered Plant and Equipment A major fire at the Works Depot during the Xmas shutdown leads to loss of use for multiple vehicles: the value of fleet located at Works Depot at any one time estimated to be up to \$4.6M. Hire equipment - based on 5 pieces of equipment	\$4,720,000	Partially Protected	Direct losses are covered for up to declared value: furthermore there is potential exposure due to costs associated with hiring replacement vehicles that is currently not covered under the protection scheme

Risk Scenario	MFL	Current Status	Gap Analysis
(graders, loaders) at approx. \$200 a day. Approx. \$1000 a day - up to 6 months. (\$1000 x 120 days) - Total = \$120,000 We estimate a total loss of \$4.7M for this scenario.			
Breach of Privacy – Hackers manage to penetrate Council's personnel files and steal all personal data collected about their employees (i.e. TFNs, bank account numbers, ID, etc.). Council then fails to go through the proper notification channels, leading to a fine being imposed by the Office of the Australian Information Commissioner (OIAC) - maximum fine is \$2,100,000.	\$2,100,000	Partially Protected	If losses total more than \$2,000,000, it will exceed the current limit for Regulatory Fines. The scenario that has been devised has the potential to exhaust this limit and lead to an exposure for Council
Statutory Fines and Penalties - EPA Fines: Maximum fine from EPA: \$2,000,000 The EPA investigates and confirms contamination at the landfill site, leading to fines from the EPA Maximum Loss = \$2,000,000	\$2,000,000	Partially Protected	Members of the LGAMLS are extended Civil Liability protection including for Civil matters related to environmental impairment. However criminal fines and penalties are not covered as they are not a civil liability Potential exposure \$2,000,000

Section Three Introduction

The objective of the Transferable Risk Profiling exercise is to determine whether Council's current protection via the schemes adequately addresses Council's Maximum Foreseeable Loss (MFL) risk exposures.

A workshop was conducted with Council staff on 15th September 2021. The data collected at that workshop forms the basis of this report as it details the major risk scenarios that may exist within Council operations.

In consultation with your LGRS Client Service Manager, the results were reviewed and any recommendations following the TRP will be assessed with Council to ensure the scheme protection adequately meets your requirements.

The TRP session is intended to identify worst case scenarios which are then tested against Council's current protection. While some of these exposures may be mitigated by internal controls, some exposures are best addressed by improving the existing protection.

We worked closely with Council's nominated point of contact for data gathering activities including document reviews, a TRP workshop and further discussions and communication required to provide the information that led to these assessments and conclusions. This review does not attempt any root cause analysis of the revealed hazards. The role of the consultants in this process has not been to draw their own conclusions, but rather to provide the means for others to systematically review the risks Council currently faces. The conclusions presented within this report therefore reflect the consolidated views of the participants of the TRP and assessment process.

Whilst the schemes provide broad protection, the TRP process may identify areas for improvement which could include recommendations to review existing limits or extending the current program to include any new risks identified that can be transferred. As councils risk profile evolves we recommend that you discuss these risks with your LGRS Client Service Manager and engage the appropriate stakeholders from within Council who may benefit from this advice and further consultation.

What This Report Does Not Purport To Do

It is important to recognise the limitations of this Report. It does not purport to:

- Provide a definitive assessment of MFL exposures but rather a best estimate based on the review of the information available to us. A more comprehensive study or risk assessment can be undertaken in areas identified as requiring further assessment;
- Identify or advise on changes to the current protection in place as a study of MFL scenarios does not concentrate on frequency or probability of such an event occurring;
- Comment on current risk management practices or their effectiveness.

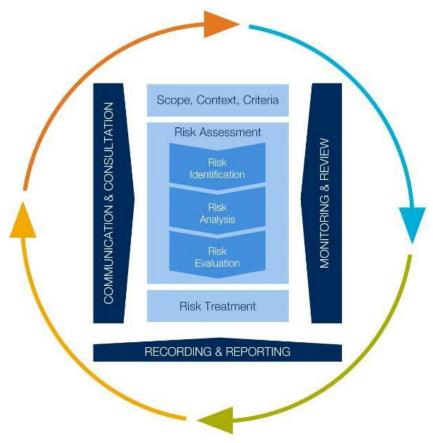
It should be appreciated that the consequence criteria adopted is purely monetary, expressed simply as a Maximum Foreseeable Loss, as one of the key objectives of the analysis is to help define potential exposures when comparing MFL scenarios to the current protection in place. We recognize that the assessment of a risk, in the context of how it might impact the organisation, can be based on various types of consequences including; the degree of injury to people, extent of regulatory non-compliance, impairment of production / service delivery capacity and diminishment of reputation.

As this report entails the assessment of transferable risks, its main focus is upon the risk of transferable financial losses consistent with the role of the protection via the schemes as a financial risk transfer mechanism

Section Four Methodology

Risk Profiling Process

In the execution of the Transferable Risk Profiling exercise we have employed a methodology closely aligned with the risk management guidelines as expressed in the ISO 31000:2018 *Risk management* – *Guidelines* Standard. This ensures a structured approach based on a well-established framework that offers a recognizable and auditable process.



Risk Management Process

Phase 1: Scope, Context, Criteria

Desktop Review

We performed a desktop review of internal documents and information available in the public domain to develop an understanding of Council operations and exposure to transferable risks. The following materials were available for review:

- Annual Reports for Council;
- Council's internal risk registers;
- Protection Scheme Declarations;
- Wordings and policy schedules relevant to Council;
- Publicly available information on Council's website and other information outlets; Applicable claims history for Council and other organisations;
- The results of follow-up questionnaires after the diagnostic workshop

Phase 2: Risk Assessment

Risk Identification

Using all information gathered in the desktop review we put together an initial Transferrable Risk register including a preliminary identification of major risk events and descriptions of potential causes for those events, thus arriving at scenarios relevant to Council's risk environment. We analyzed these risks in terms of their potential impact and the mitigation currently in place, including the protection via the schemes' responses.

Risk Analysis

The second step of Phase 2 was a diagnostic workshop with the stakeholders across all aspects of Council's business, using a qualitative, scenario-driven approach in order to arrive at the Maximum Foreseeable Loss (MFL) for each identified risk event. In the workshop, JLT RISK SOLUTION Consulting facilitated a discussion around the identified risks using the risk events identified in the desktop review as well as utilizing the specific knowledge of attending Council stakeholders participating in the workshop to identify additional scenarios that may lead to an MFL

Risk Evaluation

At the conclusion of the workshop a number of risk scenarios were identified. A number of these associated directly with Council's strategic objectives or other specific performance targets, whilst others were more specifically related to regulatory requirements.

As one of the key objectives of the analysis is to help define scenarios in which the current protection via the schemes may not address the risk, the scenarios were analyzed using internal figures were available, and figures derived from claims history, publically available information, and our experience. The losses associated with the developed scenarios were calculated as a **Maximum Foreseeable**

Loss (MFL). This figure is defined for the purposes of this exercise as the maximum loss that could occur if a specific event (the analyzed scenario) occurred and failure of controls is assumed.

Finally, the MFL figure for each scenario was tested against the schemes protection as they exist currently. The specific scheme protection that would respond if the identified scenario were to occur was determined, and any relevant limits of liability, sub-limits, and exclusions were analyzed in order to arrive at a classification of each response.

In order to give an overview of the potential exposures that Council may face we have given a rating to every MFL scenario to classify potential exposure. The table below explains these classifications:

Protected	The MFL is covered under the current scheme protection.
Partially Protected	The MFL may either exceed existing scheme limit or one or more loss elements are excluded.
Not Protected	There is no current protection in place for this transferable risk

Section Five Findings – Transferable Risk Profiling

This section summarises the results of the TRP and some of the more significant risks identified. For convenience we have categorised these risks under two headings;

1. Assets & Business Interruption

2. Liability

This analysis does not purport to be an exhaustive list of transferable risks; rather it endeavors to focus on the more significant risks that can be transferred via councils membership to the schemes... The designated 'treatment' in the transferable risk register is based on our expectation of the coverage that should be available in the insurance market. The protection provided by the schemes is broad Due to its structure and discretionary nature and may be guided by traditional insurance principals but Is intended to provide a higher level of protection than is available via traditional insurance means. Reference should always be made to the Scheme rule.

The potential risk scenarios identified at the TRP workshop session attached in the PDF copy Adelaide Hills Worksheet Final.Pdf

Adelaide Hills Council

Transferable Risk Profiling Report

	erable Risk Adelaide Hi		SETS & BUSIN	ESS INTERRUPTION					Risk Protection Gap A Client:	Analysis - ASSETS & BL Adelaide Hills Council	JSINESS IN	TERRUPTION	🧼 Marsh
	sets & Business Severity erruption Risks Description of 'Worst Case'		Severity Validated Loss Description of 'Worst Case' Estimate Limits					Protection Program					
Ref	Risk Title	High Impact - Site 🗸	Potential cause(s)	Impact - Material Damage (MD)	Impact - Business Interruption (BI)	Material Damage	Business Interruptio		Scope of Protection	Applicable Limits of Protection	Scope of protectio	GAP Analysis	Recommendation
ABI-01	Fire and/or Explosion	1. Library	a. Fire (Electrical, arson, chemical, hot works, smoking, kitchen e.g. pan/exhaust fume.) b. Explosion	A catastrophic fire in the library quickly grows out of control as fire control systems fail to respond, leading to a total loss of approx. \$7.9 Million	Council did not identify a major business interruption exposure / impact for this risk scenario as part of the workshop	\$7,900,000	\$0	\$7,900,000	LGA Asset Mutual Fund - Combined Limit	The LGAAMF Maximum limit of liability for any one loss, any one location - \$50,000,000. Councils Assets are protected to the sums insured which are declared on their current asset schedules. Current insured value is \$7.9M	Protected	NA	NA
ABI-02	Earthquake	Council did not identify a high impact site for this risk scenario as part of the workshop	a. Earthquake	While there is potential exposure - impact and cost estimates would require further analysis and modelling	While there is potential exposure - impact and cost estimates would require further analysis and modelling	While there is potential exposure - impact and cost estimates would require further analysis and modelling	While there is potential exposure - impact and cost estimates would require further analysis anc modelling	While there is potential exposure - impact and cost estimates would require further analysis and modelling	LGA Asset Mutual Fund - Combined Limit	The LGAAMF Maximum limit of liability for any one loss, any one location - \$50,000,000. Councils Assets are protected to the sums insured which are declared on their current asset schedules	While there is potential exposure - impact and cost estimates would require further analysis and modelling	Impact and cost estimates would require further analysis and modelling	NA
ABI-03	Storm/Tem pest/ Lightning; Water Damage	Heathfield Community Centre	Physical damage due to wind, rain/hail, impact from debris/falling trees, fire/impact from lightning (particularly electrical equipment)	A major hailstorm causes significant damage to the Heathfield community centre and damages the solar panels	Power will be consumed at a higher rate - 50K increase annually as advised by the Council. Approx. takes 3 months to replace solar panels so costs would be 50000/12*3	\$35,000	\$12,500	\$47,500	LGA Asset Mutual Fund - (1) Material Loss or Damage	The LGAAMF Maximum limit of liability for any one loss, any one location - \$50,000,000. Councils Assets are protected to the sums insured which are declared on their current asset schedules Sum insured for solar panel is 35K and BI is protected	Protected	NA	NA
ABI-04	Flood	Library and Council Office	Overflowing of natural water course or heavy rains	Flooding in Council building and Library. Heavy torrent rains causes flash flooding. If we estimate damages of 50% (ground floor only of both) Council Building and Library the costs are approx. (50% * \$12.1 million) = \$6m	Council did not identify a major business interruption exposure / impact for this risk scenario as part of the workshop	\$6,000,000	\$0	\$6,000,000	LGA Asset Mutual Fund - (I) Material Loss or Damage	The LGAAMF Maximum limit of liability for any one loss, any one location - \$50,000,000. Councils Assets are protected to the sums insured which are declared on their current asset schedules Current total cover for both building 12.1 million	Protected	NA	NA

1

ABI-0	Machinery Breakdown - Ammonia Contaminati on - Hazardous Substances - Spoilage	Swimming pool	Mechanical; Electrical or physical overload (e.g. air conditioning, blocked pump), overheating/la ck of ventilation (e.g. electric motors), fusion/power supply spikes or voltage dip. E.g. at Water Sewage Infrastructure; Administration Building etc	A preakdown of one of the pumps used in operation of the pool requires a full replacement at the cost of \$15k	Council did not identify a major business interruption exposure / impact for this risk scenario as part of the workshop	\$15,000	\$0	\$15,000	LGA Asset Mutual Fund - (ii) Machinery Breakdown	\$350,000	Protected	NA	NA
ABI-00	Registered plant and equipment	Depot	Fire	A major fire at the Works Depot during the Xmas shutdown leads to loss of use for multiple vehicles : the value of plant fleet located at Works Depot at any one time estimated to be \$4.6m (Total plant fleet value minus passenger vehicles)	Hire equipment - based on 5 pieces of equipment (graders, loaders) at approx. \$200 a day. Approx. \$1000 a day - up to 6 months. (\$1000 x 120 days) - Total = \$120,000	\$4,600,000	\$120,000	\$4,720,000	LGA Asset Mutual Fund - (v) Motor Vehicle	Market/Replacement value as declared	Partially Protected	NA	Direct losses are covered for up to declared value: furthermore there is potential exposure due to costs associated with hiring replacement vehicles that is currently not covered under the protection scheme
ABI-07	, Burglary and Theft	Art	Theft committed by employee or external party; Robbery or theft from a locked safe;	Painting stolen from the library worth \$60,000	Council did not identify a major business interruption exposure / impact for this risk scenario as part of the workshop	\$60,000	\$0	\$60,000	LGA Asset Mutual Fund - (I) Material Loss or Damage (Theft or Loss of Money)	The LGAAMF Maximum limit of liability for any one loss, any one location - \$50,000,000. Councils Assets are protected to the sums insured which are declared on their current asset schedules Sum insured for art is \$60,000	Protected	NA	Direct losses are covered for up to declared value:

ABI-08	Fraud	Accounts Receivabl e	Fraud committed (theft and forgery by employee or collusion with external party; Dishonest; Internal & external crime; Computer systems security;	Collusion amongst staff with high financial delegations who commit fraud by creating a false invoice and transfer funds into their bank accounts. Maximum daily payment limit is 5 million	 Forensic accounting costs Internal IT and fraud investigation costs Legal costs Internal audit costs 	\$5,000,000	\$50,000	\$5,050,000	LGA Asset Mutual Fund - (I) Material Loss or Damage (Fidelity Guarantee)	\$300,000	Partially Protected	NA	If losses total more than \$300,000 arise, it will exceed the current limit for fidelity. The scenario that has been devised has the potential to exhaust this limit and lead to an exposure for Council. Council should consider impact of rising trend of commercial crime especially cyber ones as event of this nature can easily exhaust this limit and lead to an exposure for Council
ABI-05	Cybercrime	IT infrastructur e	a. Data Breach b. Network Interruption c. Theft of funds/Account takeover d. Cyber espionage/Cy ber Extortion	Hackers succeed in hijacking user sessions on the Adelaide Hills online rates paying functionality and redirects traffic to a mirrored page they control, thus gamering customer data, credit card details, and the means to charge fees on customers' cards until the hijacking is detected. Total rates & annual charges recd FY2020 was 50,288,000, assuming 5% was paid online and 5% user sessions were hijacked and that hijacking detected after one quarter as reminder would be sent to ratepayers if council not recd. Rates Loss: (50,000,000*5% *5%)/4=\$31,430	Response costs: Expert consultants are engaged to undertake the recovery process which takes approx. 2 weeks - (\$5000 / day x 10 days = \$50,000)	\$31,430	\$50,000	\$81,430	Cyber Security and Privacy Protection Incident Response Business Interruption Data and System Recovery Cyber Extortion Media Liability Cover Third Party Insuring Agreement	\$2,000,000 any one claim and \$4,000,000 in the aggregate (Cyber crime limit to \$300,000K)	Protected	NA	The cybercrime for direct financial loss soley as a result of theft of money or securities due to malicious use or access of shared computer systems is limited to \$300,000K
ABI-10	Off premises service interruption (public utilities interruption)	Pool	Business interruption following a loss at a public utility	A power outage of approx 7 hours occurs - similar to that experienced by SA in 2016 - and affects the operation of the pool filtration system - the installed battery back up system fails to start due to an internal fault. The pool is shut down and before being placed back into service a number of steps are required to ensure the water quality has returned to a safe level - costs (Backwash) - approx \$10,000, chemical costs - approx \$1000, testing - Total = \$11,000	Council did not identify a major business interruption exposure / impact for this risk scenario as part of the workshop	\$11,000	0	\$11,000	All member assets owned, hired, leased or for which the member has a responsibility to protect as declared on the Asset Schedule. Member revenue, rent and additonal increased costs of working requiring protection as declared on the Asset Schedule (24 month indemnity unless stated otherwise) Failure of supply from Public Utilities	\$10,000,000	Protected	NA	NA

AE	BI-11	Infectious or contagious diseases (annual aggregate for all coverage provided)		Infectious of Contagious Disease; pandemic; site closures	No material damage foreseeable	Effects of Covid-19: 18 month s of Covid has cost Council \$200,000 as additional costs to put structure in place to operate within Covid restrictions and some additional time costs for resources which cannot be quantified without further detailed analysis.	N/A	\$200,000	\$200,000	Communicable Disease exclusion applies which effectively provides no coverage	Communicable Disease exclusion applies which effectively provides no coverage	Not Protected	NA	Communicable Disease exclusion applies which effectively provides no coverage. No protection available as most insurers have applied this or similar exclusion
AE	31-12	Vandalism/ Malicious Damage to Property	Library	Graffiti, broken windows, physically damaged plant, contents or structures via impact/arson	disgruntied ratepayer - approx. \$3,200 for one 10sam glass window.	Council did not identify a major business interruption exposure / impact for this risk scenario as part of the workshop	\$32,000	\$0	\$32,000	See ABI -01	\$7,900,000	Protected	NA	NA
AE	31-13	Contract Works	Heathpool Oval - changing rooms -	contract cover - major projects c. Storage & Materials off site d. Transit of materials	Scenario where the principal contractor for Council's highest value contract project defaults: If the principal contractor was to default, Council might find itself with an unfinished infrastructure project that cannot be insured, leaving Council exposed up to the full value of the project - about \$4,000,000	Ongoing costs for existing temp facilities, replacement cost, legal cost; Estimated legal cost and facilities could be at \$500,000	\$4,000,000	\$500,000	\$4,500,000	Nil currently	NA	Not Protected		Protection is available - Risk transferred to builder via their insurance however if builder becomes insolvent and policy is cancelled - risk is transferred to Council

Adelaide Hills Council

Transferable Risk Profiling Report

Trans	ferable Risk Register	- LIABILITY		Risk Protection Gap Analysis - LIABILITY 🧼 Mars					
	Liability Risks	Severity Description of 'Worst Case'		Validated Lose Estimate	Protection Program				
Ref	Risk Title	Potential cause(s)	Impact	Validated Loss Estimate	Scope of Protection	Applicable limits of protectior	Current Status	GAP Analysis	
L-01	Third Party personal injury - Duty of care	a. Lack of reasonable care; b. vicarious liability (volunteers, committees of management etc.); c. public safety risks (signage, fencing, diving, roads, trips and falls, sporting activities, Convention & Theatre events etc.); unauthorised access. d. Unauthorised activities which were reasonably foreseeable by Council & with no direct control e. Inadequate emergency response f. Maintenance failure or faulty asset g. Trespassers entering site causing malicious damage	High risk bushfire danger day when event is held - Overall it was established in the worst case scenario, maximum loss estimate would be around 1 million should Council be responsible for starting bushfire.		LGA Mutual Liability Scheme - The LGAMLS is a Mutual Scheme that provides civil liability protection without limits and is backed by the Treasurers Indemnity	N/A	Protected	N/A	
L-02	Third Party Property damage	Bushfire; Maintenance (electrical); Operational activities (hotworks); Tool of Trade (faulty exhaust); Fire breaks; Highly populated premises (stadiums, halls), Clearance of lines	Council staff undertaking hot works start a bushfire which impacts on a small number of homes close to the outskirts of the town. the average size of a freestanding home is 130sqm, and our valuations experts estimate the average rebuild cost at \$1450/sqm, including debris removal and contractor fees. This gives an average reinstatement value of \$188,500 Therefore the reinstatement value of lost dwellings is $(5 \times $188,500) = $942,500$ Insurance data states the average value of a dwelling's contents are \$80,000: this gives an estimated loss figure of $(5 \times $80,000) =$ \$400,000- Estimated Maximum Loss = (942,500+400,000 = \$1,342,500)	\$1,342,500	LGA Mutual Liability Scheme - The LGAMLS is a Mutual Scheme that provides civil liability protection without limits and is backed by the Treasurers Indemnity	N/A	Protected	N/A	

L-03	Third party	a. Damage/injury caused to	Scenario is home owner not looking after their septic tank and council is supposed to police this and don't do it properly. If the house is sold and the buyer ends up with an unusable septic and Council need to pay for a new one because they didn't ensure the previous owner maintained their septic . Approximate cost to replace would be \$50,000	\$50,000	LGA Mutual Liability Scheme - The LGAMLS is a Mutual Scheme that provides civil liability protection without limits and is backed by the Treasurers Indemnity	NA	Protected	NA
L-04	Property in Care,	a. hired plant; employees/visitors personal property;	A hired in grader is damaged beyond repair while used by Council, due to negligence by a Council employee who was operating the grader without the required level of operator training and verification of competency. We estimate the value of the largest piece of equipment that could be dry hired at \$300,000	\$300,000	LGA Mutual Liability Scheme - The LGAMLS is a Mutual Scheme that provides civil liability protection without limits and is backed by the Treasurers Indemnity	N/A	Protected	N/A

L-05	Civil works	General Third parties liability due to -Trenches; Machinery; Worker to Worker; Signage, Fencing, Lighting, Materials on Site, Security of worksite etc. (after hours); Dial Before You Dig	During civil works of the highest value contract mentioned in Contract Works (4m), an important fibre optic cable connection gets cut, cutting off internet access to a large area of the hills. Council is held liable for repair costs. Estimated liability - (e.g. similar to Victoria Square incident in Adelaide City Council area - Total cost \$1,000,000)	\$1,000,000	LGA Mutual Liability Scheme - The LGAMLS is a Mutual Scheme that provides civil liability protection without limits and is backed by the Treasurers Indemnity	N/A	Protected	N/A
L-06	Professional Indemnity - Provision of Professional Advice and Services	a.Loss arising/foregone income to stakeholders due to poor provision of advice. b. Planning and Building services; Environmental Health Services; in house professional consultants (lawyers, engineers etc)	Negligence in the DA process leads to a demolition order for a high value development. Council is held liable under P.I.;Based on data as Council not had PI claim before, we estimate max as \$4,000,000 (Heathfield Change Rooms as an example)	\$4,000,000	Professiona I Indemnity The LGAMLS is a Mutual Scheme that provides civil liability protection without limits (including Personal Immunities as detailed within the Local Government Act)	N/A	Protected	N/A

L-07	Councillors & Officers - (Breach of Commonwealth & State Legislation and Defamation)	a. Resulting in bodily injury; Resulting in fines & penalties; & Wrongful Act of Director b. Board and Council meetings; publications (media); over the phone; webcasting; internet use; social networking sites c. Decisions/actions taken as a Council which generates liability exposures d. Failure to disclose information to insurer leading to void cover - own damage scenario e. Disclosure to regulators or authorities in connection with licences or permits	Councillor becomes involved in a defamation lawsuit: incurs legal fees and potential damages awarded. There has been cases where councils have incurred legal bills reaching an aggregate of \$2 million.	\$2,000,000	1) Councillors & Officers Clause 1.1 - C&O	N/A	Protected	N/A
L-08	Employment Practices	a. Council -Inadvertent breaches of employers duties e.g. discrimination, unfair dismissal (employed at least 6mth/or 12mth for small biz before eligible to apply), equal opportunity b. Worker to worker - bullying, harassment, discrimination, depravation of career opportunity;	Unfair dismissal case of a senior executive resulting in a judgement against Council, including legal fees A settlement with a former executive in the past has led to a claim of over \$450,000 including legal costs: this is significantly higher than the standard maximum award of \$71,000	\$450,000	1) Councillors & Officers Clause 1.3 - EPL	N/A	Protected	N/A
L-09	Breach of Privacy	a. Data breaches; notifiable (LG not exempt from breach of TFNs) or non-notifiable; b. Invasion of employees' privacy	Hackers manage to penetrate Council's personnel files and steal all personal data collected about their employees (i.e. TFNs, bank account numbers, ID, etc.). Council then fails to go through the proper notification channels, leading to a fine being imposed by the Office of the Australian Information Commissioner (OIAC) - maximum fine is \$2,100,000	\$2,100,000	LGA Asset Mutual Fund - (iv) Cyber Security and Data Protection (Regulatory Fines)	\$2,000,000	Partially Protected	\$100,000 is the gap If losses total more than \$2,000,000, it will exceed the current limit for Regulatory Fines. The scenario that has been devised has the potential to exhaust this limit and lead to an exposure for Council

L-10	Environmental - sudden and unforeseen	Sudden release of pollutants (e.g. water, fuel, oil, smoke)	Due to deterioration over time of the cell lining in an inactive and capped cell at a landfill site, the cell lining ruptures, leading to		The LGAMLS is a Mutual Scheme that provides civil liability protection			
L-11	Environmental Impairment - gradual	Gradual or pre-existing contamination of site	contamination of groundwater by leachate of organic compounds, sulphate, ammonia, in addition to trace heavy metals. According to expert estimates, the maximum amount of groundwater to be remediated is up to 4,000 cubic metres. The estimated cost of remediation is thought to be higher due to difficult aquacultural circumstances in the direct environment. An analysis of clean-up costs in our Loss Data Library gives a clean- up cost of \$450,000 per 1000 cubic metres: for 4,000 cubic metres, this gives an expected outlay of around \$1,800,000.	\$1,800,000	without limits (including Personal Immunities as detailed within the Local Government Act). The LGAMLS does not have reinsurance for civil liability claims pertaining to Asbestos	N/A	Protected	NA
L-12	Statutory Fines & Penalties	a. Inadvertent breaches of other statutory obligations e.g. OHS, OH&S Pollution; Regulators b. Water recycling (buy/sell; Asbestos; Hazardous chemicals.	SafeWork Fine: Maximum fine from SafeWork: \$3,000,000 Unsafe loading conditions at a contractor's site are discovered , leading to fines SafeWork for breaches of Chain of Responsibility compliance	\$3,000,000	LGA WCS - Statutory and Business Practices Liability	\$3,000,000	Protected	NA

L-13	Statutory Fines & Penalties	a. Inadvertent breaches of other statutory obligations e.g. OHS, OH&S Pollution; Regulators b. Water recycling (buy/sell; Asbestos; Hazardous chemicals.	EPA Fines: Maximum fine from EPA: \$2,000,000 The EPA investigates and confirms contamination at the landfill site, leading to fines from the EPA Maximum Loss = \$2,000,000	\$2,000,000	LGA Mutual Liability Scheme - Civil Fines and Penalties	\$1,000,000 per incident	Partially Protected	Members of the LGAMLS are extended Civil Liability protection including for Civil matters related to environmental impairment. However criminal fines and penalties are not covered as they are not a civil liability Potential exposure \$2,000,000
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Section Six

Conclusions and Recommendations

Recommendations – Risk Treatment

With this report, Marsh has aimed to provide Council a framework enabling decision support in the treatment of major risk scenarios that were identified during the Transferable Risk Profiling workshop. To that end a number of recommendations are offered.

We believe that if Council were to act on the recommendations set out below it would ensure that the recommended protection is in place for those transferable risks. In order to address the identified potential exposures it is recommended that Council:

- 1. Put in place a continuity plan for loss or theft of money. Review the risk and controls in place for the current exposure.
- 2. Investigate Principal Controlled Contract work insurance with enquiries directed to the LGRS Client service contact

Section Seven Glossary of Terms

Assets	Considers Council assets owned or leased, chartered or hired (where Council is responsible to insure).
Business Interruption (Assets)	Financial impact that flows from the loss of an asset. This may include loss of revenue as well as increased cost of continuing operations.
Protected	The Maximum Foreseeable Loss (MFL) is covered under the current policy limits.
Liability	Considers compensation of third parties (including fines) and project participants.
Maximum Foreseeable Loss	Maximum Foreseeable Loss (MFL) - assuming failure or absence of controls in determining the MFL of a major loss event scenario. MFLs are commonly used to establish policy limits.
Not Protected	There is no current cover in place for this transferable risk or the risk may not be Transferable.
Partially Protected (Liability)	The MFL may either exceed established policy limits and/or one or more loss elements are excluded or a sublimit may be exceeded.
Personal Injury (Liability)	Injury or death sustained by a third party including employees of project participants. The loss includes consequential loss incurred by affected parties.
Property damage (Liability)	Damage to physical property of a third party or project participants located on Council sites or off-site (e.g. neighboring businesses and operations). The loss includes consequential loss incurred by affected parties.
Pure Economic Loss (Liability)	Where no injury or damage occurs to the particular third party or project participants a liability can exist for monetary/economic loss.
"Worst Case" Assumptions	Risk assumptions which assist in calculating the MFL – e.g. Failure of controls, timing of event, location.

PROPRIETARY NATURE OF DOCUMENT

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ADELAIDE HILLS COUNCIL AUDIT COMMITTEE MEETING Monday 14 February 2022 AGENDA BUSINESS ITEM

ltem:	7.6
Responsible Officer:	Steven Watson Governance & Risk Coordinator Office of the Chief Executive
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 the following change since the November 2021 assessment.

•	Inherent Risk:	Nil (0) Change
•	Residual Risk:	Medium residual risk is steady at 83%
		Low residual risk is steady at 8%
•	Target Risk:	Medium target risk is steady at 75%
		Low target risk is steady at 25%
•	New Mitigation(s):	Nil (0) new mitigations
•	Completed:	62% (73) increased with seven (7) completed actions
•	In Progress:	Decrease from 28% to 26% (25)
•	Not Commenced:	Decrease from 15% to 12% (12)

In relation to the Corporate Risk Framework, the SkyTrust Software Council uses for managing its WHS and other obligations has had its Corporate Risk Module populated with information from the previously used Strategic Risk Register spreadsheets. A copy of the *SkyTrust Strategic Risk Register* is at *Appendix 1*.

RECOMMENDATION

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

Strategic Management Plan/Council Policy

Strategic Plan 2020-	-24 – A brighter future
Goal 5	A Progressive Organisation
Objective 05	We are accountable, informed, and make decisions in the best interests of the whole community
Priority 05.1	Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations
Priority O5.2	Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action.

A number of actions contained in the 2021-22 Annual Business Plan have been added as mitigations against the applicable strategic risk

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 or have been accommodated in the 2021-22 Annual Business Plan and Budget.

> 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.

> Sustainability Implications

There are no direct sustainability implications arising from this report.

- Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community
- Council Committees:Not ApplicableCouncil Workshops:Not ApplicableAdvisory Groups:Not ApplicableExternal Agencies:Not ApplicableCommunity:Not Applicable

1. BACKGROUND

Council's Strategic Risk Profile monitoring and reporting process has been in place since 2014 based on the, then, current Risk Management Policy and the Risk Management Framework.

The allocation of risk owners has been reviewed over time due to changes in the portfolio allocation within the Administration. The current allocations have been in place since January 2020 with the transition of SR9a (human resources) back to the Executive Manger Organisational Development.

Reports on the Strategic Risk Profile have been provided to the Audit Committee and subsequently Council on a quarterly basis since February 2016.

At its 13 May 2019 meeting, the Committee reviewed the Risk Management Policy and noted that only minor nomenclature changes were required, prior to recommending it for Council's consideration.

Council adopted the revised Policy at its 28 May 2019 meeting.

Risk Management Framework

Additionally an extract of the Strategic Risk Register is usually provided to the Committee and Council. At its 13 May 2019 meeting the Committee requested that the full Register be provided for the Committee's review. The SkyTrust Software Council uses for managing its WHS and other obligations has had its Corporate Risk Module populated with information from the previously used Strategic Risk Register spreadsheets. A copy of the SkyTrust Strategic Risk Register is at **Appendix 1**.

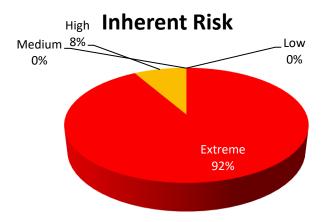
2. ANALYSIS

Strategic Risk Profile

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

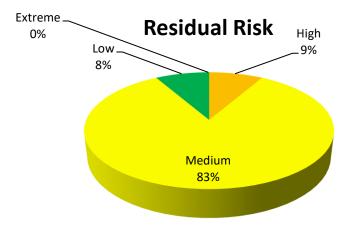
The Strategic Risks were recently reassessed and the following diagrams depict the Inherent, Residual and Target ratings.

There has been no change to the Inherent risk ratings from the November 2021 assessment.



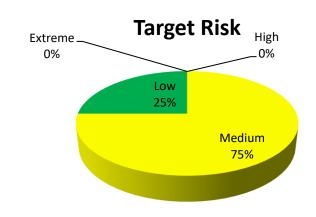
Officers regularly review their risks and mitigations, and the Residual Risk rating identifies the following changes since the November 2021 assessment:

- Medium residual risk is steady at 83%
- Low residual risk is steady at 8%



Officers regularly review their risks and mitigations, and the Target Risk rating identifies the following changes since the August 2021 assessment:

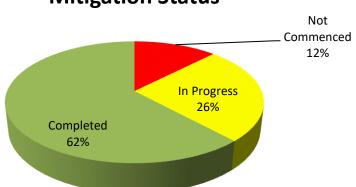
- Medium target risk is steady at 75% to 75%
- Low target risk is steady at 25% to 25%



The implementation of Mitigation Actions has been progressing steadily with increased new mitigations from risk owners undertaking their latest assessments in line with the 2021-22 Annual Business Plan adoption. The current status is as follows:

Status	May 2021	August 2021	November 2021	February 2022
Completed	72%	53%	57%	62%
Completed	(63 actions)	(58 actions)	(60 actions)	(73 actions)
	26%	24%	28%	26%
In Progress	(23 actions)	(26 actions)	(29 actions)	(25 actions)
Not Commenced	2%	23%	15%	12%
Not Commenced	(2 actions)	(26 actions)	(16 actions)	(12 actions)
New Initiatives	3 New	27 New	1 New	Nil (0) New
(in above totals)	Mitigations	Mitigations	Mitigation	Mitigation

This is shown diagrammatically below:



Mitigation Status

Risk Management Framework

As identified through an action in the Strategic Risk Register, the Administration has continued to work on the Risk Management Framework. This process was held up somewhat until a suitable software solution could be sourced and trialled. This trial is occurring and whilst the Administration is in early learning, it is envisaged further development including the reporting elements will provide positive benefits, operating efficiencies and deliver a sound and robust risk management framework.

3. 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 (not recommended).

4. APPENDIX

(1) Strategic Risk Register – February 2022

Appendix 1 Strategic Risk Register – February 2022

Department Adelaide Hills	Team Executive Leadership Team	Location/Project Other	Risk ID 170934
Council			
Risk Control Type	Control Details	Reviewer	Effectiveness
	Established Policies and Procedures Framework	Niamh Milligan	INEFFECTIVEÂ (Designed Ad Operating Ineffectively)
	Recruitment Policies and Procedures in place	Niamh Milligan	EFFECTIVEÂ (Designed Adeo
	WHS Management System in place (Committee, Reporting, SkyTrust, Policy & Procedures)	Lee Merrow	Operating Effectively) EFFECTIVEÂ (Designed Adeo
	Regular audits by LGAWCS		Operating Effectively)
	Volunteer Framework established and implemented Volunteer Policy Developed	Rebecca Shepherd	EFFECTIVEÂ (Designed Adeo Operating Effectively)
	Leadership Framework Established and development opportunities undertaken	Megan Sutherland	PARTIALLY EFFECTIVEÂ (De
	OD Structure supported through trained and experienced staff	Megan Sutherland	Adequately; Operating Part Effectively) INEFFECTIVEÂ (Designed
			Inadequately; Operating Eff
	Established Position Descriptions for all roles:	Niamh Milligan	EFFECTIVEÂ (Designed Adeo Operating Effectively)
	Enterprise Agreement Framework in place	Megan Sutherland	EFFECTIVEÂ (Designed Adeo Operating Effectively)
	2022Fair treatment, Bullying & Grievance Policies and Procedures are established	Niamh Milligan	EFFECTIVEÂ (Designed Adeo
A			Operating Effectively)
Action Source Corporate Risk Register	Action Required Equity and diversity plan is being developed	Action Priority Six Months	Person Responsible Megan Sutherland
Corporate Risk	Review Fair Treatment and Bullying Procedures, and Grievance Resolution Procedure;	Six Months	Niamh Milligan
<u>Register</u> Corporate Risk Register	Review Work From Home Policy & procedures to ensure that meet the changing needs of the workforce stemming from COVID and increased fire events.	Two Months	Megan Sutherland
Corporate Risk	Implement replacement Payroll system to comply with legislative requirements that will not be	Immediately	Megan Sutherland
Register	possible with existing system on 1 January 2022.		
Corporate Risk	Undertake training in recruitment practices for staff involved in recruitment panels	Six Months	Niamh Milligan
Register			
Corporate Risk Register	Review how the Work from Home Procedure is going and if positively contributing to effective and efficient work and working relationships across the organisation.	Three Months	Megan Sutherland
Corporate Risk <u>Register</u> Corporate Risk	Leadership Coaching & Mentoring Program Progressed Review OD Structure to ensure resources aligned to corporate goals and undertake recruitment	Six Months Three Months	Megan Sutherland Megan Sutherland
Register	to ensure revised structure resourced.		
Corporate Risk Register	Update OD Policies & Procedures to align to Framework.	Six Months	Niamh Milligan
Corporate Risk Register	Undertake Audit of Position Descriptions to Ensure currency and ensure update where not current	Six Months	Niamh Milligan
Corporate Risk Register	Training and Development Framework Reviewed & Implemented (captures current 4x8, WHS and Corporate Training needs)	Six Months	Niamh Milligan
Corporate Risk	WHS Policy & Procedure Review at LGAWCS followed by AHC application	Six Months	Megan Sutherland
Register			
Corporate Risk Register	WHS Reporting across organisation to be reviewed to ensure awareness and education is appropriate. Revised reporting requirements to be implemented if identified.	Six Months	Lee Merrow
Department	Team	Location/Project	Risk ID
Adelaide Hills	Executive Leadership Team	Other	170941
Council			
Risk Control Type	Control Details	Reviewer	Effectiveness
	Long Term Financial Plan in place and regularly Reviewed;	Terry Crackett	EFFECTIVEÂ (Designed Adeo
	Annual Business Plan developed and aligned each year to the Long Term Financial Plan; Internal audit and annual review of internal controls;		Operating Effectively)
	System security and configuration; Induction procedures; Recruitment and selection processes;		
	Financial delegations; Informed level of insurance cover through LGAMLS, rating policy, process and timeframes;		
	Asset management register and program; Executive Manager Governance and Risk employed;		
	Procurement Co-Ordinator role employed; Qualified employees that are trained in policies; Conflict of interest declaration regularly reviewed (Directors/CEO);		
	WHS procedures on plant purchasing, consultation and risk assessment; Fraud and Corruption Policy;		
	Whistleblowers Policy; Insurance reviewed annually and all areas of insurance are reviewed and recalculated for		
Action Source Corporate Risk	Action Required Review positions across council that require criminal history checks, including financial roles	Action Priority Immediately	Person Responsible Megan Sutherland
Register	Recruit Procurement Coordinator Role	Immediately	Michael Carey
Corporate Risk <u>Register</u> Corporate Risk	Recruit Procurement Coordinator Role Review of Procurement Policy and procedures (Stage 1)	Immediately Immediately	James Greenfield
Register Corporate Risk	Review the process map of the insurance claims procedure to enable consistency of application.	Six Months	Steven Watson
<u>Register</u> Corporate Risk Register	Explore Grant funding opportunities	Immediately	Michael Carey
Corporate Risk Register	Develop a Treasury Management Policy	Immediately	Michael Carey

	Location/Project	Risk ID	Risk Title	Description	Responsible Person	Risk Type	Risk Category	F
	Other	170934		Failure to manage, improve and develop the human resources available to the Council. (F)	Megan Sutherland	Strategic	People & Culture (includes WHS)	Poor IR practices Ineffective attraction and retention init Lack of workforce planning and develo Deficient equity and diversity programs Poor leadership Failure to ensure appropriate WH&S for
								Volunteers not trained or inducted effe
	Reviewer	Effectiveness	Risk Score					
	Niamh Milligan	INEFFECTIVEÂ (Designed Adequately; Operating Ineffectively)	12					
	Niamh Milligan	EFFECTIVEÂ (Designed Adequately; Operating Effectively)	6					
Policy & Procedures)	Lee Merrow	EFFECTIVEÂ (Designed Adequately; Operating Effectively)	13					
	Rebecca Shepherd	EFFECTIVEÂ (Designed Adequately; Operating Effectively)	9					
ndertaken	Megan Sutherland	PARTIALLY EFFECTIVEÂ (Designed Adequately; Operating Partially	8					
	Megan Sutherland	Effectively) INEFFECTIVEÂ (Designed Inadequately; Operating Effectively)	12					
	Niamh Milligan	EFFECTIVEÂ (Designed Adequately;	4					
	Megan Sutherland	Operating Effectively) EFFECTIVEÂ (Designed Adequately;	5					
		Operating Effectively)						
	Niamh Milligan Action Priority	EFFECTIVEÂ (Designed Adequately; Operating Effectively) Person Responsible	6 Extra Comments					
	Six Months	Megan Sutherland	Further development of the plan is being undertaken through the Diversity and Inclusion Team. Some initial ideas for the plan have been researched. Since this action commenced, the Access and Inclusion Plan 2020-2024 has been adopted by Council in January 2021. A review of the direction of this action is needed so as not to double up on activities.					
	Six Months		Fair Treatment, Workplace Bullying Policies and Grievance Procedure require an annual review to ensure currency					
e changing needs of the	Two Months	Megan Sutherland	Procedures updated to respond to events in 2020 and were implemented successfully. Review now required to ensure application to a more business as usual mode of operation is effective.					
uirements that will not be	Immediately		Project team established and options for upgrade being considered. Advise received that critical deadline may move to 30 June 2022. System set up is well progressed and testing currently underway. The majority of the setup work has now been completed. Go live date was re set for mid February 2022.					
itment panels	Six Months	Niamh Milligan	Implementation of the new HR system has commenced. Early information on the recruitment module in this system provides a possible option for updating our recruitment processes and it is expected this will be undertaken in 2022. Training of staff will be undertaken at that time on the new process. HR system implementation has had some delay; we are still working towards 30/06/2022 on e-recruitment implementation however.					
contributing to effective	Three Months		Given the current pandemic arrangement there has been considerable review of WFH processes and procedures. There is still a level of follow up required to ensure compliance. A new register has been established to monitor which employees are working from home each day.					
	Six Months		Plans in this area will be renewed in 2022, when OD structure changes are in place.					
nd undertake recruitment	Three Months		Revised structure established and currently out to consultation with staff. Additional resource to to support OD approved within the 2021/22 budget. Systems project resource endorsed by ELT on 5/8/21. Changes to OD structure are currently being implemented. One position has been appointed and is working well. The recruitment process has been completed for the other role and commences in Jan 2022					
	Six Months		A range of OD policy/procedure covering organisational processes need updating. A plan for review and update will commence in 2022					
ore update where not	Six Months Six Months	Niamh Milligan	An action plan to update the outstanding PD's will be developed in discussion with People Leaders Update of T&D processes and framework is a focus for OD and WHS over the next 2 years, particularly due to the systems now available that support the ongoing management of these processes. A plan has been developed for WHS. Further work will commence in 2022 on the OD					
ion	Six Months	Megan Sutherland	requirements and opportunities in the new system Currently there is a suite of WHS Procedures in place and being used. A plan has been prepared and approved through Executive on the systematic update of the documents.					
ess and education is entified.	Six Months	Lee Merrow	Reporting has been updated as a result of audit feedback. Ongoing monitoring and further improvement will take place as the reporting is used and reviewed in the organisation.					
	Location/Project	Risk ID	Risk Title	-	Responsible Person	Risk Type	Risk Category	Possible Risk Events
	Other	170941		Failure to manage, improve and develop the financial resources available to Council. (F)		Strategic	Financial	Poor internal control environment Poor procurement planning and proces Ineffective insurance arrangements. Poor financial management processes Poor contract management Poor People Management Ineffective Asset Planning Lack of Business Planning
								Poor Strategic Planning Lack of Business Case development (in
	Reviewer	Effectiveness	Risk Score					
rm Financial Plan;	Terry Crackett	EFFECTIVEÂ (Designed Adequately; Operating Effectively)	9					
cess and timeframes;								
nt;								
and recalculated for	Action Priority	Person Responsible	Extra Comments					
ncluding financial roles	Immediately	Megan Sutherland	Updated Policy and Procedure covering the relevant criminal history check requirements have been adopted and training completed. Identified positions requiring checks are being updated or undertaken currently.					
	Immediately		undertaken currently. Recruitment completed in June 2018					
consistency of application.	Immediately Six Months		Updated Policy and Procedure endorsed by Council in August 2019 220104 Development of process map has commenced.					
	Immediately		A Grant Funding Policy endorsed by Council.					
	Immediately	Michael Carey	Policy endorsed by Council October 2017					

Possible Risk Events 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 not trained or inducted effectively	Possible Consequences 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; 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; increased injuried and notifiable incidents; 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; increase absenteeism.	Initial Risk Score	Score	Other Requirements/Comments
Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comments
Poor procurement planning and processes. Ineffective insurance arrangements. Poor financial management processes (treasury, AP, AR) Poor contract management Poor People Management Ineffective Asset Planning Lack of Business Planning	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.	24	9	A cross functional review of this risk was undertaken in July 2021. This review resulted in a reassessment of all controls and actions required. Whilst the actions have now been individually created, separate controls will not occur until September 2021.
	Poor financial management processes (treasury, AP, AR) Poor contract management Poor People Management Ineffective Asset Planning	Poor internal control environmentPotential 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.	Initial Risk ScorePoor internal control environmentPoor internal control environmentPoor procurement planning and processes.Ineffective insurance arrangements.Poor financial management processes (treasury, AP, AR)Poor or contract managementPoor People ManagementIneffective Asset PlanningLack of Business Planning	Initial Risk ScoreResidual Risk ScorePoor internal control environment Poor procurement planning and processes. Ineffective insurance arrangements. Poor financial management processes (treasury, AP, AR) Poor contract management Poor contract management Poor People Management Ineffective Asset Planning Lack of Business PlanningPotential 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.249

	Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk	Other Requirements/Comments
d	Strategic	People & Culture (includes WHS)		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; 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; increased injuried and notifiable incidents; 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; increase absenteeism.	24	Score	
	Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comments
	Strategic	Financial	Poor internal control environment Poor procurement planning and processes. Ineffective insurance arrangements. Poor financial management processes (treasury, AP, AR) Poor contract management Poor People Management Ineffective Asset Planning Lack of Business Planning Poor Strategic Planning Lack of Business Case development (including Prudential Reviews)	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.	24	9	A cross functional review of this risk was undertaken in July 2021. This review resulted in a reassessment of all controls and actions required. Whilst the actions have now been individually created, separate controls will not occur until September 2021.

Corporate Risk Register	Implement the Cyber Security Plan	Six Months	Ja
Register	Develop a Project Management Framework supported by Policies & Procedures Undertake a review of the Fleet Management Framework (including Policies & Procedures)	Six Months Six Months	As Cł
Register	Implement biannual reporting of procurement to ELT	One Month	Ja
•	Establish a process to ensure that a review of Purchase Order variations is undertaken	Three Months	Ja
•	Investigate the option for Business Interruption Insurance	Three Months	St
Register			
Corporate Risk Register	Provide a report to ELT on the Annual Placement of Insurance (including claims experience)	Two Months	St
Department	Team	Location/Project	Ri
Adelaide Hills	Executive Leadership Team	Other	17
Council			
Risk Control Type	Control Details	Reviewer	Ef
	'- Well resourced department, with qualified staff making informed and evidence based decisions.	David Waters	M
	- Regulatory responsibilities that incorporate inspection regimes, education and prosecution where necessary within a highly regulated environment.		
	- Existence of Community Strategy - with identified community needs, gaps in service provision and reprioritised our CD efforts. Adopted June 2015.		
	- Mandated 4-yearly development of strategic plan, incorporating community engagement, ensures effort is made periodically to understand issues important to the community.		
	 Community engagement policy and other relevant policies Regular satisfaction surveys and program evaluations. Communicate with empathy, regular informal contact with the community. 		
	 Communicate with empatiny, regular informal contact with the community. Local engagement via Community Centres is occurring with cultural groups. Ad-hoc engagement on an as-needs basis. 		
	 Development of the Reconciliation Action Plan (2015). Disability Action Plan (2011)., Age Friendly Community Plan (2017) 		
	 Staff cultural awareness training. Recreation and Open Space Planner position created in early 2016. 		
Corporate Risk	Action Required Community Cultural Development Officer to develop Cultural Development principles and framework	Action Priority Immediately	Pe Re
0	framework Implement the new Access and Inclusion Plan	Immediately	Re
Corporate Risk	Review facility management arrangements. Develop a more consistent approach to community	Immediately	N
	Review facility management arrangements. Develop a more consistent approach to community facility users conduct across the various program areas.	Immediately	Na
Register		Immediately Location/Project	Ri
Register Department Adelaide Hills	facility users conduct across the various program areas.	, 	
Register Department Adelaide Hills	facility users conduct across the various program areas. Team	Location/Project	Ri
Register Department Adelaide Hills Council	facility users conduct across the various program areas. Team Executive Leadership Team	Location/Project	Ri
Register Department Adelaide Hills Council	facility users conduct across the various program areas. Team Executive Leadership Team Control Details - Monthly capital reports from finance	Location/Project Other	Ri
Register Department Adelaide Hills Council	facility users conduct across the various program areas. Team Executive Leadership Team Control Details - Monthly capital reports from finance - Reporting of The Quarter to Council - Regular team meetings with project updates	Location/Project Other Reviewer	Ri
Register Department Adelaide Hills Council	facility users conduct across the various program areas. Team Executive Leadership Team Control Details - Monthly capital reports from finance - Reporting of The Quarter to Council	Location/Project Other Reviewer	Ri
Register Department Adelaide Hills Council	facility users conduct across the various program areas. Team Executive Leadership Team Control Details - Monthly capital reports from finance - Reporting of The Quarter to Council - Regular team meetings with project updates - Quarterly budget review process - 3 Year Capital Program	Location/Project Other Reviewer	Ri
Register Department Adelaide Hills Council	facility users conduct across the various program areas. Team Executive Leadership Team Control Details - Monthly capital reports from finance - Reporting of The Quarter to Council - Regular team meetings with project updates - Quarterly budget review process - 3 Year Capital Program - Procurement policy - Process and qualified staff/teams - Project reporting process - Panel contractors - Legislation and policy - Legislation and policy - Legislation and policy - Counter Council - Council Counc	Location/Project Other Reviewer	Ri
Register Department Adelaide Hills Council	facility users conduct across the various program areas. Team Executive Leadership Team Executive Leadership Team Ontrol Details - Monthly capital reports from finance - Reporting of The Quarter to Council - Regular team meetings with project updates - Quarterly budget review process - 3 Year Capital Program - Procurement policy - Process and qualified staff/teams - Project reporting process - Panel contractors - Legislation and policy - KPI monitoring and reporting - Financial Reporting	Location/Project Other Reviewer	Ri
Register Department Adelaide Hills Council Risk Control Type	facility users conduct across the various program areas. Team Executive Leadership Team Executive Leadership Team Ontrol Details - Monthly capital reports from finance - Reporting of The Quarter to Council - Regular team meetings with project updates - Quarterly budget review process - 3 Year Capital Program - Process and qualified staff/teams - Project reporting process - Pael contractors - Legislation and policy - KPI monitoring and reporting - Financial Reporting - Financial Reporting - Financial Reporting - TitP processes have been amended to ensure that all key Strategies and Plan (including the Strategic Plan and Asset Management Plans) are captured as part of the LTPP review each year	Location/Project Other Reviewer Peter Bice	Ri 16
Register Department Adelaide Hills Council Risk Control Type Action Source Corporate Risk	facility users conduct across the various program areas. Team Executive Leadership Team Executive Leadership Team Monthly capital reports from finance - Monthly capital reports from finance - Reporting of The Quarter to Council - Regular team meetings with project updates - Quarterly budget review process - 3 Year Capital Program - Procurement policy - Process and qualified staff/teams - Project reporting process - Panel contractors - Legislation and policy - KPI monitoring and reporting - Timerial Reportin	Location/Project Other Reviewer	Ri
Register Department Adelaide Hills Council Risk Control Type Action Source Corporate Risk Register	facility users conduct across the various program areas. Team Executive Leadership Team Executive Leadership Team Control Details - Monthly capital reports from finance - Reporting of The Quarter to Council - Regular team meetings with project updates - Quarterly budget review process - 3 Year Capital Program - Procurement policy - Process and qualified staff/teams - Project reporting process - Panel contractors - Legislation and policy - KPI monitoring and reporting - TFP processes have been amended to ensure that all key Strategies and Plan (including the Strategic Plan and Asset Management Plans) are captured as part of the LTFP review each year Action Required Project Management - Jimplementation of Project management framework. A trial with Built and Natural Assets is underway since 1/7/15. A review was undertaken in 2016 to assess and refine framework. Further review required now that Manager Civil Services appointed b) Process to audit and check project management Climplementation of scheduled program maintenance.	Location/Project Other Reviewer Peter Bice Action Priority Immediately	Ri 16 16 16 16 16 16
Register Department Adelaide Hills Council Risk Control Type Risk Control Type Corporate Risk Register Corporate Risk Register	facility users conduct across the various program areas. Team Executive Leadership Team Executive Leadership Team Control Details Monthly capital reports from finance Reporting of The Quarter to Council Regular team meetings with project updates Quarterly budget review process Quarterly budget review process Quarterly budget review process Quarterly budget review process Panel contractors Process and qualified staff/teams Procurement policy Process and qualified staff/teams Procurement policy Regulation and policy Regulation and policy Regulation and policy Regulation and policy Regulated Project reporting Repor	Location/Project Other Reviewer Peter Bice Peter Dice Immediately	Ri 16 16 16 16 16 16 16 16 16 16 16 16 16 16 16 16 17 16 16 17 16 16 17 18 19 19 10 10 11 11 11 11 11 11 11 11 11 11 12 13 14 15 15 16 16 17 18 19 11 11 11 12 12 13
Register Department Adelaide Hills Council Risk Control Type Risk Control Type Corporate Risk Register Corporate Risk Register	facility users conduct across the various program areas. Team Executive Leadership Team Executive Leadership Team Control Details • Monthly capital reports from finance • Reporting of The Quarter to Council • Regular team meetings with project updates • Quarterly budget review process • 3 Year Capital Program • Procurement policy • Protess and qualified staff/teams • Project reporting process • 3 Year Capital Program • Procurement policy • KPI monitoring and reporting • Liegislation and policy • KPI monitoring and reporting • Liegislation and policy • KPI monitoring and reporting • Financial Reporting • Tropicet Management Plans) are captured as part of the LTFP review each year about a budget Project Management • a) Implementation of Project management. • Coll Management Finance. • Refine the budget bid process to ensure that sufficient time is allocated to cost budget submissions and also timing recognising that some projects will need to span across multiple years due to lead times associated with planning, consultation and approvals. Action: develop a budget bid database with a two stage process by 30/3/2016 • Start to promote multiple year project planning in line with Asset Management Planning • Construction • Construct	Location/Project Other Reviewer Peter Bice Action Priority Immediately Immediately Immediately	Ri Ri 16 16 16 16 16 16 16 16 16 16 16 16 16 16 16 16 17 16 16 17 18 19 19 10 10 11 11 11 11 11 11 11 11 11 11 11 11 11 11 11 11 12 13 14 15 16 16 17 18 18 19 10 11
Register Department Adelaide Hills Council Risk Control Type Risk Control Type Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register	facility users conduct across the various program areas. Team Executive Leadership Team Executive Leadership Team Control Details Monthly capital reports from finance Reporting of The Quarter to Council Regular team meetings with project updates Quarterly budget review process Quarterly budget review process Quarterly budget review process Quarterly budget review process Panel contractors Process and qualified staff/teams Procurement policy Process and qualified staff/teams Procurement policy Regulation and policy Regulation and policy Regulation and policy Regulation and policy Regulated Project reporting Repor	Location/Project Other Reviewer Peter Bice Peter Dice Immediately	Ri 16 16
Register Department Adelaide Hills Council Risk Control Type Risk Control Type Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register	facility users conduct across the various program areas. Team Executive Leadership Team Control Details Monthly capital reports from finance Reporting of The Quarter to Council Reputation meetings with project updates Quarterly budget review process Procurement policy Process and qualified staff/teams Program Profit profits Prodect management Plans) are captured as part of the LTFP review each year Protect ment equired new that Manager Child Staff and Natural Assets is underway since 17/15. A review was undertaken in 2016 to assess and refine framework. Enther review equired new that Manager Child Staff teams and refine framework. Enther review equired new that Manager Child Staff teams and refine framework. Enther review equired new that Manager Child Staff teams and refine framework. Enther review equired new that Manager Child Staff teams and refine framework. Enther review equired new that Manager Child Staff teams are provided to assess and refine framework. Enther review equired new that Manager Child Staff teams and refine framework. Enther review equired new that Manager Child Staff teams and refine framework. Enther review equired new that Manager Child Staff teams and refine framework. Enther review to associated with planning, consultation and approvals. Action: develop a budget bid database with a two stage process by 30/3/2016 Start to promote multiple year project planning in line with Asset Management Planning Develop process in conjunction with Organisational Development to transfer knowledge one an employee has notified intent to leave the organisation in the review of the staff knowledge with consideration of succession planning and transition to retirement)	Location/Project Other Other Reviewer Peter Bice Action Priority Immediately Immediately Six Months	Ri Ri I <
Register Department Adelaide Hills Council Adelaide Hills Council Risk Control Type Risk Control Type Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register	facility users conduct across the various program areas. Team Executive Leadership Team Executive Leadership Team Control Details Monthly capital reports from finance Reporting of The Quarter to Council Regular team meetings with project updates Quarterly budget review process Process and qualified staff/teams Procet reporting process Panel contractors Legislation and policy KPI monitoring and reporting Financial Reporting Financial Reporting Triper Management Plans) are captured as part of the LTFP review each year Action Required Process and reforting Dimplementation of Project management framework. A trial with Built and Natural Assets is underway since 1/7/15. A review was undertaken in 2016 to assess and refine framework. Further review required nov that Management. Col Implementation of scheduled program that sufficient time is allocated to cost budget submissions and also timing recognising that some projects will need to span across multiple years due to lead time associated with planing, consultation and approvals. Action: develop a budget bid database with a two stage process by 30/3/2016 Start to promote multiple year project planning in line with Asset Management Planning Develop process in conjunction with Organisational Development to transfer knowledge once an employee has notified intent to leave the organisational Development to transfer knowledge once an employee has notified intent to leave the organisational Development to transfer knowledge once an employee has notified intent to leave the organisational Development to transfer knowledge once an employee has notified intent to leave the organisational Development to transfer knowledge with	Location/Project Other Reviewer Peter Bice Action Priority Immediately Immediately Immediately	Ri Ri 16 16 16 16 16 16 16 16 16 16 16 16 16 16 16 16 16 17 16 16 17 16 17 18 19 19 10 10 11 11 11 11 11 11 11 11 11 11 11 11 11 11 11 12 13 14 15 16 16 17 18 18 19

		1	
nes Sinden	A Cyber Security Plan has been developed and will be presented to Audit Committee for endorsement in May 2021 3rd August 20201 - The implementation of an ISMS is a part of the recently adopted Cyber Security Plan that was adopted at the June 2021 Council Meeting. Commencement is now delayed due to the resignation of a key AHC Staff member responsible for the delivery of the project. It's anticipated that the project will commence in late September 2021.		
hley Curtis			
ristopher Janssan	This work has not commenced, will commence in 2022		
mes Greenfield			
nes Greenfield	LGRS have provided a proposal for undertaking Business Interruption Review (BIR), however a		
	proposal to undertake a Transferable Risk Profile (TRP) is occurring mid September 2021 which includes identifying Maximum Foreseeable Loss (MFL) on risks identified. Following the TRP an assessment will be made as to any gaps and consideration of furthering the BIR proposal.		
	210826 Met with stakeholders to discuss. We focused on a loss of rate revenue through a bushfire event and Council's willingness to fund a rate shortfall or willingness to cut services to accommodate such. The agreed approach was to seek quotes for Loss of Rate Revenue of \$5m, \$7m and \$10m for a period of 1, 3 and 5 years. We will reconvene once the quote has been received.		
	200104 Awaiting feeback on the quote and TRP information provided.		
even Watson	An item was presented to ELT on Thursday 26 August 2021 detailing the insurance report to the Audit Committee, claims history and where to find the insurance claims register. An action arising included presenting to ELT twice yearly on this matter during the months of March and September.		
sk ID	Risk Title	Description	Responsible Person
0815		Failure to provide for the welfare, well-being and interests of the community (F)	David Waters
oderate reduction in risk	Risk Score		
Solerate reduction in risk	y		
rson Responsible	Extra Comments		
becca Shepherd becca Shepherd	The previous risk review has concluded that this action is not necessary to achieve the target risk. IN PROGRESS. Provisional DIAP was adopted by Council in November 2020, following by further		
talie Westover	engagement and final adoption of a revised Plan in January 2021. The plan has a 4 year implementation timetable. Following a number of workshops with council members and the working group, a draft Facility Framework was endorsed for further community engagement purposes, on 22 June 2021. It is expected that the final framework will be adopted by Council prior to 30 June 2022 and then		
sk ID	progressively implemented, including new leases.	Description	Responsible
			Person
9143		Failure to deliver projects, programs and services in accordance with plans (time, budget, quality)	Peter Bice
ectiveness	Risk Score		
	12		
reen Deenensihle			
rson Responsible ter Bice	Extra Comments IN PROGRESS. Project Management Documentation now being developed in partnership with		
ter Bice			
ter Bice	IN PROGRESS. Project Management Documentation now being developed in partnership with		
ter Bice	IN PROGRESS. Project Management Documentation now being developed in partnership with external expertise.		
-	IN PROGRESS. Project Management Documentation now being developed in partnership with external expertise. COMPLETED. Initial 3 year program developed for 2017/18 ABP.		
ter Bice	IN PROGRESS. Project Management Documentation now being developed in partnership with external expertise. COMPLETED. Initial 3 year program developed for 2017/18 ABP. COMPLETED. 3 Year Capital Program has been established, which help to achieve this goal. IN PROGRESS. Process development underway, however progress has stalled due to other delivery priorities. Looking to reinvest in this process development over the coming months. Suggest this be transferred to Executive Manager Organisational Development. OD has some important priorities with strict deadlines currently. This process can be addressed through People Leaders focusing on their teams having documented procedure manuals in their areas being developed and continually updated. Where a person transitions to retirement, conversations are undertaken around the management of knowledge transfer and if a current		

Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	R
Strategic	Community Healt & Wellbeing	 h Cause: 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 	Impact: - 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	24	

Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comment
Strategic	Assets & Infrastructure	Causes: - 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	Impact: - 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 maintenanc	21	9	

	Initial Risk Score	Residual Risk Score	Other Requirements/Comments
nditions, etc. over-reliance on social support ty to meet community needs rse backgrounds to live/participate in the community ing across the community of all socioeconomic backgrounds to live in the district	24	9	

Corporate Risk Register	Develop Quarterly Report of all key projects to Council that provides a status and financial information	Immediately	Lachlan Miller
Department	Team	Location/Project	Risk ID
		Othor	170005
Adelaide Hills Council	Executive Leadership Team	Other	170965
Risk Control Type	Control Details	Reviewer	Effectiveness
	Legal considerations considered in agenda report templates, updates from LGA, legal providers	Lachlan Miller	PARTIALLY EFFECT
	and professional associations. Professional and experienced management team.		Partially Adequate Partially Effective
	Register of leases and licenses. Legislative delegations register regularly reviewed, role specific training & development.		
	Policy registers, policies on web, MLS and WCS audits, contract registers, lease registers, internal audit program, external audit program		
	Governance Legal Compliance Audit Employment of Procurement Coordinator		
	Procurement Framework implemented.		
	Experienced property team. Action List, Minutes, Council Resolution Upodate report.		
Action Source	Action Required	Action Priority	Person Responsit
Corporate Risk Register	Legislative compliance audit	Immediately	
Corporate Risk Register	Development of contract management system, subject to funding	Immediately	Michael Carey
Corporate Risk Register	Development of a legal opinions database	Immediately	Lachlan Miller
Corporate Risk Register	Implementation of new delegations and authorisations management system and associated training.	Immediately	Steven Watson
Corporate Risk Register		Immediately	Natalie Westover
Corporate Risk	Implement Statutes Amendment (Local Government Review) Act 2021 provisions (see Action ID	Immediately	Lachlan Miller
Register Department	278100) Team	Location/Project	Risk ID
Separtment			
Adelaide Hills	Executive Leadership Team	Other	170963
Council			
Risk Control Type	Control Details	Reviewer	Effectiveness
	CR21 (A lack of effective risk management occurs which leads to greater uncertainty in the achievement of objectives and/or negative outcomes.) - Revised CRM Policy adopted, CRMF	Lachlan Miller	PARTIALLY EFFECT Adequately; Opera
	adopted, training provided to senior staff, RM considerations included in agenda report		Effectively)
	templates. General awareness of risk management principles and considerations. Strategic Risk Profiling and management of assessments in SkyTrust, MLS Risk Reviews and advisory.		
	CR62 (Poor representation of the community by Council Members leading to formal decisions	Lachlan Miller	PARTIALLY EFFECT
	that do not appropriately take account the community needs) - Provisions of LG Act, EM training on role, contact details on website, issue of email addresses and iPads; COI provisions, informed		Partially Adequate Partially Effective
	and researched Council reports, public consultation policy and practices.		
	C92 (Poor representation arrangements which leads to decisions that are not made in the best interests of the community) - Provisions of Chpt 3 of the LG Act regarding composition of	Lachlan Miller	PARTIALLY EFFECT Partially Adequate
	councils and wards, mandated representation reviews, voluntary representation review, 2017 ERR completed, Strategic Boundary Review report		Partially Effective
	CR81 (Failure to engage in sector-wide reform initiatives leading to the Adelaide Hills community not being adequately represented) - Monitoring LGA circulars and other invitations to make	Lachlan Miller	PARTIALLY EFFECT Adequately; Opera
	submissions (OLG, ECCOSA, ECSA), consideration @ ELT and Council level, Membership on LG-		Effectively)
	related bodies CR22 (Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and	Lachlan Miller	PARTIALLY EFFECT
	regulator) confidence and/or legislative breaches.) - Legal considerations considered in agenda report templates, Governance Manager advises council, well-functioning Audit Committee,		Adequately; Opera Effectively)
	flyers and updates from LGA, legal providers and professional associations. Professional and experienced management team. Policies (Conduct, COPMP, allowances, caretaker, Information		
	Sessions, COPAMD, PID), delegations, agendas, minutes, T&D, COI Mgt. Review of s41, AGs, s43 subsidiary and external group fiduciary arrangements. By laws reviewed 2018. Council		
	Resolution Update report shows COIs declared.		
	CR63 (Lack of effective strategic planning and resource allocation processes) - Suite of strategic management plans, strategic, business and project planning and budgeting processes, trained	Lachlan Miller	EFFECTIVEÂ (Desi Operating Effectiv
	and experienced staff. Corporate Planning & Performance Reporting Framework, CP&R Coord role, Service Review Framework adopted		
	CR64 (Ineffective performance management and reporting processes leading to poor	Lachlan Miller	EFFECTIVEÂ (Desig
	performance and/or loss of stakeholder confidence) - Budget review processes, provisions of LG Act regarding budget reviews and annual reporting, trained and experienced staff, CEOPRP,		Operating Effectiv
	Corporate Planning & Performance Reporting Framework, Quarterly Council Performance Report, 4x8 processes, Management contract review process, enhanced major project reporting.		
	CR65 (Poor working relationship between Council and the Administration leading to ineffective	Lachlan Miller	PARTIALLY EFFECT
	and inefficient performance by Council) - CM and Administration training in the respective roles, team building and relationship development, performance reporting, One Team -Communication		Adequately; Opera Effectively)
	Protocols, designated administration contact listing, CEO 1:1, strengethened provisons in s58		
	CR37 (Actions arising from Council resolutions not be completed in a timely manner leading to a	Lachlan Miller	EFFECTIVEÂ (Desi
	loss of stakeholder confidence) - Action List, Minutes, Council Resolution Update report. Council		Operating Effectiv
Action Source	Member queries Action Required Governance Framework Review	Action Priority	Person Responsit
Corporate Risk Register	Governance Framework Review	Immediately	Lachlan Miller
Corporate Risk Register	Review of s41 Committee and Advisory Group Terms of Reference	Immediately	Lachlan Miller
Corporate Risk	Rollout of ContolTrack (Internal control module)	Immediately	Michael Carey
Register Corporate Risk	Review of Risk Management Framework	Immediately	Steven Watson
Register			
Corporate Risk Register	Representation Review - 2016/17	Immediately	Lachlan Miller
Corporate Risk	Participation in boundary reform initiatives	Immediately	Lachlan Miller
Register Corporate Risk Register	Review of s43 and external group fiduciary duties where Council members or staff are on Boards	Immediately	Lachlan Miller
Register Corporate Risk	2018 LG Election induction training	Immediately	Lachlan Miller
Register Corporate Risk	Implementation of Corporate Planning & Performance Reporting Framework	Immediately	Lachlan Miller
Register	Strategic Boundary Review project	Immediately	Lachlan Miller
Corporate Risk Register	Implementation of LG Reform legislative changes.	Immediately	Lachlan Miller
Corporate Risk Register Corporate Risk Register			Lachlan Miller Lachlan Miller
Corporate Risk Register Corporate Risk	Implementation of LG Reform legislative changes. Service Review Framework development Representation Review - April 2024-April 2025	Immediately Immediately Six Months	

	Lachlan Miller	COMPLETED: The Quarter now implemented and being reported to Council and Audit Committee					
ject	Risk ID		Description	Responsible Person	Risk Type	Risk Category	Possible Risk Events
	170965	Strategic Risk	Failure to exercise,			Governance, Legal	
			perform and discharge the			-	 Lack of awareness of legislative/contractual/legislative/contract
			powers, functions and duties under			-	 Ineffective delegation and authorisation mech Poor procurement and contract management
			legislation, contracts, leases and policies (PR)			-	 Ineffective compliance management systems Staff do not possess the appropriate KSE Legislative changes, not being fully understood
						-	 Poor confidential item management processes Ineffective implementation of Council resoluti
							•
	Effectiveness	Risk Score					
	PARTIALLY EFFECTIVEÂ (Designed	9	-				
	Partially Adequately; Operating Partially Effectively)						
ty	Person Responsible Lachlan Miller	Extra Comments NIL					
	Michael Carey	NIL					
		As all legal opinions are recorded and accessible in TRIM/RecordsHub, a legal opinions database would be an inefficient use of resources.					
		Software has been implemented and is now being updated as delegation changes occur.					
		The draft Framework is currently open for community consultation. It is expected that the final framework will be endorsed by Council prior to 30 June 2022 and then progressively					
	Lachlan Miller	implemented including new leases.	-				
ject	Risk ID	Risk Title	Description	Responsible Person	Risk Type	Risk Category	Possible Risk Events
	170963		Failure to act as a		_	Governance, Legal	
			representative, informed and				 Poor governance practices (CR22) Poor risk management practices (CR21)
			responsible decision-maker in the interests of the			-	 Poor representation arrangements (CR92) Poor representation of the community by Cou Lack of effective strategic planning and resour
			community. (PR)			-	 Untimely implementation of Council resolution Lack of effective financial sustainability process
						-	 Ineffective performance management and rep Poor working relationship between Council and
	Effectiveness	Risk Score				<u> </u>	<u>- Failure to engage in sector-wide reform initiat</u>
	PARTIALLY EFFECTIVEÂ (Designed Adequately; Operating Partially	13					
	Effectively)						
r	PARTIALLY EFFECTIVEÂ (Designed	8	-				
	Partially Adequately; Operating Partially Effectively)						
			-				
	PARTIALLY EFFECTIVEÂ (Designed Partially Adequately; Operating Partially Effectively)	9					
	PARTIALLY EFFECTIVEÂ (Designed	3	-				
	Adequately; Operating Partially Effectively)						
	PARTIALLY EFFECTIVEÂ (Designed Adequately; Operating Partially	6	-				
	Effectively)						
	EFFECTIVEÂ (Designed Adequately; Operating Effectively)	6					
			-				
	EFFECTIVEÂ (Designed Adequately; Operating Effectively)	6					
	PARTIALLY EFFECTIVEÂ (Designed	5					
	Adequately; Operating Partially Effectively)						
	EFFECTIVEÂ (Designed Adequately; Operating Effectively)	3					
ty	Person Responsible Lachlan Miller	Extra Comments NIL	-				
	Lachlan Miller	Last review of Advisory Groups by Council was 18 December 2018.	-				
		Last review of Audit Committee and CEOPRP was 27 November 2018, SPDPC (ceased) was 24 November 2020. Endorsed and implemented for Financial Controls	-				
		SkyTrust configuration adequate for corporate rollout however additional work required on	-				
		reporting functionality. Documentation being amended for SkyTrust functionality. Intende to conduct function workshops as the training exercise.					
		Representation Review completed and certified by Electoral Commissioner in November 2017 Participation is ongoing as boundary proposals are lodged.	-				
	Lachlan Miller	NIL					
		All mandatory and discretionary training completed.	-				
	Lachlan Miller	Framework adopted by Council on 19 June 2018 and implemented in 2018-19.					
	Lachlan Miller	Final report adopted by Council in September 2020					
		Statute Amendment (Local Government Review) Act 2021 passed in Parliament in May 2021 sittings.					
	Lachlan Miller	Framework adopted by Council on 26 October 2021					
	Lachlan Miller						

 Risk Type	Risk Category	Possible Risk Events	Possible Consequences		Residual Risk	
		 Lack of awareness of legislative/contractual/lease/policy requirements 	 Impact: 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 Resolutions not implemented in a timely manner, opportunities missed, legislative obligations unmet 	Initial Risk Score 21	Score	Other Requirements/Comments The ELT has made the decision not to resource a compliance function and therefore doesn't have either a compliance register of all legislative/contractual/policy obligations or a compliance officer role. All functional areas are responsible for their legislative/policy/contractual obligation compliance.
Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk	Other Requirements/Comments
	Governance, Legal & Compliance	Cause: - Poor governance practices (CR22) - Poor risk management practices (CR21) - Poor representation arrangements (CR92) - Poor representation of the community by Council Members (CR62) - Lack of effective strategic planning and resource allocation processes. (CR63) - Untimely implementation of Council resolutions (CR37) - Lack of effective financial sustainability processes. (SR9c) - Ineffective performance management and reporting processes. (CR64) - Poor working relationship between Council and Administration. (CR65) - Failure to engage in sector-wide reform initiatives (CR81)	Impact: - 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.		Score	

le	Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk	Other Requirements/Comments
ller	Strategic	Governance, Legal & Compliance	Cause: - Lack of awareness of legislative/contractual/lease/policy requirements - Lack of standardised lease terms and conditions. - Ineffective delegation and authorisation mechanisms. - Poor procurement and contract management practices - Ineffective compliance management systems - Staff do not possess the appropriate KSE - Legislative changes, not being fully understood - Poor confidential item management processes (CR 20 & 21) - Ineffective implementation of Council resolutions (CR37)	 Impact: 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 Resolutions not implemented in a timely manner, opportunities missed, legislative obligations unmet 	21	g	The ELT has made the decision not to resource a compliance function and therefore doesn't have either a compliance register of all legislative/contractual/policy obligations or a compliance officer role. All functional areas are responsible for their legislative/policy/contractual obligation compliance.
e	Risk Type	Risk Category	Possible Risk Events	Possible Consequences		Residual Risk	
ller	Strategic	Governance, Legal & Compliance	Cause: - Poor governance practices (CR22) - Poor risk management practices (CR21) - Poor representation arrangements (CR92) - Poor representation of the community by Council Members (CR62) - Lack of effective strategic planning and resource allocation processes. (CR63) - Untimely implementation of Council resolutions (CR37) - Lack of effective financial sustainability processes. (SR9c) - Ineffective performance management and reporting processes. (CR64) - Poor working relationship between Council and Administration. (CR65) - Failure to engage in sector-wide reform initiatives (CR81)	Impact: - 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.	Initial Risk Score	Score	Other Requirements/Comments

Department	Team	Location/Project	Risk ID
Adelaide Hills Council	Executive Leadership Team	Other	170816
Risk Control Type	Control Details	Reviewer	Effectiveness
	 Participation in regional EM arrangements through the ZEMC, and the AMLRBMC and cooperation with other councils and agencies re EM 	Peter Bice	EFFECTIVEÂ (Designed Adequa Operating Effectively)
	- Provision of assistance to control agencies and the community to respond to emergency incidents as they arise and work with local units to resolve localised issues relating to EM.		Operating Enectively)
	 Provision of assistance to the community and to relevant government and non-government agencies assist recovery from emergencies. Contribute to, support and participate in community education programs including the SES 		
	Flood Safe Program, Red Cross REDiPlan program and CFS Community Fire Safety Meetings. - Ongoing replacement and maintenance of Council's infrastructure through implementation		
	of Council's AMP and proactive and reactive maintenance programs including stormwater infrastructure (including Flood Plain Modelling), fire track maintenance and street sweeping program.		
	- Ongoing fuel reduction programs on high risk Council owned land including woody weed control, slashing and maintenance of asset protection zones.		
	- Ensure ongoing compliance with the F&ES Act 2005 including annual property inspections to ensure community compliance with requirements of the Act, respond to breaches of the Act as they arise, ongoing appointment of Fire Prevention Officers pursuant with requirements of the		
Action Source Corporate Risk	Action Required Development of new Emergency Management Plan.	Action Priority Immediately	Person ResponsibleJohn McArthur
Register			
Corporate Risk	Commit to I Responda emergency response framework.	Immediately	Lachlan Miller
<u>Register</u> Corporate Risk Register	Develop Emergency Management Team for ongoing development and review of Council's EM processes relating to emergencies that occur external to the organisation (not WHS emergency	Immediately	John McArthur
U	management)		
Corporate Risk Register	Research the establishment of a dedicated EM role (temporary/permanent)	Immediately	Lachlan Miller
Corporate Risk <u>Register</u> Corporate Risk	Establish Zone-based Preventative Maintenance Program Review bushfire prevention and mitigation arrangements	Immediately Immediately	Christopher Janssan Christopher Janssan
Register Corporate Risk	Review insurance option related to loss of rate revenue following significant loss of property	Six Months	Lachlan Miller
Register Department	assciated with bushfire Team	Location/Project	Risk ID
Adelaide Hills	Executive Leadership Team	Other	170817
Council			
Risk Control Type	Control Details	Reviewer	Effectiveness
Risk Control Type	'- Biodiversity Strategy, - Water Management Plan	Reviewer Peter Bice	Effectiveness
Risk Control Type	'- Biodiversity Strategy,		Effectiveness
Risk Control Type	 '- Biodiversity Strategy, - Water Management Plan - Biodiversity Advisory Group and Sustainability Advisory Group - Trained & qualified staff - Safe working procedures - Blue Marker sites - Spill kits 		Effectiveness
Risk Control Type	 '- Biodiversity Strategy, - Water Management Plan - Biodiversity Advisory Group and Sustainability Advisory Group - Trained & qualified staff - Safe working procedures - Blue Marker sites 		Effectiveness
Risk Control Type	 ¹- Biodiversity Strategy, Water Management Plan Biodiversity Advisory Group and Sustainability Advisory Group Trained & qualified staff Safe working procedures Blue Marker sites Spill kits SDS Customer request system for reporting to us Machinery hygiene Development Plan Strategic Plan Reviewed with Goal area for Natural Environment established (including 		Effectiveness
Action Source Corporate Risk	 '- Biodiversity Strategy, Water Management Plan Biodiversity Advisory Group and Sustainability Advisory Group Trained & qualified staff Safe working procedures Blue Marker sites Spill kits SDS Customer request system for reporting to us Machinery hygiene Development Plan 		Effectiveness Ffectiveness Person Responsible Sharon Leith
Action Source	 '- Biodiversity Strategy, Water Management Plan Biodiversity Advisory Group and Sustainability Advisory Group Trained & qualified staff Safe working procedures Blue Marker sites Spill kits SDS Customer request system for reporting to us Machinery hygiene Development Plan Strategic Plan Reviewed with Goal area for Natural Environment established (including priorities) Action Required 	Peter Bice	Person Responsible
Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register	 ¹- Biodiversity Strategy, Water Management Plan Biodiversity Advisory Group and Sustainability Advisory Group Trained & qualified staff Safe working procedures Blue Marker sites Spill kits SDS Customer request system for reporting to us Machinery hygiene Development Plan Strategic Plan Reviewed with Goal area for Natural Environment established (including priorities) Action Required Water Resources strategy to be developed 	Peter Bice	Person Responsible Sharon Leith
Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register	 ¹- Biodiversity Strategy, - Water Management Plan - Biodiversity Advisory Group and Sustainability Advisory Group - Trained & qualified staff - Safe working procedures - Blue Marker sites - Spill kits - SDS - Customer request system for reporting to us - Machinery hygiene - Development Plan - Strategic Plan Reviewed with Goal area for Natural Environment established (including priorities) - Action Required Water Resources strategy to be developed Project Management framework (see action above) Implementation plan for the Biodiversity Strategy to be developed; Interim review of Strategy Ensure adequate budget and human resources are allocated to the priority strategies articulated in the Biodiversity Strategy's Implementation Plan 	Peter Bice Peter Bice Action Priority Immediately Immediately Immediately Immediately Immediately	Person Responsible Sharon Leith Ashley Curtis Tonia Brown Peter Bice
Action Source Corporate Risk Register Corporate Risk	 Biodiversity Strategy, Water Management Plan Biodiversity Advisory Group and Sustainability Advisory Group Trained & qualified staff Safe working procedures Blue Marker sites Spill kits SDS Customer request system for reporting to us Machinery hygiene Development Plan Strategic Plan Reviewed with Goal area for Natural Environment established (including priorities) Action Required Water Resources strategy to be developed Project Management framework (see action above) Implementation plan for the Biodiversity Strategy to be developed; Interim review of Strategy Ensure adequate budget and human resources are allocated to the priority strategies articulated 	Peter Bice Patter Bice Action Priority Immediately Immediately Immediately	Person Responsible Sharon Leith Ashley Curtis Tonia Brown
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Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk	 ¹ Biodiversity Strategy, Water Management Plan Biodiversity Advisory Group and Sustainability Advisory Group Trained & qualified staff Safe working procedures Blue Marker sites Spill kits SDS Customer request system for reporting to us Machinery hygiene Development Plan Strategic Plan Reviewed with Goal area for Natural Environment established (including priorities) Action Required Water Resources strategy to be developed Project Management framework (see action above) Implementation plan for the Biodiversity Strategy to be developed; Interim review of Strategy Ensure adequate budget and human resources are allocated to the priority strategies articulated in the Biodiversity Strategy's Implementation Plan Establish a program to review the safe operating procedures to ensure that they incorporate contemporary management techniques to minimise environmental impacts. 	Peter Bice Peter Bice Action Priority Immediately Immediately Immediately Immediately Immediately Immediately Immediately Immediately	Person Responsible Sharon Leith Ashley Curtis Tonia Brown Peter Bice Christopher Janssan
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Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Department	'- Biodiversity Strategy, - Water Management Plan - Biodiversity Advisory Group and Sustainability Advisory Group - Trained & qualified staff - Safe working procedures - Blue Marker sites - Spill kits - SDS - Customer request system for reporting to us - Machinery hygiene - Development Plan - Strategic Plan Reviewed with Goal area for Natural Environment established (including priorities) Action Required Water Resources strategy to be developed Project Management framework (see action above) Implementation plan for the Biodiversity Strategy to be developed; Interim review of Strategy Ensure adequate budget and human resources are allocated to the priority strategies articulated in the Biodiversity Strategy's Implementation Plan Establish a program to review the safe operating procedures to ensure that they incorporate contemporary management techniques to minimise environmental impacts. Expansion of Blue Marker Sites Team	Peter Bice Peter Bice Action Priority Immediately	 Ashley Curtis Tonia Brown Peter Bice Christopher Janssan Christopher Janssan Risk ID
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Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Department Adelaide Hills Council	Biodiversity Strategy, Water Management Plan Biodiversity Advisory Group and Sustainability Advisory Group Trained & qualified staff Safe working procedures Blue Marker sites Split kits SDS Customer request system for reporting to us Machinery hygiene Development Plan Strategic Plan Reviewed with Goal area for Natural Environment established (including reiorities) Action Required Water Resources strategy to be developed Project Management framework (see action above) Implementation plan for the Biodiversity Strategy to be developed; Interim review of Strategy Ensure adequate budget and human resources are allocated to the priority strategies articulated in the Biodiversity Strategy's Implementation Plan Establish a program to review the safe operating procedures to ensure that they incorporate contemporary management techniques to minimise environmental impacts. Expansion of Blue Marker Sites Team Executive Leadership Team Cyber Security Audit Completed and endorsed by Audit Committee Implementation plan developed for establishing a Cyber Security Plan	Peter Bice Peter Bice Action Priority Immediately Immediately Immediately Immediately Immediately Immediately Immediately Other Other	Person Responsible Sharon Leith Ashley Curtis Tonia Brown Peter Bice Christopher Janssan Christopher Janssan Risk ID 170939
Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Department Adelaide Hills Council	- Biodiversity Strategy, - Water Management Plan - Biodiversity Advisory Group and Sustainability Advisory Group - Trained & qualified staff - Safe working procedures - Bilue Marker sites - Spill kits - SoB - Customer request system for reporting to us - Machinery hygiene - Development Plan - Strategic Plan Reviewed with Goal area for Natural Environment established (including priorities) - Action Required Water Resources strategy to be developed Project Management framework (see action above) Implementation plan for the Biodiversity Strategy to be developed; Interim review of Strategy Ensure adequate budget and human resources are allocated to the priority strategies articulated in the Biodiversity Strategy's Implementation Plan Establish a program to review the safe operating procedures to ensure that they incorporate contemporary management techniques to minimise environmental impacts. Expansion of Blue Marker Sites Team Executive Leadership Team Cyber Security Audit Completed and endorsed by Audit Committee Implementation plan developed for establishing a Cyber Security Plan Cyber Security Controls Enacted	Peter Bice Peter Bice Action Priority Immediately Imme	Person Responsible Sharon Leith Ashley Curtis Tonia Brown Peter Bice Christopher Janssan Risk ID 170939 Effectiveness Major reduction in risk
Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Department Adelaide Hills Council	Biodiversity Strategy, Water Management Plan Biodiversity Advisory Group and Sustainability Advisory Group Trained & qualified staff Safe working procedures Blue Marker sites Split kits SDS Customer request system for reporting to us Machinery hygiene Development Plan Strategic Plan Reviewed with Goal area for Natural Environment established (including reiorities) Action Required Water Resources strategy to be developed Project Management framework (see action above) Implementation plan for the Biodiversity Strategy to be developed; Interim review of Strategy Ensure adequate budget and human resources are allocated to the priority strategies articulated in the Biodiversity Strategy's Implementation Plan Establish a program to review the safe operating procedures to ensure that they incorporate contemporary management techniques to minimise environmental impacts. Expansion of Blue Marker Sites Team Executive Leadership Team Cyber Security Audit Completed and endorsed by Audit Committee Implementation plan developed for establishing a Cyber Security Plan	Peter Bice Peter Bice Action Priority Immediately Immediately Immediately Immediately Immediately Immediately Immediately Immediately Immediately Reviewer	Person ResponsibleSharon LeithAshley CurtisTonia BrownPeter BiceChristopher JanssanChristopher JanssanI70939Effectiveness
Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Department Adelaide Hills Council	- Biodiversity Strategy, - Water Management Plan - Biodiversity Advisory Group and Sustainability Advisory Group - Trained & qualified staff - Safe working procedures - Bilue Marker sites - Spill kits - SoB - Customer request system for reporting to us - Machinery hygiene - Development Plan - Strategic Plan Reviewed with Goal area for Natural Environment established (including priorities) - Action Required Water Resources strategy to be developed Project Management framework (see action above) Implementation plan for the Biodiversity Strategy to be developed; Interim review of Strategy Ensure adequate budget and human resources are allocated to the priority strategies articulated in the Biodiversity Strategy's Implementation Plan Establish a program to review the safe operating procedures to ensure that they incorporate contemporary management techniques to minimise environmental impacts. Expansion of Blue Marker Sites Team Executive Leadership Team Cyber Security Audit Completed and endorsed by Audit Committee Implementation plan developed for establishing a Cyber Security Plan Cyber Security Controls Enacted	Peter Bice Peter Bice Action Priority Immediately Imme	Person Responsible Sharon Leith Ashley Curtis Tonia Brown Peter Bice Christopher Janssan Risk ID 170939 Effectiveness Major reduction in risk EFFECTIVEÂ (Designed Adequa
Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Corporate Risk Register Department Adelaide Hills Council	Biodiversity Strategy, Water Management Plan Biodiversity Advisory Group and Sustainability Advisory Group Trained & qualified staff Safe working procedures Blue Marker sites Spill kits SoS Customer request system for reporting to us Machinery hygiene Development Plan Strategic Plan Reviewed with Goal area for Natural Environment established (including rinding) Strategic Plan Reviewed with Goal area for Natural Environment established (including rinding) Action Required Water Resources strategy to be developed Project Management framework (see action above) Implementation plan for the Biodiversity Strategy to be developed; Interim review of Strategy Ensure adequate budget and human resources are allocated to the priority strategies articulated in the Biodiversity Strategy's implementation plan Establish a program to review the Safe operating procedures to ensure that they incorporate contemporary management techniques to minimise environmental impacts. Expansion of Blue Marker Sites Team Executive Leadership Team Control Details Cyber Security Audit Completed and endorsed by Audit Committee Implementation plan developed for establishing a Cyber Security Plan Cyber Security Controls Enacted ICT Business Continuity Systems established	Peter Bice Peter Bice Action Priority Immediately Imme	Person Responsible Sharon Leith Ashley Curtis Tonia Brown Peter Bice Christopher Janssan Risk ID 170939 Effectiveness Major reduction in risk EFFECTIVEÂ (Designed Adequa Operating Effectively) EFFECTIVEÂ (Designed Adequa

sk ID	Risk Title	Description	Responsible Person	Risk Type	Risk Category	Possible Risk Events
70816	Strategic Risk	Failure to take measures to protect the community from natural and other hazards (F)	Peter Bice	•	Community Health & Wellbeing	Cause: - Poor fire prevention initiatives - Poor flood protection initiatives - Poor wind protection initiatives - Ineffective emergency manageme - Ineffective asset maintenance and - Lack of participation in regional e
						 Noncompliance with legislation Insufficient budget
fectiveness	Risk Score					- Ineffective planning and preparat
FECTIVEÂ (Designed Adequately; perating Effectively)	13					
erson Responsible	Extra Comments EM Framework endorsed by ELT $14/2/17$ EM responsibility now transferred to infrastructure 8:					
hn McArthur	EM Framework endorsed by ELT 14/2/17, EM responsibility now transferred to Infrastructure & Operations, Project timeframes to be reviewed. Update 02/10/19 - Draft Emergency Management Plan completed. Draft Incident Operations Manual (formerly within the Emergency					
	Management Plan) to be considered for endorsement by ELT 3 October 2019. Council to participate in LGA Council Ready Program to complete Emergency Management Plan by September 2020 based on a risk assessment process. Update 07/11/19 - ELT formally resolved to commit to LGA Council Ready Program, scheduling of initial risk assessment workshop set for 9/12/19. Incident Operations Manual adopted by ELT 3 October and is currently being implemented. Update 29/01/20 Lessons learnt from Cudlee Creek fire were identified in an After Action Review in February 2020 and now being incorporated into the Incident Operations Manual. Emergency Management Plan development timeframes may need to be reviewed as					
	priority is on updating the Incident Operations Manual. Draft Emergency Management Plan completed as of 26 February 2021. 29/12/21 - Emergency Management Plan completed and and or sod by ELT 14 October 2021					
chlan Miller	endorsed by ELT 14 October 2021. Council is now part of this program . Its plan to be transferred to contemporary standard.					
hn McArthur	 Anticipated to be complete by 31/12/19. To be developed under EM Framework. Update 05/08/19 - Draft Incident Operations Manual 95% complete. This document will be used with the draft Emergency Management Plan to plan, 					
	prepare, respond and recover from emergency events. Anticipated to be completed by 30 November 2019. Update 02/10/19 - Draft Incident Operations Manual to be considered by ELT for endorsement on 3 October 2019. Update 07/11/19 - Incident Operations Manual adopted by ELT 3 October 2019 including establishment of an Incident Management Team completing this action. 29/12/21 - Revised Incident Operations Manual reflecting lessons learnt from Cudlee Creek and Cherry Gardens bushfires and COVID-19 response signed off by Acting CEO 14 October 2021. This action is complete, refer update 07-11/19.					
chlan Miller	EM responsibilities included in Manager Sustainability, Waste & Emergency Management position.					
nristopher Janssan	Zone program established					
ristopher Janssan chlan Miller	Structure in place Proposal received by Administration in March 2021, still to be assessed.					
sk ID		Description	Responsible	Risk Type	Risk Category	Possible Risk Events
0817	Strategic Risk	Failure to manage,	Person	Strategic	Environment	Cause:
		develop, protect, restore , enhance and conserve the environment in an ecologically sustainable manner and to improve amenity. (F)				 -Lack of understanding of biodivers - Inadequate planning controls, - Lack of specific skill and knowledg - Insufficient budget, - Lack of internal coordination in pr - Inadequate emergency responses - Lack of longitudinal planning and expectation, - Ineffective natural resource mana - Poor environmental management - Illegal dumning
fectiveness	Risk Score					
erson Responsible	Extra Comments					
aron Leith hley Curtis	Water Management Plan endorsed by Council 13 December 2016. Trail of first draft complete 31 Dec 2020					
	Trial of revised raft commenced 30 Jun 2021 Target adoption of final draft = 31 Dec 2021	-				
eter Bice	Biodiversity Strategy endorsed by Council on 24/9/2019. Implementation plan for the Biodiversity Strategy complete. Implementation plan for the Biodiversity Strategy complete. The plan informs Annual					
nristopher Janssan	Programming and LTFP. Budget Bids to support this years program were included in the 2018-19 Annual Business Plan					
nristopher Janssan	and Budget Process.					
sk ID	Risk Title	Description	Responsible	Risk Type	Risk Category	Possible Risk Events
0939	Strategic Risk	Failure to manage,	Person	Strategic	Community Health	Cause:
		improve and develop the information resources available to the Council. (F)			& Wellbeing	 Business systems do not effective Poor information management pr
fectiveness ajor reduction in risk	Risk Score					
FECTIVEÂ (Designed Adequately;	9					
perating Effectively)						
FECTIVEÂ (Designed Adequately; perating Effectively)	5					
ajor reduction in risk rson Responsible	9 Extra Comments					
mes Sinden	The Information Services Business Plan is reviewed on an annual basis to align with the setting of LTFP and Budget.					

Risk Type	Diale Catagorie					
	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comments
Strategic	Community Health & Wellbeing	 Cause: 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 Insufficient budget Ineffective nlanning and preparations 	 Impact: 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 	24	13	
Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comments
Strategic	Environment	Cause: -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	Impact: - 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	22	13	
Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk	Other Requirements/Comments
Risk Type Strategic	Risk Category Community Health & Wellbeing		Possible Consequences 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.	23	Residual Risk Score	Other Requirements/Comments
	Community Health	n Cause: - Business systems do not effectively support organisational needs	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	23	Score	Other Requirements/Comments
	Community Health	n Cause: - Business systems do not effectively support organisational needs	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	23	Score	Other Requirements/Comments
	Community Health	n Cause: - Business systems do not effectively support organisational needs	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	23	Score	Other Requirements/Comments

	Description	Responsible Person	Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Commen
	Failure to take measures to protect the community from natural and other hazards (F)		Strategic	Community Health & Wellbeing	Cause: - 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 - Insufficient budget - Ineffective planning and preparations	Impact: - 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	24	13	
1	13								
now transferred to Infrastructure 8 /10/19 - Draft Emergency anual (formerly within the Emergency	k								
T 3 October 2019. Council to rgency Management Plan by te 07/11/19 - ELT formally resolved tial risk assessment workshop set for ober and is currently being e Creek fire were identified in an Afte d into the Incident Operations rames may need to be reviewed as ft Emergency Management Plan	r								
Management Plan completed and ed to contemporary standard. Draft Incident Operations Manual mergency Management Plan to plan cipated to be completed by 30	,								
ons Manual to be considered by ELT cident Operations Manual adopted b Management Team completing this ecting lessons learnt from Cudlee e signed off by Acting CEO 14 19.	<mark>y</mark>								
te & Emergency Management									
	Description	Responsible Person	Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comme
	Failure to manage develop, protect, restore, enhance and conserve the environment in ar ecologically sustainable manner and to improve amenity. (F)	n	Strategic	Environment	Cause: -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, - 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 dumning	Impact: - 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	22	13	
r 2016. plementation plan for the									
the 2018-19 Annual Business Plan									
	Description	Responsible Person	Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Commer
	Failure to manage improve and		Strategic	Community Health & Wellbeing	Cause: - Business systems do not effectively support organisational needs - Poor information management practices (capture, use, storage, retrieval).	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	23	13	
	develop the information resources availabl to the Council. (F)					financial implications.			
1	information resources availab								
	 information resources available to the Council. (F) 13 9 5 9 								
nnual basis to align with the setting of	 information resources available to the Council. (F) 13 9 5 9 								

Risk Type	Risk Category	Possible Risk Events	Possible Consequences		Residual Risk	
Strategic	Community Health & Wellbeing	Cause: - Poor fire prevention initiatives	Impact: - Significant property loss and damage	Initial Risk Score	Score	Other Requirements/Comments
		 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 Insufficient budget 	 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 	24	13	
		- Ineffective planning and preparations				
Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comments
Strategic	Environment	Cause: -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	Impact:- 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 interactwith nature- Local amenity not maximised- Health and economic impacts due to climate change	22	13	
		 Eack of folgetualinal planning and service derivery, difficulty of meeting varying community expectation, Ineffective natural resource management strategies and processes. Poor environmental management practices. Illegal dumping 	- Failure to meet stakeholder expectation			
		expectation, - Ineffective natural resource management strategies and processes. - Poor environmental management practices.				
		expectation, - Ineffective natural resource management strategies and processes. - Poor environmental management practices.				
		expectation, - Ineffective natural resource management strategies and processes. - Poor environmental management practices.				
		expectation, - Ineffective natural resource management strategies and processes. - Poor environmental management practices.				
		expectation, - Ineffective natural resource management strategies and processes. - Poor environmental management practices.				
		expectation, - Ineffective natural resource management strategies and processes. - Poor environmental management practices.				
Risk Type	Risk Category	expectation, - Ineffective natural resource management strategies and processes. - Poor environmental management practices.		Initial Risk Score	Residual Risk Score	Other Requirements/Comments
Risk Type Strategic	Risk Category Community Health & Wellbeing	expectation, - Ineffective natural resource management strategies and processes Poor environmental management practices Illeval dumnine Possible Risk Events	- Failure to meet stakeholder expectation	23	Residual Risk Score	Other Requirements/Comments
	Community Health	expectation, - Ineffective natural resource management strategies and processes Poor environmental management practices Illegal dumning Possible Risk Events Cause: - Business systems do not effectively support organisational needs	Failure to meet stakeholder expectation Possible Consequences 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	23	Score	Other Requirements/Comments
	Community Health	expectation, - Ineffective natural resource management strategies and processes Poor environmental management practices Illegal dumning Possible Risk Events Cause: - Business systems do not effectively support organisational needs	Failure to meet stakeholder expectation Possible Consequences 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	23	Score	Other Requirements/Comments
	Community Health	expectation, - Ineffective natural resource management strategies and processes Poor environmental management practices Illegal dumning Possible Risk Events Cause: - Business systems do not effectively support organisational needs	Failure to meet stakeholder expectation Possible Consequences 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	23	Score	Other Requirements/Comments
	Community Health	expectation, - Ineffective natural resource management strategies and processes Poor environmental management practices Illegal dumning Possible Risk Events Cause: - Business systems do not effectively support organisational needs	Failure to meet stakeholder expectation Possible Consequences 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	23	Score	Other Requirements/Comments

Corporate Risk Register	Finalise development of Cyber Security Framework (including implementation Plan)	Six Months	James
Corporate Risk	Implement new records management system in conjunction with SharePoint upgrade	Six Months	James
Register			
Corporate Risk Register	Develop business case for the electronic capture of all records currently stored in hardcopy format both onsite and offsite.	Six Months	Jody A
Corporate Risk Register	Progress transition to cloud for remaining applications / systems	Six Months	James
Corporate Risk Register	Review Information Services Strategic Plan	Six Months	James
Deveentionent			Diele 15
Department	Team	Location/Project	Risk ID
Adelaide Hills Council	Executive Leadership Team	Other	16912
Risk Control Type	Control Details	Reviewer	Effecti
	- Current Asset Management Plans for key asset categories	Peter Bice	EFFEC
	 Long Term Financial Plan that captures the Strategic Plan and Asset Management Plans Endorsed annual budget for maintenance program (all asset categories) Annual Business Plan & Budget consultation undertaken 		Operat
	- Customer Survey undertaken - Asset condition audits undertaken cyclically		
	 Asset management system updated to Confirm Enterprise Asset Management Building inspections (last done 2017) 		
	 Compliance audits for buildings as per legislation Customer request system captures community concerns/issues 		
	 Sport and Recreation Strategy Bike Strategy Preventative Maintenance regime 		
	- Strategic Plan Reviewed with Goal area for Built Environment established (including priorities)		
Action Source Corporate Risk	Action Required Update asset management plans as per cycle (and LTFP)	Action Priority Immediately	Persor David
Register Corporate Risk	Preventative Maintenance regime developed	Immediately	David
Register Corporate Risk	Establish service levels in consultation with community	Immediately	David
Register			
Corporate Risk Register	Establish cycle for condition audits and monitor (incl buildings)	Immediately	David
Corporate Risk Register	Develop Bike Strategy to identify infrastructure requirements	Immediately	David
Corporate Risk Register	Revise Sport and Recreation Strategy to identify infrastructure requirements	Immediately	David
Department	Team	Location/Project	Risk ID
Adelaide Hills Council	Executive Leadership Team	Other	17085
Risk Control Type	Control Details	Reviewer	Effecti
	Current Economic Development Strategy (EDS) (revised 2020-21); Team of 2 FTE experienced and highly competent officers employed to deliver EDS and provide	David Waters	Major
	support to this risk area; Regular pattern of engagement with local business communities and stakeholder groups;		
	Database containing contact details of all people operating businesses in the district, to enable e- communication (qtly business newsletter and ad-hoc as required);		
	Advisory Group exists for Primary Production Lands to ensure the views and needs of primary producers are understood and taken into account;		
	Partnership with Mount Barker DC and SATC to fund Adelaide Hills Tourism, which is designed to help providers understand and leverage tourism opportunities; Annual subscription to economy id, which enables ready access to economic demographic data		
	for the Council.		
Action Source Corporate Risk Register	Action Required Development of revised Economic Development Strategy Action Plan, involving engagement with key stakeholders to ensure Council's role is appropriately identified.	Action Priority Immediately	Persor Meliss
Register Corporate Risk	Identify significant economic infrastructure issues and opportunities	Immediately	Marc S
Register			
Corporate Risk	Assess effectiveness of key points of AHC engagement with community	Immediately	Marc S
Register Corporate Risk	Active and positive engagement with local business communities	Immediately	Meliss
Register Corporate Risk	Encourage an integrated and coordinated approach across all levels of govt to create a diverse	Immediately	Meliss
Register Corporate Risk	and sustainable economy across the District Work actively with business groups and associations, providing resources to interact and	Immediately	Meliss
	network on a consistent basis. Key role for EDO		
	Assess effectiveness of key points of engagement with community e.g. website, contact control	Immediately	Melice
Register Corporate Risk Register	Assess effectiveness of key points of engagement with community e.g. website, contact centre, development approval process, waste, health and regulatory services	Immediately	Meliss

n Plan)	Six Months	James Sinden	The implementation of an ISMS is a part of the recently adopted Cyber Security Plan (Framework) that was adopted at the June 2021 Council Meeting.					
			Commencement was delayed due to the resignation of a key AHC Staff member responsible for					
			the delivery of the project. After advertising for a Senior Cyber Security ICT Officer, Council was unable to find an					
			appropriate candidate given there is considerable demand in the industry for these skillsets.					
			In the short term a specialist contract resource is being used to progress with implementation.					
			The newly appointed Team Leader ICT has already introduced a formal ITIL Change Management process using the forms engine via the corporate website for both external vendors and internal ICT change control.					
			Development of ICT Policy and implementation of an ICT Operations Manual planning has started and AHC Staff have been assisting with the development of a Local Government Cyber					
upgrade	Six Months	James Sinden	Completed Action - New SharePoint environment implemented, Record Point software acquired to replace TRIM and installed, project plan established for EDRMS and architecture completed.					
			Build of Test Environment completed and software integration with line of business systems being undertaken. Live environment built and configured and staged rollout commenced in 2020. TRIM Migration Project completed with contractors (AvePoint)					
ed in hardcopy	Six Months	Jody Atkins	A business case has been developed that identifies cost estimates that exceed current budget allocation for storage and retrieval costs. Further analysis is required to identify potential savings with regards to identifying funding opportunities for this activity before agreement can be reached with regards to funding this work activity ongoing.					
	Six Months	James Sinden	Payroll and HR Systems currently in progress with an expected completion by September 2022					
	Six Months	James Sinden	The Information Services Strategic Plan is being reviewed by ISSRG (Information Strategic Reference Group) to align to the technology system reference within the Council Strategic Plan - A Brighter future: Strategic Plan 2020-24 Objective 6 - Technology and innovation.					
	Location/Project	Risk ID	Risk Title	Description	Responsible Person	Risk Type	Risk Category	Possible Risk Events
	Other	169129	Strategic Risk	Failure to provide	Peter Bice	Strategic	Assets &	Cause:
				appropriate infrastructure for the community (F)			Infrastructure	 Ageing infrastructure in need of renew legislation Poor asset management regimes (dat Ineffective maintenance regimes Leaseholders conducting works outside
								- Duplication or gaps in infrastructure p
			Risk Score	-				
ement Plans		EFFECTIVEÂ (Designed Adequately; Operating Effectively)	12					
ent								
ncluding priorities)								
	Action Priority Immediately	Person Responsible David Collins	Extra Comments Footpaths, Kerbs and Roads AMP adopted by Council Feb 2021. AMPS for other classes in	_				
	Immediately	David Collins	development. NIL	-				
	Immediately	David Collins	Updated to CRM response times completed. Levels of service refinements required as part of AMP reviews. Stromwater Level of Service Report adopted by Council. Levels of service					
			established in adoption of Roads, Footpath and Kerb Asset Management Plan.					
	Immediately	David Collins	Building audits funded in 2020/21					
			Span Bridge Audits completed in 202/21					
			Condition audits identified in AMP and new system implementation and set up has delayed some condition auditing.					
			Audit of Kerb being undertaken by internal resource on ConfirmConnect February 2021. Footpath audit to be conducted in first half of 2021.					
			Conditon audit identified in Road, Footpath and Kerb AMP for all sealed roads. To be undertaken					
	Immediately	David Collins	in 2022/23 To Council Oct 16 - completed					
	Immediately	David Collins	Strategy completed and infrastructure requirements linked to Strategic Property Review. LTFP					
	Location/Project	Risk ID	now capturing ongoing investment. Risk Title	Description	Responsible Person	Risk Type	Risk Category	Possible Risk Events
	Other	170851	Strategic Risk	Failure to promote		Strategic	Growth &	Cause:
				the Council area and provide an			Prosperity	 Inadequate provision for commercial Minimal or no understanding of, and
				attractive climate and locations for				groups/associations Lack of business operating skills in pe
				the development of business,				Lack of understanding of economic d Inappropriate infrastructure in indus
				commerce, industry and tourism (F)				of industrial precincts. Lack of understanding of tourism der
			Risk Score					
r EDS and provide	David Waters	Major reduction in risk	5					
lder groups; district, to enable e	2-							
needs of primary								
which is designed to								
demographic data								
	Action Priority	Person Responsible	Extra Comments					
ng engagement	Immediately	Melissa Bright	Workshop held with Council Members late 2020. Anticipated to come to Council in March 2021 for adoption. Implementation to follow in the ensuing years.					
	Immediately	Marc Salver	COMPLETED: Manager ED worked with key stakeholders to progress two major transport routes -					
			b-double access to Lobethal and Northern Freight Train Bypass. The B-double access project was completed in 2019. However, the State Government announced they would not be progressing					
	Immediately	Marc Salver	the Northern Freight Train Bypass. Ongoing through role of Community Engagement Coordinator, through the introduction of online engagement tool and use of other social media platforms and engagement methodologies					
	Immediately	Melissa Bright	Ongoing role of MED					
o create a diverse		Melissa Bright	Actively developing and maintaining relationships with relevant State and Commonwealth Govt					
nteract and		Melissa Bright	agencies The Manager ED is actively building relationships with existing business associations and working					
to contact and	Immodiately	Molicco Drickt	with communities that currently do not have business groups (e.g. Gumeracha, Northern Hills, Lobethal) to explore the benefits					
te, contact centre,	Immediately	Melissa Bright	Quarterly e-newsletters distributed to more than 6,000 registered ABNs in the region. Mostly achieving above industry standards with at least 30% open rate and over 10% click rate.					
	Immediately	Melissa Bright	NIL					

Description	Responsible Person	Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comments
Failure to provide appropriate infrastructure for the community (F		Strategic	Assets & Infrastructure	Cause: - Ageing infrastructure in need of renewal to remain fit for purpose and/or comply with legislation - Poor asset management regimes (data, revels) - 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	Impact: - 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	21	13	

9	Risk Type	Risk Category	Possible Risk Events	Possible Consequences
rs	Strategic	Growth & Prosperity	Cause: Inadequate provision for commercial development in Development Code Minimal or no understanding of, and support for, business and tourism representative groups/associations Lack of business operating skills in people who wish to run a business Lack of understanding of economic drivers Inappropriate infrastructure in industrial precincts or nodes, placing barriers on development of industrial precincts. Lack of understanding of tourism demand	Impact: Loss of local jobs Loss of basic local retail and service businesses Devaluation of local residential and commercial property Rise in social problems and reduced quality of life Reduced property values

Initial Risk Score	Residual Risk Score	Other Requirements/Comments
17	5	

rvice businesses and commercial property

Corporate Risk Register Corporate Risk	Identify significant argonizations, raise and skillaste within region		
	Identify significant organisations, roles and skillsets within region	Immediately	Melissa Bright
Register	Improve partnership with DC Mt Barker and SATC to assist Adelaide Hills Tourism leverage tourism opportunities	Immediately	Melissa Bright
Corporate Risk Register	Improve engagement with local business associations	Immediately	Melissa Bright
Corporate Risk Register	Undertake precinct planning/placemaking, with consideration of triple bottom line (As appropriate)	Immediately	Melissa Bright
Department	Team	Location/Project	Risk ID
Adelaide Hills Council	Executive Leadership Team	Other	150009
Risk Control Type	Control Details	Reviewer	Effectiveness
	 Development Policy Planning function in place to monitor, analyse and advise Implementing and transitioning to the new Planning & Design Code Up to date Policy in place Privately funded Code Amendment Policy and other development related policies in place Participation in relevant forums with State & Federal Govt and other stakeholder groups regarding any changes to development policy Undertake responsibilities outlined in the Collaborative Work Plan between SPC and Council regarding transitioning to the new Planning, Development & Infrastructure (PDI) Act 2016 Transition and amend where required the Council's Development Plan to the Planning & Design Code over the next 3 years in accordance with the PDI Act Precinct Planning Framework and expertise in place Skilled and experienced planning, building, infrastructure, sport & recreation planning, community development and economic development teams in place Community engagement and consultation methodologies in place to accord with the State's Community Engagement Charter Relevant development assessment staff and CAP members accredited in accordance with the State's Accreditation Scheme 	Marc Salver	EFFECTIVEÂ (Designed Operating Effectively)
Action Source Corporate Risk	Action Required Rollout of Precinct Planning methodologies as projects are identified	Action Priority Immediately	Person Responsible James Szabo
Register			
Corporate Risk Register	Progression of outstanding DPA: Local Heritage (Stage 1 DPA) to be lodged with the Minister for approval in May 2018	Immediately	James Szabo
Corporate Risk Register	Implementation of Planning, Development & Infrastructure (PDI) Act reforms	Immediately	Deryn Atkinson
Corporate Risk Register	Transition of Development Plan into the new Planning & Design (P&D) Code	Immediately	James Szabo
Corporate Risk Register	Asset Management Planning - renewal and future requirements	Immediately	Peter Bice
Corporate Risk	Regional Climate Change Adaptation Plan - Resilient Hills and Coast	Immediately	Peter Bice
Register Department	Team	Location/Project	Risk ID
Adelaide Hills Council	Executive Leadership Team	Other	170933
Risk Control Type	Control Details	Reviewer	Effectiveness
	CLMP Established: Nat : Dec 2024 Building Asset Management Plans Established: Nat: June 22 Sustainable funding for Asset Renewal and Mtce captured within LTFP: Chris / Nat : Annual Strategic Plan includes Goals / Objectives / Priorities associated with Public Areas : Nat : 2024 Sport & Recreation Strategy : Renee : June 22 Property Structure & Resourcing appropriate : Nat : Dec 22 Open Space & Recreation Structure & Resourcing appropriate : Chris : Dec 22 Audit of trees undertaken of high risk trees areas : Damian : Oct 2023 Inspection regime in place for high risk assets (building, playground equipment) : Customer Request System established and integrated with Asset Mgt System : David W : Dec 22 Cemeteries Operating Policy & supporting mtce program: Kylie : Dec 21 Leases and Licenses for public areas established: Gen : June 2023 Trails Strategy adopted : Renee : June 22 Strategic Bicycle Plan : Renee : June 22	Terry Crackett	Moderate reduction in
Action Source Corporate Risk	CLMP Established: Nat : Dec 2024 Building Asset Management Plans Established: Nat: June 22 Sustainable funding for Asset Renewal and Mtce captured within LTFP: Chris / Nat : Annual Strategic Plan includes Goals / Objectives / Priorities associated with Public Areas : Nat : 2024 Sport & Recreation Strategy : Renee : June 22 Property Structure & Resourcing appropriate : Nat : Dec 22 Open Space & Recreation Structure & Resourcing appropriate : Chris : Dec 22 Audit of trees undertaken of high risk trees areas : Damian : Oct 2023 Inspection regime in place for high risk assets (building, playground equipment) : Customer Request System established and integrated with Asset Mgt System : David W : Dec 22 Cemeteries Operating Policy & supporting mtce program: Kylie : Dec 21 Leases and Licenses for public areas established: Gen : June 2023 Trails Strategy adopted : Renee : June 22		
Action Source Corporate Risk Register Corporate Risk	CLMP Established: Nat : Dec 2024 Building Asset Management Plans Established: Nat: June 22 Sustainable funding for Asset Renewal and Mtce captured within LTFP: Chris / Nat : Annual Strategic Plan includes Goals / Objectives / Priorities associated with Public Areas : Nat : 2024 Sport & Recreation Strategy : Renee : June 22 Property Structure & Resourcing appropriate : Nat : Dec 22 Open Space & Recreation Structure & Resourcing appropriate : Chris : Dec 22 Audit of trees undertaken of high risk trees areas : Damian : Oct 2023 Inspection regime in place for high risk assets (building, playground equipment) : Customer Request System established and integrated with Asset Mgt System : David W : Dec 22 Cemeteries Operating Policy & supporting mtce program: Kylie : Dec 21 Leases and Licenses for public areas established: Gen : June 2023 Trails Strategy adopted : Renee : June 22 Strategic Bicycle Plan : Renee : June 22	Terry Crackett Action Priority	Moderate reduction in
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Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register	CLMP Established: Nat : Dec 2024 Building Asset Management Plans Established: Nat: June 22 Sustainable funding for Asset Renewal and Mtce captured within LTFP: Chris / Nat : Annual Strategic Plan includes Goals / Objectives / Priorities associated with Public Areas : Nat : 2024 Sport & Recreation Strategy : Renee : June 22 Property Structure & Resourcing appropriate : Nat : Dec 22 Open Space & Recreation Structure & Resourcing appropriate : Chris : Dec 22 Audit of trees undertaken of high risk trees areas : Damian : Oct 2023 Inspection regime in place for high risk assets (building, playground equipment) : Customer Request System established and integrated with Asset Mgt System : David W : Dec 22 Cemeteries Operating Policy & supporting mtce program: Kylie : Dec 21 Leases and Licenses for public areas established: Gen : June 2023 Trails Strategy adopted : Renee : June 22 Strategic Bicycle Plan : Renee : June 22 Action Required Update Community Land Management Plans Programmed maintenance regime to be developed (land and buildings)	Terry Crackett Action Priority Six Months Immediately	Moderate reduction in Moderate reduction in Person Responsible Natalie Westover Christopher Janssan
Action Source Corporate Risk Register Corporate Risk Register Corporate Risk Register	CLMP Established: Nat : Dec 2024 Building Asset Management Plans Established: Nat: June 22 Sustainable funding for Asset Renewal and Mtce captured within LTFP: Chris / Nat : Annual Strategic Plan includes Goals / Objectives / Priorities associated with Public Areas : Nat : 2024 Sport & Recreation Strategy : Renee : June 22 Property Structure & Resourcing appropriate : Nat : Dec 22 Open Space & Recreation Structure & Resourcing appropriate : Chris : Dec 22 Audit of trees undertaken of high risk trees areas : Damian : Oct 2023 Inspection regime in place for high risk assets (building, playground equipment) : Customer Request System established and integrated with Asset Mgt System : David W : Dec 22 Cemeteries Operating Policy & supporting mtce program: Kylie : Dec 21 Leases and Licenses for public areas established: Gen : June 2023 Trails Strategy adopted : Renee : June 22 Strategic Bicycle Plan : Renee : June 22 Action Required Update Community Land Management Plans Programmed maintenance regime to be developed (land and buildings) Review of Crown Land under care and control of Council	Terry Crackett Action Priority Six Months Immediately Six Months	Moderate reduction in Person Responsible Natalie Westover Christopher Janssan
Action Source Corporate Risk Register Corporate Risk	CLMP Established: Nat : Dec 2024 Building Asset Management Plans Established: Nat: June 22 Sustainable funding for Asset Renewal and Mtce captured within LTFP: Chris / Nat : Annual Strategic Plan includes Goals / Objectives / Priorities associated with Public Areas : Nat : 2024 Sport & Recreation Strategy : Renee : June 22 Property Structure & Resourcing appropriate : Nat : Dec 22 Open Space & Recreation Structure & Resourcing appropriate : Chris : Dec 22 Audit of trees undertaken of high risk assets (building, playground equipment) : Customer Request System established and integrated with Asset Mgt System : David W : Dec 22 Cemeteries Operating Policy & supporting mtce program: Kylie : Dec 21 Leases and Licenses for public areas established: Gen : June 2023 Trails Strategy adopted : Renee : June 22 Strategic Bicycle Plan : Renee : June 22 Action Required Update Community Land Management Plans Programmed maintenance regime to be developed (land and buildings) Review of Crown Land under care and control of Council Review of the Trails Strategy (including Bicycle Plan)	Terry Crackett Action Priority Six Months Immediately Six Months Six Months Six Months	Moderate reduction in Person Responsible Natalie Westover Christopher Janssan Christopher Janssan
	CLMP Established: Nat : Dec 2024 Sustainable funding for Asset Renewal and Mtce captured within LTFP: Chris / Nat : Annual Strategic Plan includes Goals / Objectives / Priorities associated with Public Areas : Nat : 2024 Sport & Recreation Strategy : Renee : June 22 Property Structure & Resourcing appropriate : Nat : Dec 22 Open Space & Recreation Structure & Resourcing appropriate : Chris : Dec 22 Audit of trees undertaken of high risk trees areas : Damian : Oct 2023 Inspection regime in place for high risk assets (building, playground equipment) : Customer Request System established and integrated with Asset Mgt System : David W : Dec 22 Cemeteries Operating Policy & supporting mtce program: Kylie : Dec 21 Leases and Licenses for public areas established: Gen : June 2023 Trails Strategy adopted : Renee : June 22 Strategic Bicycle Plan : Renee : June 22 Action Required Update Community Land Management Plans Programmed maintenance regime to be developed (land and buildings) Review of Crown Land under care and control of Council Review of the Trails Strategy (including Bicycle Plan) Building Asset Management Plans Updated	Terry Crackett Action Priority Six Months Immediately Six Months Six Months Six Months Six Months Six Months Six Months Six Months	Moderate reduction in Person Responsible Natalie Westover Christopher Janssan Christopher Janssan Renee O'Connor Peter Bice

ly	Melissa Bright	Relationships with key contacts with business and industry organisations being regularly maintained and developed by the MED					
ly	Melissa Bright	MED active committee member of Adelaide Hills Tourism (AHT) and Visitor Information					
	Maliaca Drickt	Servicing Group	_				
ly	Melissa Bright	Regular communication established with SBA and WCA					
ly	Melissa Bright	The MED is a member of Council's Placemaking group to ensure a coordinated approach					
Project	Risk ID	Risk Title	Description	Responsible	Risk Type	Risk Category	Possible Risk Events
10,000			Description	Person		nion category	
	150009	Strategic Risk	Failure to plan at the local and regional level for the future development and future requirements of the area. (F)	Marc Salver	Strategic	Service Delivery	Cause: - Poor understanding of development trends - Ineffective liaison with state and f - Unresponsive Development Plan to results in poor development outcom - Ineffective strategies to enhance a - Poor place making strategies. - Deficient planning and building ru
							 Ineffective infrastructure planning Lack of appropriately trained and Poor business planning and budge
	Effectiveness	Risk Score					
	EFFECTIVEÂ (Designed Adequately;		5				
	Operating Effectively)						
prity ly ly	Person Responsible James Szabo James Szabo	Extra Comments COMPLETED. Precinct Planning methodology in place and Place Making Coordinator role established to role out place making initiatives as and when required. Stirling Mainstreet Design Guidelines and Crafers Mainstreet Urban Design Framework completed. Gumeracha mainstreet project underway. Discussions underway with Imagine Uraidla group to commence possible mainstreet project. COMPLETED. Stage 1 DPA approved by SPDPC on 14 August 2018 and subsequently by the Minister for Planning on 8 August 2019.					
ΊΥ		COMPLETE: The PDI Act went live for our Council area on 19 March 2021. By the go live date, staff had prepared all the delegations, policies and procedures provided by the State Planning Commission (SPC) and in accordance with the business readiness program. However, the SPC continues to make changes to the delegations and policies & procedures in response to identified issues with the new system. It is anticipated that this will be ongoing for the rest of 2021. Although the compliance inspection module has been implemented by the SPC, full functionality is yet to be determined and staff will monitor this to decide on whether or not the integration with Open Office and the new Planning Portal is still required.					
lγ		COMPLETED: Council participated in forums with the State Planning Commission to ensure that desired changes to the Rural Planning Policy were incorporated into development of Planning & Design Code. The entire Development Plan has now transitioned into the aforementioned Code which went live on 19 March 2021. Although not all desired development policies were transitioned into the Code, staff will monitor the assessment of applications and outcomes achieved. If required, recommendations will be put to Council to seek desired amendments to the Code to achieve the desired outcomes in the future.					
ly	Peter Bice	IN PROGRESS. Asset Management Plan reviews underway, and ongoing. Jeff Roorda Review					
		findings and reasinable assumptions being considered and incorporated where appropriate.					
ly	Peter Bice	COMPLETED. Plan endorsed by Council 27/09/16					
Project	Risk ID	Risk Title					Possible Risk Events
			Description	Responsible	Risk Type	Risk Category	
Toject			Description	Responsible Person	Risk Type	Risk Category	
		Strategic Risk	Description Failure to manage and develop public areas vested in, or occupied by the Council (F)	Person Terry Crackett	Risk Type Strategic		Lack of strategic and operational properties of strategic and operational open sports, recreation and open sports and open sports of the strategic
-			Failure to manage and develop public areas vested in, or occupied by the	Person Terry Crackett		Community Health	Lack of strategic and operational properties and operational properties of sports, recreation and open sports, Physical hazards to users Physical hazards to users Poor climate adaptation regimes Lack of maintenance
	170933	Strategic Risk	Failure to manage and develop public areas vested in, or occupied by the	Person Terry Crackett		Community Health	Lack of strategic and operational proor sports, recreation and open sports Physical hazards to users Poor climate adaptation regimes Lack of maintenance
kett	170933 Effectiveness Moderate reduction in risk	Strategic Risk Risk Score 15	Failure to manage and develop public areas vested in, or occupied by the	Person Terry Crackett		Community Health	Lack of strategic and operational properties and operational properties of sports, recreation and open sports, Physical hazards to users Physical hazards to users Poor climate adaptation regimes Lack of maintenance
kett	170933 Effectiveness	Strategic Risk Risk Score 15 Extra Comments	Failure to manage and develop public areas vested in, or occupied by the	Person Terry Crackett		Community Health	Lack of strategic and operational properties and operational properties of sports, recreation and open sports, Physical hazards to users Physical hazards to users Poor climate adaptation regimes Lack of maintenance
kett	170933 Effectiveness Moderate reduction in risk Person Responsible Natalie Westover Christopher Janssan	Strategic Risk Risk Score Extra Comments Updated Community Land Management Plans and Register were adopted by Council in September 2019. A review of the Community Land Register and Community Land Management Plans should occur at least every 2 years. Strategic Property Review endorsed by Council. Programmed maintenance schedules developed in Open Space and Civil Services areas. Building maintenance schedule being developed as part of Facility Framework, service standards to be developed. Open Space operation programs for roadside and reserve maintenance are incorporated into Road Reserves Annual Maintenance Program and to include in Roadside Vegetation	Failure to manage and develop public areas vested in, or occupied by the Council (F)	Person Terry Crackett		Community Health	Lack of strategic and operational properties and operational properties of sports, recreation and open sports, Physical hazards to users Physical hazards to users Poor climate adaptation regimes Lack of maintenance
	170933 Effectiveness Moderate reduction in risk Moderate reduction in risk Person Responsible Natalie Westover Christopher Janssan Natalie Westover	Strategic Risk Risk Score Extra Comments Updated Community Land Management Plans and Register were adopted by Council in September 2019. A review of the Community Land Register and Community Land Management Plans should occur at least every 2 years. Strategic Property Review endorsed by Council. Programmed maintenance schedules developed in Open Space and Civil Services areas. Building maintenance schedule being developed as part of Facility Framework, service standards to be developed. Open Space operation programs for roadside and reserve maintenance are incorporated into	Failure to manage and develop public areas vested in, or occupied by the Council (F)	Person Terry Crackett		Community Health	Lack of strategic and operational properties and operational properties of sports, recreation and open sports, Physical hazards to users Physical hazards to users Poor climate adaptation regimes Lack of maintenance
kett	170933 Effectiveness Moderate reduction in risk Moderate reduction in risk Person Responsible Natalie Westover Christopher Janssan Natalie Westover	Strategic Risk Risk Score Extra Comments Updated Community Land Management Plans and Register were adopted by Council in September 2019. A review of the Community Land Register and Community Land Management Plans should occur at least every 2 years. Strategic Property Review endorsed by Council. Programmed maintenance schedules developed in Open Space and Civil Services areas. Building maintenance schedules developed in Open Space operation programs for roadside and reserve maintenance are incorporated into Road Reserves Annual Maintenance Program and to include in Roadside Vegetation Management Plan. Detailed assessment of all land parcels undertaken and workshop and report provided to Council. Preliminary consultation completed in relation to potential land parcels to had back to the Crown. Revocation of community land classification commende with formal community consultation completed. A report was presented to Council in March 2021 to continue the revocation process that was endorsed. Application for approval for revocation has been lodged with the Minister for Planning. Following a response from the Minister for Planning, a workshop will be held with Council prior	Failure to manage and develop public areas vested in, or occupied by the Council (F)	Person Terry Crackett		Community Health	Lack of strategic and operational properties and operational properties of sports, recreation and open sports, Physical hazards to users Physical hazards to users Poor climate adaptation regimes Lack of maintenance
kett	170933 Effectiveness Moderate reduction in risk Person Responsible Natalie Westover Christopher Janssan Natalie Westover Renee O'Connor	Strategic Risk Risk Score Extra Comments Updated Community Land Management Plans and Register were adopted by Council in September 2019. A review of the Community Land Register and Community Land Management Plans should occur at least every 2 years. Strategic Property Review endorsed by Council. Programmed maintenance schedules developed in Open Space and Civil Services areas. Building maintenance schedule being developed as part of Facility Framework, service stands to be developed. Open Space operation programs for roadside and reserve maintenance are incorporated into Road Reserves Annual Maintenance Program and to include in Roadside Vegetation Management Plan. Detailed assessment of all land parcels undertaken and workshop and report provided to Council. Preliminary consultation completed in relation to potential land parcels to hand back to the Crown. Revocation of community land classification commenced with formal community consultation completed. A report was presented to Council in March 2021 to continue the revocation process that was endorsed. Application for approval for revocation has been lodged with the Minister for Planning. Following a response from the Minister for Planning, a workshop will be held with Council prior to a report being presented to Council for further consideration.	Failure to manage and develop public areas vested in, or occupied by the Council (F)	Person Terry Crackett		Community Health	Lack of strategic and operational properties and operational properties of sports, recreation and open sports, Physical hazards to users Physical hazards to users Poor climate adaptation regimes Lack of maintenance
kett	170933	Strategic Risk Risk Score Extra Comments Updated Community Land Management Plans and Register were adopted by Council in September 2019. A review of the Community Land Register and Community Land Management Plans should occur at least every 2 years. Strategic Property Review endorsed by Council. Programmed maintenance schedules developed in Open Space and Civil Services areas. Building maintenance schedules developed in Open Space operation programs for roadside and reserve maintenance are incorporated into Road Reserves Annual Maintenance Program and to include in Roadside Vegetation Management Plan. Detailed assessment of all land parcels undertaken and workshop and report provided to Council. Preliminary consultation completed in relation to potential land parcels to had back to the Crown. Revocation of community land classification commende with formal community consultation completed. A report was presented to Council in March 2021 to continue the revocation process that was endorsed. Application for approval for revocation has been lodged with the Minister for Planning. Following a response from the Minister for Planning, a workshop will be held with Council prior	Failure to manage and develop public areas vested in, or occupied by the Council (F)	Person Terry Crackett		Community Health	Lack of strategic and operational properties and operational properties of sports, recreation and open sports, Physical hazards to users Physical hazards to users Poor climate adaptation regimes Lack of maintenance
kett	170933 Effectiveness Moderate reduction in risk Person Responsible Natalie Westover Christopher Janssan Natalie Westover Renee O'Connor Peter Bice Christopher Janssan	Strategic Risk Risk Score Extra Comments Updated Community Land Management Plans and Register were adopted by Council in September 2019. A review of the Community Land Register and Community Land Management Plans should occur at least every 2 years. Strategic Property Review endorsed by Council. Programmed maintenance schedules developed in Open Space and Civil Services areas. Building maintenance schedule being developed as part of Facility Framework, service standards to be developed. Open Space operation programs for roadside and reserve maintenance are incorporated into Management Plan. Detailed assessment of all land parcels undertaken and workshop and report provided to Council. Preliminary consultation completed in relation to potential land parcels to hand back to the Crown. Revocation of community land classification commenced with formal community consultation completed. A report was presented to Council in March 2021 to continue the revocation process that was endorsed. Application for approval for revocation has been lodged with the Minister for Planning. Following a response from the Minister for Planning, a workshop will be held with Council prior to a report being presented to Council for further consideration. Specification and tender documented - finalising specific building audit hierarchy Council has also assessed its Net Financial Liability ratio with an additional \$3m of borrowings represented by the top red line in the graph below. The resultant ratio shows that wen with the additional \$3m, Council \$1M into avery significant disaster in the order of \$2m reports the likely Council net contribution to a very significant disaster in the order of \$3m represents the likely Council ent contribution to a very significant disaster in the order of \$3m taking into account financial assistance from State and Federal Governments. This assumption is also based on Council \$2% 2% strong preference to borrow if such a major	Failure to manage and develop public areas vested in, or occupied by the Council (F)	Person Terry Crackett		Community Health	Lack of strategic and operational properties and operational properties of sports, recreation and open sports, Physical hazards to users Physical hazards to users Poor climate adaptation regimes Lack of maintenance
kett	170933 Effectiveness Moderate reduction in risk Person Responsible Natalie Westover Christopher Janssan Christopher Janssan Renee O'Connor Peter Bice Christopher Janssan Peter Bice Christopher Janssan	Strategic Risk Risk Score Extra Comments Updated Community Land Management Plans and Register were adopted by Council in September 2019. A review of the Community Land Register and Community Land Management Plans should occur at least every 2 years. Strategic Property Review endorsed by Council. Programmed maintenance schedules developed in Open Space and Civil Services areas. Building maintenance schedule being developed as part of Facility Framework, service standards to be developed. Open Space operation programs for roadside and reserve maintenance are incorporated into Management Plan. Detailed assessment of all land parcels undertaken and workshop and report provided to Council. Preliminary consultation completed in relation to potential land parcels to hand back to the Crown. Revocation of community land classification commenced with formal community consultation completed. A report was presented to Council in March 2021 to continue the revocation process that was endorsed. Application for approval for revocation has been lodged with the Minister for Planning. Following a response from the Minister for Planning, a workshop will be held with Council prior to a report being presented to Council for further consideration. Specification and tender documented - finalising specific building audit hierarchy Council has also assessed its Net Financial Liability ratio with an additional \$3m of borrowings represented by the top red line in the graph below. The resultant ratio shows that wen with the additional \$3m, Council \$1M into avery significant disaster in the order of \$2m reports the likely Council net contribution to a very significant disaster in the order of \$3m represents the likely Council ent contribution to a very significant disaster in the order of \$3m taking into account financial assistance from State and Federal Governments. This assumption is also based on Council \$2% 2% strong preference to borrow if such a major	Failure to manage and develop public areas vested in, or occupied by the Council (F)	Person Terry Crackett		Community Health	Lack of strategic and operational properties and operational properties of sports, recreation and open sports, Physical hazards to users Physical hazards to users Poor climate adaptation regimes Lack of maintenance
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Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comments
Strategic	Service Delivery	 Cause: 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 	 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 	21	5	
Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk	Other Requirements/Comments
Strategic	Community Health & Wellbeing	 Lack of strategic and operational processes to manage Council's property portfolio. Poor sports, recreation and open space management practices. Physical hazards to users Poor climate adaptation regimes Lack of maintenance Renewal works not undertaken as planned 	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	25	Score 15	

Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comments
Strategic	Service Delivery	 Cause: 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 	 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 	21	5	
Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk	Other Requirements/Comments
Strategic	Community Health & Wellbeing	 Lack of strategic and operational processes to manage Council's property portfolio. Poor sports, recreation and open space management practices. Physical hazards to users Poor climate adaptation regimes Lack of maintenance Renewal works not undertaken as planned 	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	25	Score 15	
5 of 7						

Corporate Risk	Develop Public Toilet Strategy	Six Months	Pa
Register			
Corporate Risk	Review the Open Space Mtce Programs to inform an update to the LTFP	Six Months	Nic
Register			
Corporate Risk	In conjunction with Rec & Sport update the audit regime of high risk assets following finalisation	Six Months	Na
Register	of the Community Recreation Facilities Framework		
Corporate Risk	Develop Cemetery Mgt Plans for each cemetery under AHC care and control	Six Months	Na
Register			

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latalie Westover	
latalie Westover	

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE MEETING Monday 14 February 2022 AGENDA BUSINESS ITEM

Item:	7.7
Responsible Officer:	Steven Watson Governance & Risk Coordinator Office of the Chief Executive
Subject:	Audit Committee Meeting Dates 2022
For:	Decision

SUMMARY

One of the fundamental principles of local government is that council and council committees, wherever possible, should be open to the public and documents made available. The setting and publication of the meeting times and locations of Audit Committee meetings is required to enable public notices to be given under the *Local Government Act 1999*.

Whilst the Audit Committee previously resolved the meeting dates for 2022 at its 16 November 2020 meeting, an anomaly for the 18 April 2022 meeting has it scheduled to occur on Easter Monday. This report seeks the Committee's consideration to move the 18 April 2022 meeting to Wednesday 20 April 2022 at Stirling and reaffirm the 2022 meeting schedule.

RECOMMENDATION

The Audit Committee resolves:

1. That the report be received and noted.

Commencement	6.30pm
	Monday 14 February 2022, 63 Mt Barker Road, Stirling (this meeting)
	Wednesday 20 April 2022, 63 Mt Barker Road, Stirling
Meeting Dates and	Monday 23 May 2022, 63 Mt Barker Road, Stirling
Locations	Monday 15 August 2022, 63 Mt Barker Road, Stirling
	Monday 17 October 2020, 63 Mt Barker Road, Stirling
	No meeting scheduled (Council General Elections Nov 2022)

2. To approve the Audit Committee meeting schedule, timings and locations for 2022 as follows:

3. That the Chief Executive Officer be authorised to adjust the meeting schedule, timings and locations as required (e.g. where there is a scheduling clash with another important corporate event or meeting, or where a scheduled meeting falls on a non-business day, or where a quorum is unlikely, or where no meeting is scheduled, although is required).

1. GOVERNANCE

Strategic Management Plan/Council Policy

Strategic Plan 2020-24 – A brighter future				
Goal 5	A Progressive Organisation			
Objective 05	We are accountable, informed, and make decisions in the best interests of the whole community			
Priority 05.1	Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations			

Legal Implications

Section 87(8) of the *Local Government Act 1999* requires that the notice an ordinary meeting of the committee must be given to members at least three (3) clear days before the date of the meeting.

Section 88(2) states that notice must be given a soon as practicable after the time that notice is given to the members of the committee

Risk Management Implications

The setting of a schedule of ordinary meetings for the Audit Committee 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)	Low (3E)	Low (3E)

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.

With the current COVID-19 social distancing requirements, Audit Committee meetings are continuing to be held in the advertised venue with Committee Members participating by following COVID safe practices.

Sustainability Implications

There are no direct sustainability implications arising from this report.

> Engagement/Consultation conducted in the development of the report

Consultation on the development of this report was as follows:

Council Committees:Not ApplicableCouncil Workshops:Not ApplicableAdvisory Groups:Not ApplicableExternal Agencies:Not ApplicableCommunity:Not Applicable

2. BACKGROUND

Council, at its 22 October 2019 meeting, set the meeting schedule for Council meetings for the balance of the Council term with Council meetings being held on the 4th Tuesday of each month.

The Audit Committee, at its 16 November 2020 meeting, resolved to meet on a Monday of the nominated months as follows:

6.12. Audit Committee Meeting Dates 2021 – 2022

Moved Peter Brass S/- Cr Leith Mudge

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The Audit Committee resolves:

- 1. That the report be received and noted.
- 2. To approve the Audit Committee meeting schedule, timings and locations for 2021 as follows:

Commencement	6.30pm
	Monday 15 February 2021, 63 Mt Barker Road, Stirling
-	Monday 19 April 2021, 36 Nairne Road, Woodside
Meeting Dates	Monday 24 May 2021, 63 Mt Barker Road, Stirling
and Locations	Monday 16 August 2021, 63 Mt Barker Road, Stirling
-	Monday 18 October 2021, 63 Mt Barker Road, Stirling
-	Monday 15 November 2021, 63 Mt Barker Road, Stirling

3. To approve the Audit Committee meeting schedule, timings and locations for 2022 as follows:

Commencement	6.30pm
	Monday 14 February 2022, 63 Mt Barker Road, Stirling
	Monday 18 April 2022, 36 Nairne Road, Woodside
Meeting Dates	Monday 23 May 2022, 63 Mt Barker Road, Stirling
and Locations	Monday 15 August 2022, 63 Mt Barker Road, Stirling
	Monday 17 October 2022, 63 Mt Barker Road, Stirling
	No meeting scheduled (Council General Elections Nov 2022)

Carried Unanimously

Clause 11.1 of the *Audit Committee Terms of Reference* provides that the Committee shall meet at least four times a year at appropriate times and places as determined by the Audit Committee. A special meeting of the Committee may be called in accordance with the Act.

3. ANALYSIS

Consistent with the Council's resolution to set the meeting dates for the balance of the Council term, the following schedule is proposed for the Audit Committee in 2022 which will allow recommendations from the Audit Committee where possible to be considered by the Council in that same month. Further it is proposed to continue with the current meeting commencement time of 6.30pm to accommodate the other commitments of Audit Committee members.

Whilst the Audit Committee previously resolved the meeting dates for 2022 at its 16 November 2020 meeting, an anomaly for the 18 April 2022 meeting has it scheduled to occur on Easter Monday.

Following email consultation with Committee Members, a majority of Audit Committee Members confirmed they were available for the change to Wednesday 20 April 2022.

This report seeks the Committee's consideration to move the 18 April 2022 meeting to Wednesday 20 April 2022 at Stirling and reaffirm the 2022 meeting schedule as detailed in the table below:

Commencement	6.30pm
	Monday 14 February 2022, 63 Mt Barker Road, Stirling (this meeting)
	Wednesday 20 April 2022, 63 Mt Barker Road, Stirling
Meeting Dates and	Monday 23 May 2022, 63 Mt Barker Road, Stirling
Locations	Monday 15 August 2022, 63 Mt Barker Road, Stirling
	Monday 17 October 2020, 63 Mt Barker Road, Stirling
	No meeting scheduled (Council General Elections Nov 2022)

To prevent any further issues a in the future, Recommendation 3 allows for greater flexibility and amendment of the meeting schedule should it be required.

4. OPTIONS

The Committee has the following options:

- I. To resolve to adopt the recommendations regarding the schedule, timing and locations of Audit Committee meetings (Recommended).
- II. To amend an/all aspect(s) of the recommendations regarding the schedule, timing and locations of Audit Committee meetings (Not Recommended).

5. APPENDIX

1. Table of South Australian Public Holidays 2021-2023

Appendix 1

Table of South Australian Public Holidays 2021-2023

Public holidays 2021-2023

Public holiday	2021	2022	2023	2020
New Year's Day	Friday	Monday	Monday	Wednesday
1 January	1 January	3 January	2 January	1 January
Australia Day	Tuesday	Wednesday	Thursday	Monday
26 January	26 January	26 January	26 January	27 January
Adelaide Cup Day (second Monday in March)	Monday 8 March	Monday 14 March (subject to proclamation)	Monday 13 March (subject to proclamation)	Monday 9 March
School Holidays - Term 1	10-26 April	15 April-1 May	15-30 April	10-26 April
Good Friday	Friday	Friday	Friday	Friday
(varies with lunar cycle)	2 April	15 April	7 April	10 April
Easter Saturday	Saturday	Saturday	Saturday	Saturday
(varies with lunar cycle)	3 April	16 April	8 April	11 April
Easter Monday	Monday	Monday	Monday	Monday
(varies with lunar cycle)	5 April	18 April	10 April	13 April
Anzac Day	Monday	Monday	Tuesday	Saturday
25 April	26 April	25 April	25 April	25 April
Queen's Birthday/ Volunteer's Day second Monday in June	Monday 14 June	Monday 13 June	Monday 12 June	Monday 8 June
School Holidays - Term 2	3-18 July	9-24 July	8-23 July	4-19 July
School Holidays - Term 3	25 September- 10 October	1-16 October	30 September - 15 October	26 September- 11 October
Labour Day	Monday	Monday	Monday	Monday
first Monday in October	4 October	3 October	2 October	5 October
School Holidays - Term 4	11 December-	17 December-	16 December-	12 December-
	30 January	29 January	28 January	26 January
Christmas Eve	Friday	Saturday	Sunday	Thursday
24 December	24 December	24 December	24 December	24 December
Part-day public holiday	7pm-midnight	7pm-midnight	7pm-midnight	7pm-midnight
Christmas Day	Monday	Monday	Monday	Friday
25 December	27 December	26 December	25 December	25 December
Boxing Day/ Proclamation Day 26 December	Tuesday 28 December	Tuesday 27 December	Tuesday 26 December	Monday 28 December
New Year's Eve	Friday	Saturday	Sunday	Thursday
31 December	31 December	31 December	31 December	31 December
Part-day public holiday	7pm-midnight	7pm-midnight	7pm-midnight	7pm-midnight

Note: School holiday dates are added for reference only and are not under SafeWork SA jurisdiction.

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE MEETING Monday 14 February 2022 AGENDA BUSINESS ITEM

Item:	7.8
Responsible Officer:	Lachlan Miller Executive Manager Governance & Performance Office of the Chief Executive
Subject:	Internal Audit Quarterly Update
For:	Information

SUMMARY

At its 15 November 2021 meeting the Audit Committee requested that the current Strategic Internal Audit Plan (SIAP) be reviewed to determine the level of potential overlap between the internal audits scheduled and the audit work conducted by the external auditor (Galpins) in relation to the Internal Financial Controls Audit.

The assurance mapping exercise has taken the *Better Practice Model* – *Internal Financial Controls for South Australian Councils* guide (which provides the legislated guidelines for council internal financial controls framework) and aligned these to the scope of each proposed internal audit on the SIAP.

A revised SIAP v1.9a (Appendix 1) is presented for the Audit Committee's recommendation to Council.

Given the assurance mapping exercise and the Xmas/New Year period, no audits have been conducted since the last meeting.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted
- 2. To recommend to Council to adopt the revised Strategic Internal Audit Plan v1.9a as contained in Appendix 1.

1. GOVERNANCE

Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

5	5 ,
Goal 5	A Progressive Organisation
Objective O5	We are accountable, informed, and make decisions in the best interests of the whole community
Priority O5.1	Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative 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 leads to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
High (4C)	Low (2E)	Low (2E)

The controls tested are part of the internal control framework contributing to the current Residual Risk rating. The recommendations arising from audits and the management actions to be undertaken are mitigations which will contribute to reducing the risk rating to the Target Risk level.

Financial and Resource Implications

The Internal Audit budget for the 2021-22 financial year should be sufficient for the audits that are likely to be conducted in the financial year.

The proposed audits are planned 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.

Sustainability Implications

Not applicable

> Engagement/Consultation conducted in the development of the report

Consultation on the development of this report was as follows:

Council Committees:	Nil
Council Workshops:	Not Applicable
Advisory Groups:	Not Applicable
External Agencies:	Not Applicable
Community:	Not Applicable

2. BACKGROUND

The Committee last received a quarterly report at its 14 November 2021 meeting. At this meeting the Committee discussed the issue of auditee fatigue particularly in light of the perceived significant level of crossover between those areas audited in relation to the Internal Financial Controls Audit under the External Audit Plan and those scheduled for internal audit under the Strategic Internal Audit Program SIAP).

The Committee noted that audit briefs have been prepared for the upcoming Recruitment & Retention Audit and the Budgetary Management Audit (see SIAP at *Appendix 2*).

While not specifically resolved, the Committee advocated the undertaking of an assurance mapping exercise between the internal and external audit programs to identify the areas of duplication with a view to resetting the balance of the SIAP.

3. ANALYSIS

Section 125(2) of the Act, in conjunction with section 10A of the *Local Government (Financial Management) Regulations 2011*, requires internal financial controls of council to be designed and implemented in accordance with the *Better Practice Model – Internal Financial Controls for South Australian Councils* guide (Better Practice Model).

The external auditor utilises the Better Practice Model to frame the external audit workplan for the Internal Financial Controls Audit (for more information see the External Audit Plan agenda item) The assurance mapping exercise has been undertaken utilising the *Better Practice Model* –. The results of the mapping are shown in the SIAP v1.9a at *Appendix 2.*

The assurance map identifies that the following proposed internal audits have a level of coverage (albeit not complete coverage) in the Better Practice Model. Further, the External Audit Plan (considered in a separate agenda item) sets out the External Auditor's assessment of the inherent risks associated with key business cycles and the controls testing approach proposed (see pages 11-12 of the External Audit Plan), this is shown below:

Proposed Internal Audit	Business Cycle	EA Plan Risk Assessment
Budgetary Management	2.2 Budgets	Not rated
Capital Works Programming	3.7 Fixed Assets	High
& Delivery	3.8 Project Costing	Not rated
Treasury Management	3.2 Banking	High
	3.3 Investments	Not rated
	4.3 Borrowings	Not rated
Business Continuity Plan	2.2 General Ledger	Medium
Debt Management	3.4 Debtors	Medium
Procurement	6.1 Purchasing & procurement	High
	6.4 Credit cards	High
	7.1 Contracting	Not rated
Asset Operation	3.7 Fixed Assets	High
Contract Management	7.1 Contracting	Not rated

Given the intention to remove the duplicated effort and the audit fatigue, the Administration proposes removing the internal audits from the SIAP that appear to have controls testing planned as part of the External Audit Plan. For clarity these internal audits as follows:

- Procurement
- Asset Operation
- Debt Management

Further it is proposed to remove the Business Continuity Plan audit from the remainder of the SIAP given that the Plan has not yet been finalised.

4. OPTIONS

The Committee has the following options:

- I. To receive and note this report (Recommended).
- II. To recommend to Council to adopt the revised SIAP v1.9a as contained in Appendix 1 (Recommended); or
- II. To identify an alternative course of action.

5. APPENDIX

(1) Strategic Internal Audit Plan 2018/19 – 22/23 v1.9a

Appendix 1

Strategic Internal Audit Plan 2018/19 – 22/23 v1.9a

Strategic Internal Audit Plan 2018/19 - 22/23

Audit Engagement	Scope		surance Mapping (coverage in BP	2018/19 2019/20	2020/21	2021/22	2022/23
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.	No			Q3 (Being procured)	
Budgetary Management	Focussing on financial planning, control and reporting. Relationship of budget with LTFP, legislative and regulatory compliance.	SR9c - Failure to manage, improve and develop the financial resources available to the Council.	Yes 2. Strategic Financial Planning, 2.2 Budgets				Q2 (Proje Brief agreed)
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.	Yes 4 Liabilities, 4.4 Employee Provisions 6. Expenses, 6.2 Payroll		Completed		
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).	Depending on project			Q4 (AHBTC Divestment) - to be scoped	
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.	Yes 6 Expenses, 6.1 Purchasing & Procurement 6 Expenses, 6.4 Credit Cards 7 External Services, 7.1	Completed			
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 	Yes 3 Assets, 3.7 Fixed Assets 3 Assets 3.8 Project Costing			Q4 (Project brief in developme nt)	
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.	Yes 3 Assets, 3.2 Banking 3 Assets, 3.3 Investments 4 Liabilities, 4.3 Borrowings				Q1
Cyber Security	Focusing on the cyber security risks to the Council, undertake an assessment of the adequacy of the control framework including an assessment against the maturity levels of the Australian Cyber Security Centre's Essential Eight Model.	SR9b - Failure to manage, improve and develop the information resources available to the Council.	Νο		Completed		
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	No				Q1
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	Yes 2. Strategic Financial Planning, 2.2 General Ledger	Recommend to remove			
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.	No			Q4	
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.	Yes 3 Assets, 3.4 Debtors	Recommend to remove			
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.	Yes 6 Expenses, 6.1 Purchasing & Procurement 6 Expenses, 6.4 Credit Cards 7 External Services, 7.1 Contracting	Recommend to remove			
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.	No				Q2
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. 	Yes 3 Assets, 3.7 Fixed Assets	Recommend to remove			
Contract Management	Focussing on the post-procurement processes, activities, controls, risk, compliance through stages of the function, including	SR2 - Failure to deliver projects, programs and services in accordance with plans (time, budget, quality).	Yes				

-	
Q4	
	Q4

Version Control

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
17/12/2019	Amended plan adopted by Council (Plan extended for a year, projects rescheduled)	1.2
25/02/2020	Amended plan adopted by Council (Changes to the timing and scope of the cyber security audit)	1.3
25/07/2020	Amended plan adopted by Council (Changes in timing for Recruitment & Retention, Budgetary Mgt, Treasury Mgt,	1.4
	Emergency Mgt & BCP)	
22/09/2020	Amended plan adopted by Council (Changes to the timing of audits)	1.5
15/12/2020	Amended plan adopted by Council (completion of cyber, changes to other timings)	1.6
10/02/2021	Amended plan (changes to timings for 20/21 projects)	1.7
22/06/2021	Amended plan adopted by Council (Changes in timing for Recruitment & Retention, Budgetary Mgt)	1.8





Better Practice Model – Internal Financial Controls for South Australian Councils

April 2017

Prepared by the Internal Controls Work G<u>roup for and</u>

Prepared by the Internal Controls Work Group for and on behalf of South Australian Local Government Financial Management Group Inc. (SALGFMG)





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Inherent Limitations

The guidance provided is advisory in nature and has not been conducted in accordance with the standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions under these standards are expressed. Recommendations and suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made, and the information and documentation provided. We have not attempted to verify these sources independently unless otherwise noted within the report.

Statement of Disclaimer

This Framework has been prepared by the South Australian Local Government Financial Management Group Inc. (SALGFMG). The Framework is intended to provide general information on financial controls and does not purport to be comprehensive nor is it intended to replace professional advice for your Council or for your specific circumstances. The contents do not constitute advice and should not be relied upon as such. If advice concerning individual circumstances of your Council or other expert assistance is required, the services of a competent professional adviser should be sought.

This Framework cannot be regarded as a complete list of all financial risks and controls relevant to Councils within South Australia and should not be relied upon as a substitute for action that Councils should take to ensure that Section 125 of the *Local Government Act 1999* requirements are met such:

"that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records.".

As detailed in section 99 (1) (g) of the *Local Government Act 1999*, it is the responsibility of the Chief Executive Officer of each council:

"to ensure that the assets and resources of the council are properly managed and maintained".

No responsibility or liability to any third party is accepted by the SALGFMG as the Framework has not been prepared, and is not intended, for use by third parties or for any other purpose.





1.Introduction

1.1. Overview of Internal Control

Internal control is one of the foundations of a robust corporate governance framework. The Committee of Sponsoring Organisations (COSO) broadly defines internal control as:

"a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations; and
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations."

Section 125 of the Local Government Act 1999 ("the Act") requires that:

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

This Framework provides guidance which Councils can use alongside their existing risk framework to aid in developing a risk based approach to the identification and assessment of financial risks and internal controls, and create a strong internal environment focussed on continuous improvement. This will also assist in ensuring compliance with the provisions of the *Local Government Act 1999*.

It is important to note that while this Framework considers financial risks only, the approach should be seen as forming one part of Council's overall risk management and governance framework. Whilst the Framework excludes non-financial risks, consideration should also be given to any financial implications that these risks could have on the entity.

1.2. Audit of Internal Financial Controls

Section 129 (1) (b) of the *Local Government Act 1999* ("the Act") requires a council's external auditor to audit:

'the controls exercised by the council during the relevant financial year in relation to the receipt, expenditure and investment of money,

the acquisition and disposal of property and the incurring of liabilities'.

Under section 129 (3) (b) of the Act they must provide:

'an audit opinion as to whether the controls audited under subsection (1)(b) are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law'.

External auditors should apply ASAE 3000 Standard on Assurance Engagements and ASAE 3150 *Assurance Engagements on Controls* in conducting their audit under section 129 (1) (b) of the Act.

Pursuant to Section 126(4)(c) of the Local Government Act 1999, Council Audit Committees are responsible for reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the Council on a regular basis. The provision to





Council Members of reports by the Audit Committee concerning internal controls is an important part of good practice financial governance.

Auditors should have regard to the application of the risk based approach applied by Council in performing their testing and forming their opinion under section 129(3) of the Act. The auditor should obtain sufficient appropriate audit evidence pertaining to controls for each risk to determine if the internal financial controls over that risk provide sufficient assurance that the financial transactions of the council have been conducted properly and in accordance with the law.

1.3. Internal Financial Controls

Internal financial control, as a part of Council's broader internal control processes, is designed to assist the Council in addressing the risk of fraud and error, improving reliability of financial reporting and compliance with laws, regulations and policies. It focuses on Council's financial processes and functions that deal with, but are not limited to, budgeting, financial reporting, transaction processing, financial delegations and treasury management.

Internal financial control will be instrumental in:

- Safeguarding Council assets
- Ensuring reliability of both financial and non-financial reporting
- Complying with legislation and Council policies
- Promoting the effectiveness and operational efficiency of Council

Internal control will not remove all financial risk but is a means of managing risk and reducing the likelihood and consequence of adverse events. A sound system of internal financial control is essential for a council to ensure that its resources are allocated in the most appropriate manner, operational and financial objectives are being met and to facilitate compliance with the accountability provisions of the *Local Government Act 1999*.

1.4. Three Lines of Defence

A council's internal control environment typically includes the following components:

- Structure of the organisation
- Culture of the organisation
- Knowledge, skills and experience of employees
- · Processes employed by the organisation to conduct business

Management is primarily responsible for managing organisational risks on a day-to-day basis and thereby forms the first line of defence for the Council. Management achieves this by establishing an appropriate internal control environment including the relevant internal financial controls addressing the underlying financial accounting assertions.

The second line of defence is composed of the corporate functions that establish the policies and procedures which govern organisational activities and processes. This is established through monitoring activities such as self-assessment of the adequacy of internal controls on an aggregated level which establishes the boundaries and expected standards by which the business operates.

Finally, the third line of defence consists of internal audit which is charged with the responsibility to perform an objective assessment on the performance of control activities and business processes. An internal audit function is not a mandatory requirement for councils, however the absence of such a function may increase the consequence of control failure.





Local Government Act and Regulations											
External Auditor											
1 st Line of Defence	2 nd Line of Defence	3 rd Line of Defence									
	Risk Governance Framework										
Establishment of Internal Control Environment and Internal Control Activities	Risk Identification and Assessment Establishment of Policies and Procedures Control Monitoring Management Evaluation Process Monitoring and Improvement	Internal Audit									

Additionally Council's Audit Committee, external auditor and the Local Government Act 1999 and Regulations play an important part in framing the Council's governance and internal control environment.

Legislation and regulation sets the framework for the governance and internal control environment by establishing requirements designed to improve the environment as it is developed. The Audit Committee and external auditors are also able to provide independent and objective feedback and assessment of the internal controls in relation to the financial reporting processes of Council as they relate to the three lines of defence.

1.5. Internal Financial Control Environment

The Council should establish an internal financial control environment. This should be based on the following steps, and incorporate a suite of internal controls, policies and procedures that create a framework for a robust and strong environment within the organisation.

- 1) Identification of Financial Risks
- 2) Assessment of Inherent Risk (the level of risk associated with the particular issue before the implementation of related controls)
- 3) Evaluation of Control Activities
- 4) Assessment of Residual Risk (risk that remains with Council over a particular issue after controls have been implemented and assessed for their effectiveness)
- 5) Address Residual Risks and Control Activities
- 6) Ongoing Monitoring of Internal Financial Controls.

The above approach is detailed further at section 1.7.

The steps above should be performed on a regular basis, with steps 1 to 5 performed at least annually, noting steps 1 and 2 need only be considered at a high level to identify if there have been any changes within Council or to Council's external environment (e.g. new legislation) that would result in new or revised financial risks or a change in the assessment of inherent risk associated with a financial risk.

Council's internal control framework should be designed as a living process aimed at embedding a culture of continuous improvement within the Council. This is achieved by performing regular assessments of risk and identification of areas that are deficient or where improvement may be possible, and implementing processes and controls that address these areas.





1.6. Risk Based Approach to Internal Financial Controls

Given all councils have limited resources, it is important to focus on the key financial risks and controls. Councils should design and implement internal financial control activities and monitoring systems that prioritise extreme and high financial risks as identified by the Council's risk tolerance framework.

This can be achieved by applying a risk based approach to the Risk and Control Assessment Process documented at 1.7.

By applying a risk based framework, councils should document and assess the internal financial controls that relate to a particular financial risk to the extent that they mitigate that risk to an acceptable level.

Councils should apply judgment as to the quantum of controls to document in relation to each financial risk. Council must satisfy itself that, in aggregate, the controls as documented and assessed are sufficient to provide comfort that the financial risk is being managed at an acceptable level. The controls implemented will depend on the inherent risk assessment, the residual risk given controls already in place and the risk tolerance of the organisation. If Councils can demonstrate through their self-assessment that particular controls in place reduce a particular financial risk to a low level it is not considered necessary to document further controls in relation to that risk.

The Council's internal control structure comprises three elements: the financial accounting system; control procedures; and the control environment. It is important to note that while all these elements are applicable to Councils of all sizes, the degree of formality and the specifics of how the components are implemented may vary considerably for practical and sound reasons and highlights the inherent weaknesses and limitations of internal control. As stated in the COSO Integrated Framework,

"An internal control system, no matter how well conceived and operated, can provide only reasonable--not absolute--assurance to management and the board regarding achievement of an entity's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the collusion of two or more people, and management has the ability to override the system. Another limiting factor is that the design of an internal control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs."

Councils should also consider liaising with their internal and external auditors as part of this process to validate that the internal financial controls implemented are sufficient to mitigate the risks.

1.7. Risk and Control Assessment Process

The risk management methodology outlined below has been adapted from the Australia / New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009) ("the Standard") to provide a structured approach for councils. This methodology will assist in the Councils risk management processes with particular emphasis on the following:

- Identifying the key financial risks facing the organisation
- Assessing whether the associated internal controls are effective
- Identifying where further controls may be required.





This Framework focuses on the risks specifically of a financial nature, with control assessment worksheets provided to further assist in the application of the risk management methodology. The key financial risks identified have been grouped under relevant risk category and business processes. These risks are a guide only, with the identification of the actual risks relevant for each council being a fundamental component of the risk management practices of each council.

For each risk the Framework identifies the possible control measures that are typically in place to mitigate the risks identified, however it is important to note that no control is considered mandatory for Councils but are provided as guidance on the likely controls that exist or could be implemented to mitigate a particular risk. Councils should tailor the appropriate controls to reflect their individual circumstances in order to demonstrate the existence of a set of relevant controls to ensure that inherent financial risk is mitigated through the application of those controls to an acceptable level of residual risk, and to meet the requirements of the *Local Government Act 1999* and Regulations.

If the residual financial risk is at an acceptable level then there is no need to implement further internal controls, and there may be an opportunity to reduce the controls in place and focus resources to areas where the residual risk requires further mitigation. Should the residual financial risk not be at an acceptable level, then the council should review the controls identified in the Framework as a starting point to identify further controls for implementation. The purpose is to reduce the residual risk to an acceptable level, noting that this may form part of the control assessment action plan.

To ensure accountability each control needs to be assigned to an assessing officer and reviewing officer. Typically the assessing officer is the person performing the task or function (e.g. Financial Accountant) and the reviewing officer the person reviewing completion of the task or function (e.g. Financial Accountant's Line Manager).

Management should apply the following methodology when performing their assessment of financial risk and internal controls.

Step 1: Identify Risks

The first step is to identify the key financial risks facing the Council. The aim of the risk identification process is to consider all finance-related risks which might affect the achievement of the Council's objectives and operations. Comprehensive identification of risks is important because a potential risk not identified at this stage may not be included in further analysis.

The control assessment worksheets included within this Framework provide details of the activities and financial risks that are expected to apply to all councils. These should be used as a starting point for the identification of financial risks, but are not intended to be an exhaustive list. Councils should include additional risks if they are considered relevant to their activities.

Step 2: Assess Inherent Risk

Once the key financial risks have been identified they are analysed in terms of how likely the risk event is to occur (likelihood) and the possible magnitude (consequence) of the risk event. From this analysis the level of inherent risk can be determined. The inherent risk represents the level of risk associated with the particular issue before the implementation of related controls. That is, Councils should not consider any of the controls that are in place in their assessment of inherent risk.

Councils should refer to their own risk assessment matrix when assessing inherent risk to arrive at a rating based on the likelihood and consequence of the financial risk occurring. An example risk matrix detailing the suggested parameters for quantification of likelihood and consequence as provided in the Standard is provided below, with further details of the parameters for likelihood and consequence included in Appendix A.





Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
		1 2 3		3	4	5
Almost Certain	Е	Moderate	High	High	Extreme	Extreme
Likely	D	Low	Moderate	High	Extreme	Extreme
Possible	С	Low	Low	Moderate	High	Extreme
Unlikely	В	Low	Low	Low	Moderate	High
Rare	А	Low	Low	Low	Moderate	High

Step 3: Evaluate Control Activities

The next step is to identify and document the control activities in place and evaluate the appropriateness, design and effectiveness of these controls on a scale from 1 - 5. A suggested control effectiveness rating scale is provided below. An effectiveness rating should be 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.

The worksheets contained in this document detail suggested core and additional controls that relate to each risk. The controls are classified as core and additional with the intention being that the suggested core controls are likely to be more important or critical. The worksheets may be amended to reflect the Council's unique operating environment. This may be achieved by modifying, removing or including alternative controls.

It should be emphasised that the suggested 'core' controls are not intended to depict a minimum list of controls required, but may provide a suitable reference point for considering the appropriate internal financial controls for the Council.

Ultimately councils should aim to implement relevant control activities which result in an acceptable level of residual financial risk.





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.							

Where a control activity has been given an effectiveness rating of 3 or below by the assessing or reviewing officer, some level of explanation should be provided for the deficiency in the control activity, and consideration of establishing an action plan to address this. The purpose of the action plan is to document Council's intention to address the deficiency.

Step 4: Assess Residual Risk

Once the control activities have been assessed and reviewed the residual financial risk can be determined. The residual risk represents the risk that remains with Council after controls have been implemented and assessed for their effectiveness.

Council should consider the likelihood and consequence of a given financial risk occurring with reference to the effectiveness of the controls in place in relation to that risk as documented. The same risk assessment framework as in step 2 should be used as part of this step.

Step 5: Treat Risks and Control Activities

Together with the action plans from step 3, Councils should consider the acceptability of the residual financial risk. If a residual risk is assessed at an acceptable level then no further action is required. However, should the residual financial risk be at an unacceptable level, the council should identify further controls to be implemented. Step 3 should then be performed and the residual financial risk reassessed (step 4) to ensure that the risks are being managed at an acceptable level.

Step 6: Ongoing Monitoring

Once residual financial risk is at an acceptable level management should regularly monitor controls to provide ongoing assurance of the adequacy of the control environment. This should be conducted applying a risk based approach. Particular focus should be given to areas where control deficiencies have been previously identified and where there is a heavy reliance on internal financial controls to mitigate significant inherent risks. It is expected that Councils will be able to justify their approach to the monitoring of particular controls, which could take the form of revised self-assessments, increased frequency of assessment of controls related to specific risks and/or spot checking the operation of particular controls.





The monitoring should seek to target controls where monitoring activities provide the greatest value to Council in terms of risk management and/or continuous improvement.

The use of an internal audit function can also be a useful mechanism to independently test the effectiveness of a control in conjunction with the work undertaken by external auditors in evaluating the effectiveness of the internal control environment.

Additionally as part of the monitoring process, Councils should consider whether the controls in place are the most effective to address the relevant financial risks and improvements that can be made to the overall control environment.

1.8. Guidance for Implementation of Internal Control

A number of initiatives can be adopted by councils to implement the process for risk assessment and internal financial controls assessment within the entity. Councils should consider the matters listed below in designing their framework for risk identification and control assessment.

Education

To embed the process of assessment and continuous improvement in respect of internal financial controls within the culture of Council, it is important that the process is owned by the whole entity, not just the Finance department. Education of Council staff will therefore be critical to enable this to occur. Depending on the size and experience of Council's staff, this could take a number of forms including:

- Workshops with staff
- Training/information sessions
- Other communications (e.g. web based or via email/intranet).

The aim of the education should be to enable staff to develop an understanding of the nature of internal controls and an understanding of the context in which the assessment of internal financial controls is performed. Additionally it should provide them with the skills and understanding to perform the assessment in accordance with the Better Practice Model.

Setup of Internal Financial Control Framework

Focus should be given to the process of setting up the internal financial control framework that forms part of Council's self-assessment process. A risk-based approach should also be applied here, with additional consideration given to the financials risks that are most important and critical to Council's operations. A responsible officer who is knowledgeable and experienced within each specific financial area should be assigned the task of assessing the levels of inherent and residual risk pertaining to a particular risk residing within that area and identifying the appropriate suite of controls that mitigate that risk. As part of this process the responsible officer should identify which controls are the most efficient and effective to mitigate the risk, noting that these may not necessarily be controls that are already in place within the entity. It is often valuable to obtain a broader perspective when setting up the internal financial control framework by inviting the responsible officers to conduct the risk assessment and identification of controls as a group in a workshop format.

Alignment with Corporate Risks, Policies and Procedures

The financial risks considered by Council's self-assessment policy should be aligned with the corporate risks and risk register adopted by Council. Responsible officers should ensure consistency between the corporate level risks and any equivalent or relevant risk assessments made within the framework of internal financial controls.





Documenting and updating policies and procedures that include elements of internal financial controls is also a key activity. These should be reviewed in conjunction with the control assessments to verify they are still accurate and up-to-date and reflect the control assessments made by Council staff. Additionally cross referencing the relevant content within these policies to the control assessments and vice-versa will demonstrate the links between the assessments performed and the policies and procedures in place.

Documentation

To provide for an efficient process of internal review of self-assessments, and the subsequent audit, sufficient commentary and documentation (where applicable) should be included within Council's self-assessment tool that demonstrates how the officer has concluded as to the effectiveness rating of a particular control. This could comprise:

Commentary in responses that detail how the officer has verified the effectiveness of a particular control.

Reference to supporting documents (i.e. policies/procedures/minutes/process flowcharts) that demonstrate the operation of a particular control.

Details or reference of specific testing performed that demonstrates the operation and effectiveness of a particular control.

The aim of the response should be to provide sufficient detail for an independent person to review and arrive at the same conclusion as the responding officer.

Liaising with Internal and External Auditors

Councils should be proactive in their discussions with their appointed external auditor in relation to matters pertaining to internal financial controls. An effective internal control framework should include ongoing communication between Council and the external auditor. This can include:

- Application of risk-based approach to internal financial controls
- Deficiencies identified in internal financial controls
- Appropriateness of action plans to improve internal financial controls
- Recommendations by the external auditor for improvements to internal financial controls and their status
- Any issues identified in the design of the internal financial control framework or the assessment of internal financial controls.

This dialogue will help the process of continuous improvement within Council and ensure that potential issues are identified and resolved in a timely manner prior to the annual audit of internal financial controls.

Where in place, Council's internal auditor can also provide advice in respect of the internal financial control framework and assessment of internal financial controls.

1.9. Listing of Risk Categories & Associated Business Processes

The remainder of the Framework has been separated into a number of risk categories and business processes, based largely on standard Statement of Financial Position and Statement of Comprehensive Income account classifications and/or key business functions. Each of these sections includes an explanatory introduction and also suggests relevant principles, practices, key issues and options for councils.





It is envisaged that Council staff will be able to apply appropriate internal financial controls within each section through risk management practices in order to develop an effective system of internal financial controls that specifically addresses their own particular requirements.

For each Risk category and Business process documented, the Framework provides guidance on key financial risks and a list of possible controls to mitigate these risks. It should be noted that these possible internal financial controls are suggestions only and each Council will need to consider its own operating environment and level of acceptable residual risk based on an assessment of the internal controls they have in place. The suggested list of controls provide a useful starting point and in some instances it is likely a Council may have additional or alternate controls from the list of possible controls listed in the Framework that ensure the level of residual risk is acceptable to the Council.





Risk Category	Business Process
Strategic Financial Planning	 Budgets General Ledger Statutory Reporting Management Reporting
Assets	 Cash Floats and Petty Cash Banking Investments Debtors Inventory Prepayments Fixed Assets Project Costing Loans/Grants to Clubs/Community Groups
Liabilities	 Accounts Payable Accrued Expenses Borrowings Employee Provisions Taxation
Revenue	 Rates/Rate Rebates Grants User Pay Income – Fee for Services Investment / Interest Income Receipting Other Revenue
Expenses	 Purchasing & Procurement Payroll Elected Members' Expenses Credit Cards Employee Reimbursements Other Expenses
External Services	Contracting
Financial Governance	Governance





2. Strategic Financial Planning

2.1. Budgets

Introduction

Under Section 123 of the Local Government Act 1999:

- (1) a council must have, for each financial year
 - a) an annual business plan; and
 - b) a budget.
- (7) Each budget of a council must:
 - a) be considered in conjunction with the Council's annual business plan (and must be consistent with that plan, as adopted); and
 - b) be adopted by the council after the council has adopted its annual business plan.
- (8) an annual business plan and a budget must be adopted by a council after
 31 May for the ensuing financial year and, except in a case involving
 extraordinary administrative difficulty, before 31 August for the financial year.

Under Section 123 (13), "a council must, as required by the regulations, and may at any time, reconsider its annual business plan or its budget during the course of a financial year and, if necessary or appropriate, make any revisions".

Councils may choose to adopt a number of budgets with varying periods (i.e. annual or longerterm) and varying bases (i.e. cashflow). Budgets must be structured in a way that assists Council in meeting their "strategic management plan". Effectively, the budget process represents a key element of Council's strategic financial plan which in turn constitutes a fundamental element of the overall strategic management plan. The Budget represents an important way of monitoring the achievement of Council's strategic objectives.

For an analysis of the issues associated with the strategic financial plan and budgets, please refer to the relevant sections in "A Framework for Local Government Financial Management" published by the Local Government Association of South Australia.

Key Issues/Risks

In relation to Budgets, the major risks faced by Councils may be summarised as follows:

- 1) Budgets do not reflect strategic objectives
- 2) Unrealistic budgets
- 3) Budgets are inaccurately recorded due to variances between the budget adopted by Council and its finance system
- 4) Budgets are not compliant with relevant legislation

These risks are addressed in the following Control Assessment Worksheets.





Control Assessment	Worksheet									
Risk Category:	Strategic Finance	ial Planning	1		Prepared by:					
Business Process:	Budgets				Date:					
Risk No. 1:	Budgets do not	reflect strate	egic objectives							
Description:	If Budgets are not linked to the objectives contained within the Annual Business Plan, there is an increased risk that the initiatives and									
Inherent Risk Asses	sment									
Likelihood		Consequen	се	Rating		Accept				
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
Process to establish the annual budget and ensure it is aligned with the Annual Business Plan and Strategic Management Plans, including Long Term Financial Plan and Asset Management Plans.		Core								





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Council has in place a process which is delegated to council administration who are responsibl to put in place a framework of internal controls over budget formulation and management.	^e Core					
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resid	lual Risk Assessment						
Likeli	Likelihood		9	Rating		Accept	





Conti	rol Assessment W	orksheet									
Risk	Category:	Strategic Finance	ial Planning			Prepared by:					
Busir	ness Process:	Budgets				Date:					
Risk	No. 2:	Unrealistic Bud	gets								
	Description: Unrealistic budgets will lead to significant variances and the associated inefficiency in analysing and addressing the variances. If budgets are too aggressive, than this can have a detrimental effect on employees' morale. On the other hand, if budgets are set at easily attainable levels, this will result in Council not maximising performance.										
	ent Risk Assessm	nent	Concomuon		Rati	ina		Accort			
LIKEI	ihood		Consequence			ing		Accept			
_			Control	Assessing	Reviewing	Control	Action Plan ¹	Comment			
Poss	ible Controls		Туре	Officer – Title	Officer – Title	Effectiveness	(if control not	(substantiation of			
						Rating	effective)	rating)			
1	Budgets and bud are based on rea achievable assur preparation.	•	Core								





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	The adopted budget and budget amendments approved by Council are reviewed and the impact on financial sustainability considered.	Core					
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resid	dual Risk Assessment			I			
Likel	ihood	Consequence		Rating		Aco	cept





Control Assessment Worksheet										
Risk	Category:	Strategic Financ	ial Planning			Prepared by:				
Busir	ness Process:	Budgets				Date:				
Risk	No. 3:	Budgets are inac	ccurately rec	orded due to varia	nces between the I	oudget adopted	by Council and its fina	ince system		
Desc	Description: If Budgets are inaccurately reported (i.e. processing errors occur when inputting the Budget into the financial system), this will result in actual performance not being measured accurately.									
Inher	ent Risk Assessme	ent								
Likeli	ihood		Consequence		Rating		Accept			
Possible Controls			Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
Access to edit Budget information and master file is restricted/limited to appropriately authorised personnel.		Core								





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	There is a process in place to review actual compared to budge and significant variances investigated.	t Core					
3	There is a process in place to ensure the finance system reflect the original adopted budget and a changes adopted by Council.						
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.						
Resid	dual Risk Assessment			1			
Likeli	Likelihood		Consequence		ng	Aco	cept





Control Assessment V	Vorksheet											
Risk Category:	Strategic Finance	ial Planning			Prepared by:							
Business Process:	Budgets				Date:							
Risk No. 4:	Budgets are not	Budgets are not compliant with relevant legislation										
Description:		a Council is not compliant with legislation it increases the risk of delays in delivering services and reduces the integrity of the audgeting process with the community.										
Inherent Risk Assessment												
Likelihood		Consequence	ce	Rating		Accept						
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)					
budget and any b	e compliant with the nt Act 1999 and	Core										





Poss	Possible Controls		trol e	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	2 The original budget and any budget amendments must be made in accordance with the <i>Local</i> <i>Government Act 1999</i> and associated Regulations.		•					
3	3 Insert any additional or replacement controls identified by the organisation to mitigate risk.		e/ itional					
Resid	dual Risk Assessment							
Likel	Likelihood		equence		Rating		Accept	





2.2. General Ledger

Introduction

Given that the financial information contained within the General Ledger is the basis of the annual financial statements and management reports, it is imperative that Councils ensure that the internal financial controls surrounding the General Ledger are operating effectively. The development and implementation of effective internal financial controls in relation to the General Ledger is one important way that Councils can fulfil their statutory obligations under Section 124 (1) of the *Local Government Act 1999* that states:

- (1) A council must:
 - a) keep such accounting records as correctly and adequately record and explain the revenues, expenses, assets and liabilities of the council; and
 - b) keep its accounting records in such manner as will enable -
 - (i) the preparation and provision of statements that present fairly financial and other information; and
 - (ii) the financial statements of the council to be conveniently and properly audited.

When reviewing the internal financial controls surrounding the General Ledger, Councils should consider the following issues:

- Processing of accurate journals and effective review of such journals
- Performance of effective and regular Balance Sheet reconciliation process involving independent review
- Adequate data security measures including access controls and a formal disaster recovery plan.

Key Issues/Risks

In relation to the General Ledger, the major risks faced by Councils may be summarised as follows:

- 1) General Ledger does not contain accurate financial information
- 2) Data contained within the General Ledger is permanently lost.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

Within the General Ledger, it is imperative that the following tasks be segregated:

- Preparation of journals and Balance Sheet reconciliations
- Review and approval of journals and Balance Sheet reconciliations.





Cont	rol Assessment Wo	orksheet										
Risk	Category:	Strategic Financ	ial Planning			Prepared by:						
Busi	ness Process:	General Ledger				Date:						
Risk	No. 1:	General Ledger	eneral Ledger does not contain accurate financial information									
Desc	ription:		If processing errors (i.e. inaccurate journals) occur in the General Ledger, this may result in the General Ledger, as well as the financia statements and management reports being misstated.									
Inher	ent Risk Assessme	ent										
Likeli	ihood		Consequen	ce	e Rating		Accept					
			Control Type	Assessing	Boviowing	Control	Action Plan ¹	Comment				
Poss	ible Controls				Reviewing	Effectiveness	(if control not	(substantiation of				
			.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Officer – Title	Officer – Title	Rating	effective)	rating)				
All major updates and changes to General Ledger finance system are authorised, tested and documented.		Core										
2	 Access to General Ledger maintenance is restricted to appropriately authorised personnel. 		Core									





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Reconciliation of all balance sheet accounts is completed in accordance with a schedule of review and/or procedure.	Core					
4	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.	Core					
5	Journal entry access is restricted to appropriately authorised personnel.	Core					
6	Financial data is backed up and stored offsite.	Core					
7	Amendments to the structure of the General Ledger framework and accounts are reviewed and approved by appropriately authorised personnel.	Core					
8	General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff.	Core					





Possi	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
9	All journals, including manual entries, identify date posted, narration, author, journal and posting reference.	Core								
10	There is a process in place to review actual vs budget and significant variances investigated.	Core								
11	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.	Additional								
12	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional								
Resic	lual Risk Assessment			1						
Likeli	hood	Consequence)	Rati	ng	Aco	cept			
1 Action D	Action Plan Reference – Provide an action plan if control is not in place or where the control is rated 3 or below by reviewing officer.									





Cont	rol Assessment W	orksheet										
Risk	Category:	Strategic Finance	ial Planning	l		Prepared by:						
Busi	ness Process:	General Ledger				Date:						
Risk	No. 2:	Data contained	Data contained within the General Ledger is permanently lost									
Desc	ription:		f adequate back-up procedures are not employed by Council, data within the General Ledger may be permanently lost resulting in ignificant operational inefficiencies.									
Inher	Inherent Risk Assessment											
Likel	ihood		Consequen	се	Rat	Rating		Accept				
					Deviencies	Control	Action Plan ¹	Comment				
Poss	ible Controls		Control Type	Assessing	Reviewing	Effectiveness	(if control not	(substantiation of				
			i ypc	Officer – Title	Officer – Title	Rating	effective)	rating)				
1	Financial data is backed up and stored offsite.		Core									
All major updates and changes to the General Ledger finance system are authorised, tested and documented.		Core										





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Access to General Ledger maintenance is restricted to appropriately authorised personnel.	Core					
4	General Ledger policies and/or procedures are appropriately created, updated and communicated to relevant staff.	Core					
5	Formal disaster recovery plan is in place and communicated to relevant staff.	Additional					
6	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resid	dual Risk Assessment						
Likel	ihood	Consequence		Rating		Accept	





2.3. Statutory Reporting

Introduction

The fundamental purpose of Reporting is to provide timely and accurate financial and nonfinancial information to both the elected body and senior management within Council and the external users of financial statements. Timely and accurate reporting provides the appropriate stakeholders with reliable information that can assist in the effective management and monitoring of the performance of Council operations. Various sections of the Local Government Act deal specifically with the Statutory Reporting requirements for Councils. For example:

Under Section 127 (1),

- (1) 'A council must prepare for the financial year:
 - a) financial statements and notes in accordance with standards prescribed by the regulations; and
 - b) other statements or documentation relating to the financial affairs of the council required by the regulations'.

In particular the financial statements of a council, council subsidiary or regional subsidiary must be in accordance with the requirements set out in the Model Financial Statements

Under Section 131 (1),

'A council must, on or before 30 November in each year, prepare and adopt an annual report relating to the operations of the council for the financial year ending on the preceding 30 June'.

Councils should also refer to the relevant AASB standards as they provide further detail and guidance on the relevant reporting or accounting issue. The Statutory Reporting process must also include for consideration the following issues:

- Appointment and role of the Audit Committee (refer Section 126 of the Local Government Act)
- Appointment and role of the statutory auditor (refer Section 128 of the Local Government Act)
- Responsibilities of the CEO in relation to the auditor (refer Section 130 of the Local Government Act)
- Accuracy of the data produced by the financial and accounting system and used for reporting purposes.

It is also recognised that all Councils have a number of specified Prudential Reporting requirements under Section 48 of the Local Government Act, when engaging in a commercial project:

- Where the expected recurrent or capital expenditure of the project exceeds: either 20
 per cent of the Council's average annual operating expenses over the previous five
 financial years or
- 2) Where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed) or
- 3) Where the Council considers it necessary or appropriate.





For an analysis of the risks and controls associated with management reporting, please refer to the 'Management Reporting' business process in Section 2.4 of this Framework.

Key Issues/Risks

In relation to Statutory Reporting, the major risks faced by Councils may be summarised as follows:

- 1) Council does not comply with statutory reporting requirements and deadlines
- 2) Council's statutory reports provide inaccurate financial information.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

Within the Statutory Reporting cycle, it is imperative that the following tasks be segregated:

- Preparation of statutory financial reports
- Review and approval of statutory financial reports.





Conti	rol Assessment Wo	orksheet							
Risk	Category:	Strategic Financ	ial Planning	l		Prepared by:			
Busir	ness Process:	Statutory Report	ing			Date:			
Risk	No. 1:	Council does no	t comply wi	th statutory reportion	nd deadlines.				
Desc	ription:	tion: If Council does not comply with statutory reporting requirements, this may result in Council being liable to pay statutory breach penalties.							
Inher	ent Risk Assessme	ent							
Likeli	ihood		Consequen	се	Rat	ing	Accept		
Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
1 Statutory financial reports prepared by appropriate personnel are reviewed by senior management and/or Audit Committee.		Core							
2 Council has a process in place to ensure statutory reporting deadlines are met.		Core							





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
3	Council has complied with all of its financial reporting requirements as per the <i>Local Government Act 1999</i> and relevant regulations	Core							
4	There is a process to ensure that appropriate personnel responsible for preparing statutory reports are aware of changes to reporting requirements.	Core							
5	Liaison with external auditors to ensure timely completion and lodgement of statutory documents.	Core							
6	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional							
Resid	dual Risk Assessment			1					
Likel	ihood	Consequence		Rating		Accept			





Contr	Control Assessment Worksheet											
Risk	Category:	Strategic Financ	ial Planning			Prepared by:						
Busir	ness Process:	Statutory Report	ting			Date:						
Risk I	No. 2:	Council's statute	Council's statutory reports provide inaccurate financial information.									
Desc	ription:	If inaccurate financial information is contained within statutory reports (i.e. annual statements), then Council faces the risk of not fulfilling its statutory obligations. This may result in legal and financial penalties.										
Inherent Risk Assessment												
Likelihood Consequence					Rating		Aco	cept				
Possible Controls			Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)				
1 There is a process in place to review actual compared to budget and significant variances investigated.		Core										





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Statutory financial reports prepared by appropriate personnel; reviewed by senior management and/or Audit Committee.	Core					
3	Reconciliation of all balance sheet accounts is completed in accordance with a schedule of review and/or procedure.	Core					
4	Financial policies and procedures, and related guidance are reviewed and updated as required.	Core					
5	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.	Core					
6	Liaison with external auditors to ensure completion and lodgement of statutory documents.	Core					
7	Liaison with legal and tax advisors as required to assist in timely completion and lodgement of statutory documents.	Additional					





Possi	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
8	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	ual Risk Assessmer	nt						
Likeli	Likelihood		Consequence		Rating		Accept	





2.4. Management Reporting

Introduction

The fundamental purpose of reporting is to provide timely and accurate financial and nonfinancial information to both the elected body and senior management within Council and external users of financial statements. Timely and accurate reporting provides the appropriate stakeholders with reliable information that can assist in the effective management and monitoring of the performance of Council operations.

Council's operations can be reported internally, largely through the preparation of monthly management reports comparing actuals to budgets. Management reports need to provide sufficient detail to enable the identification of significant variances and need to be prepared by suitably qualified and experienced staff. It is important to note that management reports should focus on comparing actuals to budgets, explaining significant variances to budget and report on significant operational matters. When reviewing the internal control environment surrounding the management reporting process, Councils should consider the following issues:

- Regular timing of reviews
- Appropriate delegations of authority
- Adequately qualified and trained management
- Nature of the financial information being reviewed
- Timely investigation of variances and/or unusual trends identified from the review.

For an analysis of the risks and controls associated with statutory reporting, please refer to the 'Statutory Reporting' business process in Section 2.3 of this Framework.

Key Issues/Risks

In relation to Management Reporting, the major risks faced by Councils may be summarised as follows:

- 1) KPIs are not consistent with Corporate Objectives and accounting policies adopted by Council are not adhered to by Council administration
- 2) Council's financial information is not reviewed in a timely manner to enable effective decision making
- 3) Council's management reports provide inaccurate financial information
- 4) Significant budget variances are either not investigated on a timely basis or not investigated at all.

These risks addressed in the following Control Assessment Worksheets.

Segregation of Duties

Within the Management Reporting cycle, it is imperative that the following tasks be segregated:

- Preparation of management reports
- Review and approval of management reports.





Contr	rol Assessment W	orksheet								
Risk	Category:	Strategic Financ	ial Planning			Prepared by:				
Busir	ness Process:	Management Re	porting			Date:				
Risk	No. 1:	KPIs are not cor administration.	isistent with	Corporate Objectiv	es and accounting	g policies adopte	ed by Council are no	adhered to by Council		
Desc	escription: If KPIs are not linked to the Corporate Objectives, then senior management will be striving towards measures that ultimately will not lead to the achievement of the desired corporate objectives.									
Inher	Inherent Risk Assessment									
Likeli	hood		Consequence		Rating			Accept		
Possi	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
Council has adopted a set of key financial indicators and targets that are consistent with the corporate objectives		Core								





Poss	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Council has a suite of accounting policies and procedures that are regularly reviewed, and updates are communicated to appropriate personnel.	Core					
3	The long term financial plan is reviewed in accordance with the <i>Local Government Act 1999</i> and monitored in line with key financial targets.	Core					
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resi	dual Risk Assessment						
Likel	ihood	Consequence		Rating		Accept	





Contr	Control Assessment Worksheet										
Risk	Category:	Strategic Financ	ial Planning			Prepared by:					
Busir	ness Process:	Management Re	porting			Date:					
Risk	No. 2:	Council's financial information is not reviewed in a timely manner to enable effective decision making.									
Desc	ription:		f Council does not review its financial performance effectively, informed decisions as to the performance of Council cannot be made and plans for the future may not be achieved.								
Inherent Risk Assessment											
Likeli	Likelihood Consequence			9	Rating		Accept				
Possible Controls			Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
Council reviews and reports on its financial performance in accordance with relevant legislative requirements.		Core									





Possi	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	There is a process in place to ensure relevant staff are clearly informed of their duties and responsibilities in relation to financial management reporting.	Additional					
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resic	Residual Risk Assessment						
Likeli	hood	Consequence		Rati	ng	Aco	cept
¹ Action Plan Reference – Provide an action plan if control is not in place or where the control is rated 3 or below by reviewing officer.							





Contr	Control Assessment Worksheet										
Risk	Category:	Strategic Financ	ial Planning			Prepared by:					
Busir	ness Process:	Management Re	porting			Date:					
Risk	No. 3:	Council's management reports provide inaccurate financial information.									
Desc	ription:	-	f management reports are inaccurate due to processing errors or unreliable data, the elected body and the senior management will not be able to monitor the performance of Council effectively.								
Inher	ent Risk Assessme	ent									
Likeli	hood		Consequence	e	Rating		Accept				
Possi	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1	There is a process in place for the review of financial management reporting for reasonableness and accuracy.		Core								





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	There are automated exception reports that identify variances to budget based on a predetermined threshold to be investigated.	Additional					
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resid	lual Risk Assessment						
Likeli	hood	Consequence		Rating		Accept	





Control Assessment Worksheet										
Risk Category:	Strategic Financ	ial Planning			Prepared by:					
Business Process:	Management Re	porting			Date:					
Risk No. 4:	Significant budg	et variances	are either not inve	stigated on a timel	y basis or not in	vestigated at all.				
Description:	addressed by ma This risk assumes performance is no indicate significan	Significant budget variances may indicate a major operational issue that requires immediate attention. If these variances are either not addressed by management on a timely basis or not at all, then this may have a major impact upon the operational efficiency of Council. This risk assumes that Councils already perform comparisons of actual performance against budget. It should be noted that if actual performance is not compared against budget, the senior management will not be notified of any variances/unusual trends that may indicate significant operational issues that require immediate attention. Also without budget comparisons, the senior management is unable to measure the performance of Council.								
nherent Risk Assessm	ient									
Likelihood		Consequence		Rati	ng	Ace	cept			
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1 Management and/or Council review the financial management reports on a regular basis and investigate all significant variances to budget.		Core								





Poss	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2		Core/ Additional					
Resid	lual Risk Assessment	t i i i i i i i i i i i i i i i i i i i						
Likeli	Likelihood		Consequence		Rating		Accept	





3.Assets

3.1. Cash Floats and Petty Cash

Introduction

Given the potential for misappropriation, the receipting, handling and recording of Cash Floats and Petty Cash is a high risk activity. Accordingly, Councils must develop and implement ways in which this high risk can be minimised. When reviewing the internal control environment surrounding Cash Floats and Petty Cash, Councils should consider the following issues:

- Designating the appropriate levels of cash floats and petty cash
- Storage of cash floats & petty cash in secured locations both within and outside regular office hours
- Designated personnel responsible for the managing and monitoring of cash floats & petty cash
- Regular and independent counts of cash floats & petty cash.

For an analysis of the risks and controls associated with banking, please refer to the 'Banking' business process in Section 3.2 of this Framework.

Key Issues/Risks

In relation to Cash Floats and Petty Cash, the major risk faced by Councils may be summarised as follows:

- 1) Cash floats and petty cash are inadequately safeguarded
- 2) Cash floats and petty cash transactions are either invalid, inaccurately recorded or not recorded at all.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

Given the high risk of misappropriation surrounding cash, it is imperative that Councils focus strongly on ensuring that where possible, duties are segregated and that opportunities for staff collusion are minimised. A suggested way to minimise these risks is through the regular counts of cash floats and petty cash by personnel independent from the recording of these assets.





Cont	rol Assessment W	orksheet									
Risk	Category:	Assets	Prepared by:								
Busi	ness Process:	Cash Floats and	I Petty Cash			Date:					
Risk	No. 1:	Cash Floats and	I Petty Cash	are inadequately s	afeguarded.						
Desc	ription:	If access to Cash more likely to be		•	tricted by storing the	ese assets in secu	re locations (i.e. safe), then these assets are			
Inher	rent Risk Assessm	ent									
Likel	ihood		Consequen	се	Rat	ting	Accept				
				Accessing	Boviowing	Control	Action Plan ¹	Comment			
Poss	ible Controls		Control Type	Assessing	Reviewing	Effectiveness	(if control not	(substantiation of			
			1 Jpc	Officer – Title	Officer – Title	Rating	effective)	rating)			
1	Cash floats and petty cash are stored in secured facilities (e.g. safes, registers) when not in use.		Core								
2	Access to the cash floats and petty cash is limited to authorised personnel.		Core								





Poss	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	A register for cash floats and petty cash and custodians is maintained by authorised personnel to record all movements.	Core					
4	I.O.U.'s are prohibited.	Core					
5	Petty Cash amounts paid out should be under a predetermined amount and payments cannot be split over more than one voucher to come under the predetermined amount.	Core					
6	Cash floats and petty cash are reconciled and reviewed by a person other than the person responsible for the petty cash	Additional					
7	Spot cash float and petty cash counts conducted periodically by independent personnel.	Additional					





Possi	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
8	8 8 8 8 9 8 9 8 9 9 9 9 9 9 9 9 9 9 9 9		Core/ Additional					
Resid	ual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	





Control Assessment	Norksheet							
Risk Category:	Assets				Prepared by:			
Business Process:	Cash Floats and	Petty Cash			Date:			
Risk No. 2:	Cash Floats and	Petty Cash	ransactions are ei	ther invalid, inaccu	urately recorded	or not recorded at al	l.	
Description: Invalid transactions can result if disbursements or reimbursements are for fictitious expenses. Inaccurately recorded transactions can result from both unintentional and intentional processing errors. All disbursements and reimbursements must be recorded in the cash float and petty cash registers to avoid the cash balances in the management reports and financial statements from being misstated. Inherent Risk Assessment								
Likelihood		Consequence		Rating		Accept		
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
A register for cash floats and petty cash and custodians is maintained by authorised personnel to record all movements.		Core						





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Petty Cash to be approved in line with policy or procedure having regard to amounts, substantiation criteria and authorisation.	Core					
3	Custodians of cash floats are informed of and undertake their responsibilities and obligations including reconciliations and accountability for cash movements.	Core					
4	Cash handling and petty cash policy and/or procedures are available to all staff.	Core					
5	Cash floats and petty cash are reconciled and reviewed by a person other than the preparer.	Additional					





Possi	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
6	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	ual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	





3.2. Banking

Introduction

When reviewing the internal control environment surrounding Banking, Councils should consider the following issues:

- Number of cheque-signatories
- Appropriate personnel to be designated cheque-signatories
- Number of bank accounts to be held by Council
- Timely reconciliation of bank accounts
- EFT controls, passwords and access permissions
- Custody of blank cheques and cheque-signing machines.

For an analysis of the risks and controls associated with cash handling, please refer to the 'Cash Floats & Petty Cash' business process in Section 3.1 of this Framework.

Key Issues/Risks

In relation to Banking, the major risks faced by Councils may be summarised as follows:

- 1) Banking transactions are either inaccurately recorded or not recorded at all
- 2) Fraud (i.e. misappropriation of funds).

These risks addressed in the following Control Assessment Worksheets.

Segregation of Duties

Given the high risk of misappropriation surrounding cash and banking, it is imperative that Councils focus strongly on ensuring that where possible segregation of duties is achieved. For example, the following activities should be performed by separate personnel:

- Opening mail containing cheque payments
- Recording all cheque payments in the mail
- · Receipting all cash payments from ratepayers/customers
- Recording all cash receipts
- Banking all cash receipts and cheques
- Bank reconciliations.

Also, the opportunity for the misappropriation of funds through collusion should be minimised by the regular independent review of bank reconciliations.





Cont	rol Assessment Wo	orksheet						
Risk	Category:	Assets				Prepared by:		
Busi	ness Process:	Banking				Date:		
Risk	No. 1:	Banking transac	tions are eit	ther inaccurately re	corded or not reco	orded at all.		
Desc	ription:		-		-		g either being inaccu eports and the financ	ately recorded or not ial statements.
Inher	ent Risk Assessme	ent						
Likel	ihood		Consequen	се	Rat	ing	Accept	
Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1 There is a process in place to ensure all cash, blank cheques and/or cheque signing machine are adequately safeguarded.		lank cheques ning machine are	Core					
Access to EFT Banking system is restricted to appropriately designated personnel.		Core						





Possi	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated.	Core					
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resid	lual Risk Assessment						
Likeli	hood	Consequence	e	Rati	ng	Aco	cept





Control Asse	essment Wo	rksheet						
Risk Categor	y:	Assets				Prepared by:		
Business Pro	ocess:	Banking				Date:		
Risk No. 2:		Fraud (i.e. misap	propriation	of funds)				
Description:			•	will result in banking th the management		•	r not recorded at all. As	a result the cash
Inherent Risk	 Assessme	nt						
Likelihood			Consequend	e	Rati	ng	Ac	cept
Possible Con	ntrols		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
There is a process in place to ensure all cash, blank cheques and/or cheque-signing machine are adequately safeguarded.		ank cheques ning machine are	Core					
 Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated. 		Core						





Possi	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Cash transfers betw accounts and inves undertaken by app	stment bodies are	Core					
4	There is a process ensure all cash col adequately recorde regularly.	llected is	Core					
5	5 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	lual Risk Assessme	ent						
Likeli	hood		Consequence)	Rati	ng	Acc	cept





3.3. Investments

Introduction

All Councils have the statutory power to invest money under its control under Section 139 (1) of the Local Government Act. With this statutory power to invest, comes a whole range of associated risks, some of which are of a financial nature.

In order to minimise Council's exposure to financial loss, it is imperative that all councils implement an appropriate level of internal financial controls. Council's power to invest money is limited by the statutory requirements of Section 139 (2) of the Local Government Act which states that a council must, in exercising its power of investment:

- a) exercise the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons; and
- b) avoid investments that are speculative or hazardous in nature.

Furthermore, under Section 139 (3), "a council must, so far as may be appropriate in the circumstances, have regard to:

- a) the purposes of the investment
- b) the desirability of diversifying council investments
- c) the nature of and risk associated with existing council investments
- d) the desirability of maintaining the real value of the capital and income of the investment
- e) the risk of capital or income loss or depreciation
- f) the potential for capital appreciation
- g) the likely income return and the timing of income return
- h) the length of the term of a proposed investment
- *i) the period for which the investment is likely to be required*
- *j)* the liquidity and marketability of a proposed investment during, and on the determination of, the term of the investment
- k) the aggregate value of the assets of the council
- I) the likelihood of inflation affecting the value of a proposed investment
- m) the costs of making a proposed investment
- *n)* the results of any review of existing council investments.

Under Section 139 (5), "a council may obtain and consider independent and impartial advice about the investment of funds or the management of its investments from a person whom the council reasonably believes to be competent to give the advice".

The Council also has a statutory obligation under Section 140, to review the performance (individually and as a whole) of its investments, at least once in each year.

Key Issues/Risks

In relation to Investments, the major risks faced by Councils may be summarised as follows:

- 1) Council makes poor investment decisions
- 2) Investment transactions are either not recorded or are recorded inaccurately
- 3) Investment income is inaccurately calculated or not recorded in the appropriate period
- 4) Conflict of interest impacts negatively upon the investment decision.

These risks are addressed in the following Control Assessment Worksheets.





Segregation of Duties

Most systems of internal control rely on assigning certain responsibilities to different individuals, or "segregating" incompatible functions. The following segregation of duties should exist within the investment cycle. Such segregation of duties is intended to prevent one person from having both:

- Access to assets and
- Responsibility for maintaining the accountability for such assets.

For instance, in the investment cycle, different individuals are typically responsible for:

- Recording of investment transactions
- Approving new investments
- Following up on reconciliation or confirmation of investments to statements from third parties
- Review and analysis of recorded investments transactions by means of summary reports of activities (e.g. describing liquidity, interest rate gap, dealing positions, exposure to counterparties)
- Authorised signature of payments with respect to investment transactions.

If one individual has responsibility for more than one of these functions, that individual could misappropriate assets and conceal the misappropriation.





Cont	rol Assessment Wo	orksheet						
Risk	Category:	Assets				Prepared by:		
Busi	ness Process:	Investments				Date:		
Risk	No. 1:	Council makes p	oor investm	ent decisions.				
Desc	ription:	If Council decides investment.	to invest in h	nigh-risk or controver	rsial projects, this ca	an result in negativ	ve publicity and the pote	ntial loss of the original
Inher	rent Risk Assessme	ent						
Likel	ihood		Consequend	ce in the second s	Rati	ng	Accept	
Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1	Council has a clear and comprehensive investment policy to assist when making any decisions to invest funds.		Core					
2 Delegations are in place for approving and making investment decisions.		Core						





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Council reviews investment performance at least annually in accordance with relevant legislation.	Core					
4	All investments are to be held in the name of the Council or associated entities in accordance with the source of funds.	Core					
5	Conflicts of interest are to be disclosed as part of investment decision process.	Core					
6	There is a process in place to monitor cash and anticipated future cash flows. Surplus funds invested in accordance with Council policy.	Core					





Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
7	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	lual Risk Assessme	ent						
Likeli	Likelihood		Consequence	;	Rati	ng	Aco	cept





Con	trol Assessment W	/orksheet							
Risk	Category:	Assets				Prepared by:			
Bus	iness Process:	Investments				Date:			
Risk	(No. 2:	Investment trans	sactions are	either not recorde	d or are recorded i	naccurately.			
Des	cription:	Unrecorded investment transactions may result in financial loss if funds are disbursed, but title to the investment is never received, or if investments mature or are sold, but the proceeds are neither received nor reinvested. If investment transactions are recorded inaccurately, investments may be misstated in the balance sheet.							
Inhe	erent Risk Assessn	nent							
Like	lihood		Consequen	ce	Rating		Accept		
Pos	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
1	Cash transfers be accounts and inve undertaken by ap	estment bodies are	Core						
2	2 Journals are processed regularly for all investments and a reconciliation process is in place to verify accuracy of transactions.		Core						





Poss	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Records of investments are kept detailing amounts and maturity dates.	Additional					
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resi	dual Risk Assessment						
Like	lihood	Consequence		Rating		Accept	





Cont	rol Assessment Wo	orksheet								
Risk	Category:	egory: Assets				Prepared by:				
Business Process: Investments						Date:				
Risk No. 3: Investment incon			me is inaccu	ne is inaccurately calculated or not recorded in the appropriate period.						
			ded investment income, unrecorded investment income, or investment income recorded in the incorrect period may nisstatement. Such errors often result from inaccurate data entry of interest rates and/or inaccurate calculation of d income.							
Inher	ent Risk Assessm	ent								
Likel	ihood		Consequence		Rating		Accept			
Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
1	Actual investment to budget on a reg variances are inve		Core							
2 Journals are processed regularly for all investments and a reconciliation process is in place to verify accuracy of transactions.		Core								





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
3	3 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	ual Risk Assessme	nt						
Likelil	Likelihood		Consequence		Rating		Accept	





Control Assessment Worksheet										
Risk Ca	ategory:	Assets				Prepared by:				
Business Process: Investments						Date:				
Risk No	o. 4:	Conflict of intere	st impacts n	st impacts negatively upon the investment decision.						
Descrip	otion:						inappropriate investme stment may result from s			
Inheren	nt Risk Assessme	nt			1					
Likeliho	ood		Consequence		Rating		Accept			
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
Council has a clear and comprehensive investment policy to assist when making any decisions to invest funds.		Core								





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
2	Staff involved in the investment decision making process understands their obligations under the Investment Policy.	Core						
3	There is a process in place to ensure compliance with Conflict of Interests and Code of Conduct.	Core						
4	All investments are to be held in the name of the Council or associated entities in accordance with the source of funds.	Core						
5	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional						
Resid	Residual Risk Assessment							
Likeli	ihood	Consequence		Rating		Accept		





3.4. Debtors

Introduction

Councils have a statutory right to raise revenue through a form of taxation – rates. Rates represent the major source of revenue for Councils and consequently the risks and controls surrounding rates and the associated debtors constitute a significant component of the internal control environment within Council.

Along with this statutory right to raise rate revenue, Section 144 of the Local Government Act provides councils with the statutory right to recover fees, charges, expenses or other amounts from a person, by action in a court of competent jurisdiction. Councils also need to ensure that rate-related and other debtors are recovered on a timely basis. Should it be required, there are statutory guidelines as to the procedure for writing-off any debts.

Specifically under Section 143 (1) of the Local Government Act, a council may write-off any debts owed to the council under the following circumstances:

- a) if the council has no reasonable prospect of recovering the debts or
- b) if the costs of recovery are likely to equal or exceed the amount to be recovered.

Furthermore, under Section 143 (2), a council must not write off a debt under Section 143 (1) unless the chief executive officer has certified:

- a) that reasonable attempts have been made to recover the debt or
- b) that the costs of recovery are likely to equal or exceed the amount to be recovered.

Finally, under Section 143 (3), if a council delegates the power to write off debts under this section, the council must set an amount above which the delegation will not apply.

Please refer to the 'Rates / Rebates' business process in Section 5.1 of this Framework for an analysis of the risks and controls that specifically relate to the revenue processes in regard to rates.

Key Issues/Risks

In relation to Debtors, the major risks faced by Councils may be summarised as follows:

- 1) Debtors are either inaccurately recorded or not recorded at all
- 2) Credit notes to debtors are either inaccurately recorded or not recorded at all
- 3) An appropriate provision for doubtful debts is not recorded
- 4) Debtors are either not collected on a timely basis or not collected at all
- 5) The Debtors master file data does not remain pertinent.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

Most systems of internal control rely on assigning certain responsibilities to different individuals or "segregating" incompatible functions. Such segregation of duties is intended to prevent one person from having both:

- Access to assets and
- Responsibility for maintaining the accountability for such assets.





For instance, in the revenue system, different individuals are typically responsible for:

- Recording revenue
- Approving revenue
- Invoicing the ratepayer
- Maintaining accounts receivable records and/or authorising adjustments to debtors
- Processing cash receipts
- Performing independent debtors' confirmation and following up on discrepancies
- Making changes to debtor master files.

If one individual has responsibility for more than one of these functions, that individual could misappropriate assets and conceal the misappropriation.





Cont	rol Assessment W	/orksheet						
Risk	Category:	Assets				Prepared by:		
Busir	ness Process:	Debtors				Date:		
Risk	Risk No. 1: Debtors are either inaccurately recorded or not recorded at all							
Description: Errors in invoices can lead to a misstatement of debtors and revenue, uncollectible accounts, and customer dissatisfaction. If are issued but not recorded, revenue and accounts receivable in the financial statements may be understated. Furthermore, related cash receipts may also not be recorded and may be misappropriated. Alternatively, the Council is unlikely to notice o on delinquent payments if the invoice has not been recorded.							d. Furthermore, the	
Inher	ent Risk Assessm	ent						
Likeli	ihood		Consequence		Rating		Accept	
Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1	Debtor's reconciliation is performed on a regular basis to the General Ledger and reviewed by an appropriate person.		Core					
2 The organisation maintains a Debt Collection Policy and/or procedure.		Core						





Poss	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Statements are provided regularly t debtors.	O Additional					
4	Debtors and revenue are compared to budget regularly and investigates significant variances.						
5	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resid	Residual Risk Assessment						
Likeli	ihood	Consequence	Consequence		Rating		cept





Contr	rol Assessment W	orksheet						
Risk	Category:	Assets		Prepared by:				
Busir	ness Process:	Debtors				Date:		
Risk	No. 2:	Credit notes to	debtors are e	either inaccurately	recorded or not re	corded at all.		
	ription:	customer dissatisfaction. They may have a negative impact on cash flows because customers may refuse to pay notices/invoices for which they are awaiting credits even if the credits are only for a small portion of the notices/invoices.						
Inher	ent Risk Assessm	ent					1	
Likeli	hood		Consequence		Rating			Accept
Possi	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1	1 There is a process in place to review and approve all credit notes for sundry debtors in accordance with delegations of authority.		Core					
2	2 All invoices raised and credit notes applied have an audit trail.		Core					





Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Invoice and credit note input data is balanced; out-of-balance batches are corrected promptly.		Additional					
4	Statements are provided regularly to debtors.		Additional					
5	5 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	Residual Risk Assessment							
Likel	Likelihood		Consequence		Rating		Accept	





Contr	rol Assessment Wo	orksheet								
Risk	Category:	Assets				Prepared by:				
Busir	ness Process:	Debtors				Date:				
Risk	No. 3:	An appropriate	n appropriate provision for doubtful debts is not recorded.							
Desc	Description: If the provision for doubtful debts is not correctly stated, debtors will be misstated in both the management reports and the financial statements.							ts and the financial		
Inher	Inherent Risk Assessment									
Likeli	Likelihood Consequence			Rati	Rating		Accept			
Possi	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
 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. 		Core								





Pos	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	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.	Core					
3	Records of bad debt write-offs should be maintained.	Additional					
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resi	dual Risk Assessment						
Like	lihood	Consequence		Rating		Accept	





Control Assessment	Control Assessment Worksheet									
Risk Category:	Assets				Prepared by:					
Business Process:	Debtors				Date:					
Risk No. 4:	Debtors are eith	er not collect	ed on a timely bas	is or not collected	at all.					
Description:	If aged debtors are not identified and managed effectively, this may result in debtors not being collected on a timely basis or not collected at all. This will place greater demands on Council's cash flow.									
Inherent Risk Assess	nherent Risk Assessment									
Likelihood		Consequence	e Rating		ng	Accept				
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
 Debtor's reconciliation is performed on a regular basis to the General Ledger and reviewed by appropriate staff, with consideration of segregation of duties. 		Core								





ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
Relevant staff reviews debtors ageing profile on a regular basis and investigates any outstanding items, and considers provisions for doubtful debts.		Core					
Statements are provided regularly to debtors.		Additional					
Insert any additional or replacement controls identified by the organisation to mitigate risk.		<mark>Core/</mark> Additional					
ual Risk Assessme							
Likelihood		Consequence		Rating		Accept	
	Relevant staff revie ageing profile on a and investigates an items, and consider doubtful debts. Statements are pro debtors. Insert any addition replacement conta by the organisation risk.	Relevant staff reviews debtors ageing profile on a regular basis and investigates any outstanding items, and considers provisions for doubtful debts. Statements are provided regularly to debtors. Insert any additional or replacement controls identified by the organisation to mitigate risk. ual Risk Assessment	ble Controls Type Relevant staff reviews debtors ageing profile on a regular basis and investigates any outstanding items, and considers provisions for doubtful debts. Core Statements are provided regularly to debtors. Additional Insert any additional or replacement controls identified by the organisation to mitigate risk. Core/ ual Risk Assessment Additional	ble ControlsTypeOfficer – TitleRelevant staff reviews debtors ageing profile on a regular basis and investigates any outstanding items, and considers provisions for doubtful debts.CoreStatements are provided regularly to debtors.AdditionalInsert any additional or replacement controls identified by the organisation to mitigate risk.Core/ Additionalual Risk AssessmentInsert and additional or mitigate	ble Controls Type Officer – Title Officer – Title Relevant staff reviews debtors ageing profile on a regular basis and investigates any outstanding items, and considers provisions for doubtful debts. Core Image: Core Statements are provided regularly to debtors. Additional Core/ Image: Core/ Image: Core/ Insert any additional or replacement controls identified by the organisation to mitigate risk. Core/ Additional Image: Core/ ual Risk Assessment Image: Core/ Image: Core/ Image: Core/ Image: Core/ Image: Core/	ble Controls Control Type Assessing Officer – Title Reviewing Officer – Title Effectiveness Rating Relevant staff reviews debtors ageing profile on a regular basis and investigates any outstanding items, and considers provisions for doubtful debts. Core Image: Core	ble Controls Control Type Assessing Officer – Title Reviewing Officer – Title Effectiveness Rating Effectiveness Rating Effectiveness Rating Effectiveness Rating Relevant staff reviews debtors ageing profile on a regular basis and investigates any outstanding items, and considers provisions for doubful debts. Core Image: Core





Con	trol Assessment Wo	rksheet						
Risk	Category:	Assets				Prepared by:		
Busi	ness Process:	Debtors				Date:		
Risk	No. 5:	The Debtors mas	ster file data	does not remain p	ertinent.			
Desc	cription:	"Pertinent" means that the debtor's master file reflects current conditions. In this context, the pertinence attribute of quality relates both to master file records and to individual data fields within those records. For example, pertinent debtors master file records include records for current debtors and exclude records for former debtors.						
Inhe	Inherent Risk Assessment							
Like	lihood		Consequence		Rating		Accept	
Poss	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1	 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. 		Core					





Pos	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	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		Core					
3	Debtors system provides a record changes made to n		Additional					
4	 Insert any additional or replacement controls identified by the organisation to mitigate risk. 		Core/ Additional					
Res	Residual Risk Assessment							
Like	Likelihood		Consequence		Rating		Accept	





3.5. Inventory

Introduction

There are no specific provisions relating to inventory in the Local Government Act. It is recognised that for many Councils, inventory levels are normally quite low. However as a minimum, Council when reviewing the internal control environment surrounding inventory should consider the following issues:

- Inventory policy: to determine which items are to be treated as inventory and administered
- Physical storage: to ensure that all inventory items are adequately secured
- Issues and returns: to ensure that all inventory issues and returns are adequately recorded
- Stock takes: to ensure that inventory levels are accurately recorded and reported on a timely basis
- Yearend considerations: to ensure that consistent valuation policies are adopted and applied.

Key Issues/Risks

In relation to Inventory, the major risks faced by Councils may be summarised as follows:

- 1) Inventory received is either recorded inaccurately or not recorded at all
- 2) Inventory is inadequately safeguarded
- 3) Inventory held by Council becomes obsolete.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

For Councils with significant inventory levels, the following segregation of duties should exist within the inventory management cycle:

- Where possible, personnel responsible for purchasing, accounts payable, receiving, inventory, inventory counts, production scheduling, and shipping have responsibility for only one such function and have no system access to functions other than their assigned function
- Individuals who are responsible for transaction processing should ordinarily have no responsibility for master file maintenance or updating the chart of accounts, except through the authorised application menu options
- Personnel responsible for the custody of inventory have 'read-only' access to inventory records, and personnel who are responsible for inventory transaction processing have neither responsibility for inventory management master file maintenance nor update access to the inventory master file.

Most systems of internal control rely on assigning certain responsibilities to different individuals, or "segregating" incompatible functions. Such segregation of duties is intended to prevent one person from having both:

- Access to assets and
- Responsibility for maintaining the accountability for such assets.





Such segregation of duties is especially important in relation to separating the custody or handling of inventory from access to inventory records and master files. In addition, physical counts of inventory should be performed by someone independent of custody of inventory and with no access to inventory records. Discrepancies noted in the comparison of the counts to inventory records should also be followed up by an individual who is independent of the custody and recording of inventory.

It is recognised that a number of Councils do not have significant inventory levels. For these Councils, a cost-benefit analysis may indicate that such levels of segregation of duties are not applicable and/or cost effective.





Contr	rol Assessment W	orksheet						
Risk	Category:	Assets				Prepared by:		
Busir	ness Process:	Inventory				Date:		
Risk	No. 1:	Inventory recei	ved is either	recorded inaccurat	ely or not recorded	d at all.		
Desci	Description: Incomplete and/or inaccurate recording of inventor received may also lead to supplier disputes and/or						nt of inventory. Failure t	o record inventory
Inher	ent Risk Assessm	ent						
Likeli	ikelihood Consequence			Rat	ing	Accept		
Possi	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
Physical inventory is counted periodically with review by an appropriate person and is reconciled against the general ledger, material variances investigated.		Core						





Poss	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	All inventory write-offs and provisions for obsolescence to be approved by appropriate staff in accordance with Delegations of Authority.	Core					
3	There is a process in place to ensure all inventory adjustments and stock transfers are valid and accurate	Core					
4	Procurement of inventory is approved in accordance with the Delegations of Authority and relevant Procurement policy and/or procedure.	Core					
5	There is a process in place to ensure that invoices are paid after goods have been received.	Additional					





Possi	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
6	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	ual Risk Assessment	t						
Likeli	Likelihood		Consequence)	Rati	ng	Acc	cept





Con	trol Assessment V	/orksheet									
Risk	c Category:	Assets				Prepared by:					
Bus	iness Process:	Inventory				Date:					
Risk	« No. 2:	Inventory is inade	quately safeg	uately safeguarded.							
Des	cription:	If inventory is not s	securely stored, it may be subject to damage or theft.								
Inhe	erent Risk Assessn	nent									
Like	lihood		Consequence		Rat	ing	Acc	ept			
Pos	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1	Access to inventory is restricted to authorised personnel, where appropriate.		Core								
2	2 Goods are delivered to relevant inventory locations and checked for completeness and quality, and defective goods returned on a timely basis.		Additional								





Pos	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
3	Inventory is appropriately insured.	Additional						
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional						
Res	idual Risk Assessment							
Like	Likelihood Consequence			Rating		Acc	ept	





Con	trol Assessment \	Norksheet						
Risk	c Category:	Assets				Prepared by:		
Bus	iness Process:	Inventory				Date:		
Risł	« No. 3:	Inventory held by	Council becc	omes obsolete.				
Des	cription:	ion: Council may have inventory that has expired or is technically obsolete, and therefore is not usable. In addition to the loss in asset value the cost of disposing of obsolete inventory can be high. Further, certain types of inventory have a limited life span. Adequate inventor management, adequate storage facilities and ongoing monitoring are central to maintaining the usability of inventory and maximising it life span.						
Inherent Risk Assessment								
Like	Likelihood Con			onsequence R		ating Accept		Accept
				Assessing	Reviewing	Control	Action Plan ¹	Comment
Pos	sible Controls		Control Type	Officer – Title	Officer – Title	Effectiveness Rating	(if control not effective)	(substantiation of rating)
Usability of inventory and level of inventory is assessed at least annually.		Core						
2 Assessment of appropriate inventory consumption having regard to risk is undertaken.		Additional						





Pos	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3 Resi	3 Insert any additional or replacement controls identified by the organisation to mitigate risk. Residual Risk Assessment		Core/ Additional					
	Likelihood (Consequence		Rati	ng	Acc	cept





3.6. Prepayments

Introduction

There are no specific sections of the Local Government Act that deal specifically with prepayments. However as a minimum, Council when reviewing the internal control environment surrounding prepayments should address the issue of when payments are to be classified as prepayments, and the period over which they should be amortised.

It is important that all prepayments are identified and recorded on a timely basis to ensure that expenses are recognised in the appropriate period and that the financial statements are not misstated. The recognition, treatment and recording of prepayments is normally a process associated with year-end reporting for most Councils.

Key Issues/Risks

In relation to Prepayments, the major risk faced by Councils may be summarised as follows:

1) Prepayments are either inaccurately recorded or not recorded at all.

This risk is addressed in the following Control Assessment Worksheets.





Control Assessment	Worksheet							
Risk Category:	Assets				Prepared by:			
Business Process:	Prepayments				Date:			
Risk No. 1:	Prepayments ar	e either inac	curately recorded of	or not recorded at	all.			
Description: If prepayments are not recorded or inaccurately recorded, both the management reports and the financial statements will be misstated Examples of when this may occur include: • Deferring all of an expense when only a portion should be deferred or • Not deferring any part of an expense when at least some portion of the expense should be deferred.							tements will be misstated.	
Inherent Risk Assessment								
Likelihood Consequence					ting		Accept	
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
the General Ledg	ordance with the w or procedure to ger and reviewed with consideration	Core						





Pos	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Procedures provide guidance as to the recognition, treatment and recording of prepayments.	Additional					
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resi	dual Risk Assessment						
Like	lihood	Consequence		Rating		Ac	cept





3.7. Fixed Assets

Introduction

In this Framework, the definition of 'Fixed Assets' is stated to include infrastructure and Property, Plant and Equipment (PPE) assets. The risks and controls documented in the following Control Assessment Worksheets address both the specific risks associated with infrastructure assets and those more general risks associated with fixed assets as a whole. The key risks associated with infrastructure have been identified as being appropriate identification and valuation. When reviewing the internal control environment surrounding fixed assets, Council should consider the following issues:

- Additions and disposals
- Classification and capitalisation policies
- Depreciation policies
- Recording / registers
- Year-end considerations
- Security arrangements, insurance coverage and maintenance plans
- Valuations.

The financial impact of fixed assets on the operations of Council and the annual financial statements is significant as evidenced by the following relationships:

- Additions and disposals
- Capital additions may have significant demands on cash flows and may represent a significant capital investment
- Choice of depreciation policy affects the depreciation charged to the Statement of Comprehensive Income
- Disposals of fixed assets may result in profit and loss on sale.

Further guidance in relation to the appropriate recognition, depreciation, impairment and valuation of fixed assets is provided by the following:

- AASB 13: Fair Value Measurement
- AASB 116: Property, Plant and Equipment
- AASB 117: Leases
- AASB 136: Impairment of Assets
- AASB 140: Investment Property
- The Australian Infrastructure Financial Management Guidelines produced by IPWEA; and
- CPA Guide to Valuation and Depreciation Under the International Accounting Standards for the Public Sector

Key Issues/Risks

In relation to fixed assets, the major risks faced by Councils may be summarised as follows:

- Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent.
- Fixed assets are inadequately safeguarded
- Fixed Assets are not valued correctly initially or on subsequent revaluation
- Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals.
- Fixed Asset maintenance and/or renewals are inadequately planned.





These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

Most systems of internal control rely on assigning certain responsibilities to different individuals, or "segregating" incompatible functions. Such segregation of duties is intended to prevent one person from having both:

- Access to assets; and
- Responsibility for maintaining the accountability for such assets.

The following types of responsibilities should ordinarily be segregated:

- Transaction initiation (acquisitions or disposals)
- Transaction authorisation
- Transaction recording
- Custody of assets
- Reconciliation of physical fixed assets and liabilities to records.

Therefore, personnel responsible for fixed asset acquisition, disposal, recording, and maintenance should have responsibility for only one such function and have no system access to functions other than their assigned function. In addition, personnel who are responsible for fixed asset transaction processing should have neither responsibility for fixed asset masterfile maintenance nor update access to the fixed asset master file.





Control Assessment W	orksheet								
Risk Category:	Assets				Prepared by:				
Business Process:	Fixed Assets				Date:				
Risk No. 1:			sitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset bes not remain pertinent.						
Description: Recorded fixed asset acquisitions that do not represent fixed assets acquired by Council may result in misstatement in the management report and financial statements. Inaccuracies in the input and/or processing of asset acquisition details or amounts m lead to the asset being incorrectly reflected in the general ledger. Asset acquisitions that are not recorded may understate the value fixed assets and depreciation, and may lead to assets being lost or misappropriated.						etails or amounts may			
Inherent Risk Assessm	ent								
Likelihood		Consequence		Rati	ing	Ac	cept		
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
There is a process in place for the verification of fixed assets which is reconciled to the FAR.		Core							





Possi	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	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.	Core					
3	All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies.	Core					
4	Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties.	Core					





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
5	Council has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored to ensure adherence.	Core					
6	Reconciliation of fixed assets to the General Ledger is performed in accordance with schedule of review or procedure.	Core					
7	Asset register calculations are reviewed for accuracy.	Core					
8	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.	Core					





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
9	Asset maintenance monitored with rele accordance with the Management Plans	vant staff in e Asset	Additional					
10	10 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	lual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	





Con	trol Assessment \	Norksheet						
Risł	c Category:	Assets				Prepared by:		
Bus	iness Process:	Fixed Assets				Date:		
Risł	« No. 2:	Fixed assets are	inadequately	/ safeguarded.				
Des	cription:	If fixed assets are	not securely	stored, they may be	subject to damage	or theft.		
Inherent Risk Assessment								
Like	lihood		Consequenc	e	Rat	ing	Ac	cept
Pos	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1	1 Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users.		Core					
2	2 Where appropriate, fixed assets are insured.		Core					





Pos	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Where appropriate, identification details are recorded for portable and attractive assets such as IT and fleet assets, on acquisition to facilitate accurate identification.	Additional					
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resi	dual Risk Assessment						
Like	lihood	Consequence		Rating		Accept	





Control Assessment	Worksheet							
Risk Category:	Assets				Prepared by:			
Business Process:	Fixed Assets				Date:			
Risk No. 3:	Fixed Assets are	e not valued c	correctly initially or	r on subsequent re	evaluation.			
Description:	If fixed assets are not valued correctly, the management reports and financial statements will be misstated. For example, inco carrying values may result from the use of inappropriate depreciation rates.							
Inherent Risk Assess	ment							
Likelihood		Consequence	e	Rat	ing	Accept		
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
 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. 		Core						





Pos	ssible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
2	Profit or loss on disposal calculations can be substantiated and verified with supporting documentation.	Core							
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional							
Re	Residual Risk Assessment								
Lik	elihood	Consequence		Rating		Accept			





Cont	rol Assessment V	Vorksheet									
Risk	Category:	Assets			Prepared by:						
Busir	ness Process:	Fixed Assets				Date:					
Risk	No. 4:	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals.									
Deee			Invalid depreciation charges can result if depreciation charges are recorded with respect to fictitious assets or assets that have been disposed of. Invalid depreciation charges may also result if depreciation rates and methods of calculation are not properly applied.								
Desc	ription:	Depreciation char calculation formul	•	calculated in accor	dance with the acc	ounting policy, inc	luding the useful life, o	depreciation method, and			
Inher	ent Risk Assessr	nent									
Likeli	ihood		Consequence		Rat	Rating		Accept			
Possible Controls			Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1 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.		Core									





Pos	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
2	2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2		Core/ Additional						
Res	idual Risk Assessme	ent							
Like	Likelihood		Consequence		Rating		Accept		





Control Assessment	Worksheet									
Risk Category:	Assets			Prepared by:						
Business Process:	Fixed Assets				Date:					
Risk No. 5:	Fixed Asset mai	Fixed Asset maintenance and/or renewals are inadequately planned.								
Description:	If Council does not conduct effective financial planning for the long-term use of their Fixed Assets, this will result in Council not having sufficient funds to reinvest in fixed assets when required.									
Inherent Risk Assess	ment									
Likelihood		Consequen	се	Rat	ing		Accept			
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
 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. 		Core								





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
2	Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the <i>Local Government Act 1999</i> .	Core						
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional						
Residual Risk Assessment								
Likelihood		Consequence		Rating		Accept		





3.8. Project Costing

Introduction

Councils invest heavily in significant capital projects. Given this level of investment, it is imperative that expenditure on capital projects is reported accurately to the elected body and senior management. Accurate project costing is largely based on the use of a costing system that apportions costs to functions, activities, goods or services based on a reliable and consistent basis. The Local Government (Financial Management) Regulations 2011 require Councils to prepare externally reported financial information on a Full Cost Attribution basis.

Full Cost Attribution is defined in the Regulations as:

"a system under which all costs, including indirect and overhead costs, are allocated to a function, activity, good or service on a reliable and consistent basis".

Full Cost Attribution represents one methodology used to assign costs to projects and contrasts with the more traditional method, referred to as Direct Costing. For a detailed analysis of the issues surrounding costing systems generally and full cost attribution specifically, please refer to 'A Guideline to Implementing Full Cost Attribution', published by the Local Government Association of South Australia.

Key Issues/Risks

In relation to Project Costing, the major risks faced by Councils may be summarised as follows:

- 1) Projects are either inaccurately recorded or not recorded at all
- 2) Appropriate approvals are not received for the establishment and changes in project scope or costs.

These risks are addressed in the following Control Assessment Worksheets.





Control Assessment	Worksheet									
Risk Category:	Assets	ssets Prepared by:								
Business Process:	Project Costing	I			Date:					
Risk No. 1:	Projects are eit	Projects are either inaccurately recorded or not recorded at all.								
Description:	Projects being in If the costs asso	If an inappropriate costing method is used to record Project Costs or if there are finance system processing errors, this will result in Projects being inaccurately recorded, leading to misstatements in both the management reports and the financial statements. If the costs associated with approved Projects are not recorded due to oversights by personnel, this will result in Project Costs being understated and misstatements in both the management reports and the financial statements.								
Inherent Risk Assess		misstatement	is in both the manag	ement reports and t	ne inancial staten	ients.				
Likelihood		Consequen	се	Rat	ing		Accept			
Possible Controls Control Type Assessing Reviewing Control Action Plan ¹ Comment Officer – Title Officer – Title Officer – Title Officer – Title If control not effective) (if control not rating) (substantiation of rating)										
Actual project costs are regularly compared to budgets; significant variances are investigated by relevant staff.		Core								





Pos	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	The project costing methodology is reviewed to ensure appropriate costs ae recorded.	Additional					
3	Where there is a separate system to manage projects, relevant financial information is reconciled to the general ledger.	Additional					
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Res	Residual Risk Assessment						
Like	elihood	Consequence		Rating		Accept	





Con	trol Assessment V	Vorksheet								
Risk	c Category:	Assets				Prepared by:				
Bus	iness Process:	Project Costing				Date:				
Risk	« No. 2:	Appropriate app	rovals are no	t received for the e	establishment and	changes in proje	ect scope or costs.			
Des	cription:		f over-expenditures are not detected or project scopes are changed without approval, this will result in Project objectives not being achieved and may restrict Council's ability to commit to funding future Projects.							
Inhe	Inherent Risk Assessment									
Like	lihood		Consequence	9	Rati	ng	Ac	cept		
Pos	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
Actual project costs are regularly compared to budgets; significant variances are investigated by appropriate staff.		Core								





Pos	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Processes are in place for establishing and changing project scope and budgets with approvals in accordance with Delegations of Authority.	Core					
3	Exception report generated detailing all variances for project costs over a fixed threshold (i.e. percentage or dollar amount). Exception report reviewed by appropriate staff and all significant variances are investigated.	Additional					
4	There is an on-going review of current projects having regard to project scope and delivery within budget and with variations communicated and endorsed within relevant Delegations of Authority.	Additional					





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
5 Resi	5 Insert any additional or replacement controls identified by the organisation to mitigate risk. Residual Risk Assessment						
	lihood	Consequence	•	Rati	ing	Aco	cept





3.9. Loans/Grants to Clubs/Community Groups

Introduction

As a minimum when reviewing the internal control environment surrounding Loans / Grants to Clubs / Community Groups, Councils should consider the following issues:

- Appropriate approval and authorisation of the loan in accordance with the Delegations of Authority
- The negative publicity that Council may receive from lending funds in these circumstances
- Conflicts of interest issues when deciding on the recipient of the funds
- Adequate recovery and collection procedures
- Monitoring those funds have been used for the purpose intended.

For an analysis of further risks and controls in relation to debtors generally, please refer to the 'Debtors' business process in Section 3.4 of this Framework.

Key Issues/Risks

In relation to Loans / Grants to Clubs / Community Groups, the major financial risks faced by Councils may be summarised as follows:

- 1) Council issues Loans / Grants without appropriate approvals
- Loans/Grants to Clubs/Community Groups are inaccurately recorded or not recorded at all
- 3) Clubs/Community Groups not able to repay Loans/Grants to Council.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

The following activities should be separated in relation to Loans / Grants to Clubs / Community Groups:

- Approval of loan / grant
- Recording of the loan / grant
- Receipting loan / grant repayments
- Recording loan / grant repayments
- Approving write-off of loans / grants.





Con	trol Assessment V	Norksheet										
Risk	c Category:	Assets	ssets Prepared by:									
Bus	iness Process:	Loans / Grants	to Clubs / Co	ommunity Groups		Date:						
Risk	« No. 1:	Council issues	Loans/Grant	s without appropria	ate approvals.							
Des	cription:	Clubs/Communit demands on cas	If Councils do not have a robust policy for the issuing of funds to organisations, this may result in funds being distributed to inappropriate Clubs/Community Groups. Such groups may not then be in a position to repay the loans/grants to Council, resulting in both increased demands on cash flow for Council along with negative publicity. This will result in an overstatement in the loan balance and a misstatement in the management reports and financial statements.									
Inhe	erent Risk Assess	ment										
Like	elihood		Consequen	се	Rat	ting		Accept				
Pos	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness	Action Plan ¹ (if control not	Comment (substantiation of				
1 Council has a policy for issuing funds to Clubs/Community Groups. The Policy includes criteria for approval of funds with reference to the Delegations of Authority and Conflicts of Interest.		Core			Rating	effective)	rating)					





Pos	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Appropriate staff monitor compliance of the funding arrangements.	Core					
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resi	idual Risk Assessment						
Like	lihood	Consequence		Rati	ng	Ac	cept





Con	trol Assessment	Worksheet							
Risk	Category:	Assets				Prepared by:			
Busi	iness Process:	Loans / Grants to	Clubs / Con	nmunity Groups		Date:			
Risk	No. 2:	Loans/ Grants to	Clubs / Com	munity Groups are	inaccurately reco	orded or not recor	ded at all.		
Desc	cription:	Loans/Grants to clubs/community groups may be inaccurately recorded in terms of either the amount of the loans or the details of the actual recipient of the funds. Unintentional or intentional errors can result in the loans not being recorded at all and the management reports and financial statements being misstated.							
Inhe	rent Risk Assess	ment							
Like	lihood		Consequend	e	Ra	ting		Accept	
Pos	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
1	prepared and rev	with follow up of all	Core						
2 All loans/grants to Clubs/Community Groups are approved in accordance with the policy.		Core							





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	There is a process in place to ensure all grants issued are spent in accordance with the funding agreement.	Core					
4	A loan schedule is provided to the loan recipient.	Core					
5	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resi	dual Risk Assessment						
Like	lihood	Consequence		Rating		Accept	





Control Assessment	Worksheet								
Risk Category:	Assets				Prepared by:				
Business Process:	Loans / Grants t	o Clubs / Cor	mmunity Groups		Date:				
Risk No. 3:	Clubs/Communi	ty Groups no	ot able to repay Loa	ans/Grants to Cou	ncil.				
Description:	recorded is the an original repaymen amount is recove	Councils must monitor the recovery of all Loans/Grants to Clubs/Community Groups on a regular basis to ensure that the amount recorded is the amount that they will receive in full. When a Club/Community Group is not repaying the loan in accordance with the original repayment schedule, the carrying value of the loan must be analysed by Council with a view to assessing whether the full amount is recoverable. If a decision is made that the full amount is not recoverable, this will result in the carrying value of the loan being nisstated and negative publicity for Council.							
Inherent Risk Asses	sment								
Likelihood		Consequenc	e	Rat	ing		Accept		
		1							
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
Bad-debt write-offs for loansreceivable are approved in line with relevant delegations.		Core							





Pos	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
2	Loan receivable reconciliations are prepared and reviewed by appropriate staff with follow up of all outstanding receipts.	Core						
3	Council has a policy for issuing funds to Clubs/Community Groups. The Policy includes criteria for approval of funds with reference to the Delegations of Authority and conflicts of interest.	Core						
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional						
Res	idual Risk Assessment							
Like	lihood	Consequenc	е	Rat	ing	Ac	cept	





4. Liabilities

4.1. Accounts Payable

Introduction

There are no sections of the Local Government Act that deal specifically with accounts payable. However when reviewing the internal control environment surrounding accounts payable, Council should consider the following issues:

- Receipt of approved goods and services
- Processing and recording of supplier invoices
- Custody of blank cheques and cheque-signing machines and access to electronic payment facilities
- Maintenance of the supplier master file.

For the purposes of this Framework, the accounts payable function has been defined as the process of recording the supplier invoice as a liability and its subsequent disbursement. Accordingly, the accounts payable function is separate from the preliminary activity of purchasing.

For the risks and controls associated with purchasing, please refer to the 'Purchasing & Procurement' business process in Section 6.1 of this Framework.

Key Issues/Risks

In relation to accounts payable, the major risks faced by Councils may be summarised as follows:

- 1) Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all
- 2) Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all
- 3) Disbursements are not authorised properly
- 4) Accounts are not paid on a timely basis
- 5) Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

The following segregation of duties should exist within the disbursement cycle:

- Signed cheques, which have been compared to appropriate supporting documentation by the signatory, are delivered to someone independent of both the preparer and the initiator of the cheque for prompt mailing,
- Cheques should not be returned to the preparer or initiator of the cheque subsequent to being signed and should be timely mailed to ensure that opportunity for misappropriation is minimised,
- The return address on the envelopes that are used to mail cheques should be to a person(s) who does not prepare cheques or approve payment requests for payment
- Cheques once signed should also be timely mailed and processed to accounts payable to ensure that the cash and liability balances are fairly represented in the accounting records. This is especially important at period ends.





In addition the following tasks should be segregated in relation to the accounts payable function:

- Approval of supplier invoice
- Recording of liability (supplier invoice)
- Approval of payment (i.e. signing of cheque or approving EFT payment).





Control Assessment V	Vorksheet									
Risk Category:	Liabilities	abilities Prepared by:								
Business Process:	Accounts Payable	;			Date:					
Risk No. 1:	Accounts payable	e amounts ar	nd disbursements	are either inaccu	rately recorded o	r not recorded at all				
Description:	expense, inventory not represent good and the organisation understated, as will	If invoices are not entered accurately (i.e. amounts posted to incorrect creditor), accounts payable will be misstated, as will the relevant expense, inventory, or asset accounts. Also, erroneous payments may be made to vendors. If amounts posted to accounts payable do not represent goods or services received (due to invalid delivery address on purchase order), unauthorised payments might be made and the organisation might incur a financial loss. If accounts payable amounts are not recorded at all, accounts payable will be understated, as will the related inventory, expense, or asset accounts. Also, supplier payments will not be made, which may damage supplier relationships.								
Inherent Risk Assess	nent									
Likelihood	c	onsequence	9	Rat	ting		Accept			
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
 Payments are verified to appropriate supporting documentation and are in line with Delegations of Authority. 		Core								





Poss	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Payments are endorsed by relevant staff separate to the preparer, who ensures that they are paid to the correct payee.						
3	Predetermined variances between Purchase Orders and Invoices are assessed and payment released of after verification by the officer with delegation to do so.	only Additional					
4	Statements received from supplie are reconciled to the supplier accounts in the accounts payable subledger regularly and difference are investigated.	Additional					
5	Insert any additional or replacement controls identified the organisation to mitigate risk	A district and all					
Resi	dual Risk Assessment			T			
Like	lihood	Consequence	Consequence		ing	Aco	cept
1.4.55	Action Plan Reference – Provide an action plan if control is not in place or where the control is rated 3 or below by reviewing officer						





Con	ntrol Assessment W	/orksheet						
Risl	k Category:	Liabilities				Prepared by:		
Bus	iness Process:	Accounts Payable	•			Date:		
Risl	k No. 2:	Credit notes and o	other adjustm	ents to accounts	payable are eithe	er inaccurately re	corded or not recor	ded at all.
Des	cription:	inventory, or asset For example, if goo	If credit notes and other adjustments are not recorded accurately, accounts payable will be misstated, as will the related expense, inventory, or asset accounts. If adjustments are not recorded at all, accounts payable, related assets, and expenses will be misstated. For example, if goods returned are not reflected by debits in accounts payable, accounts payable will be overstated, as will the underlying expense, inventory, or asset accounts.					
Inhe	erent Risk Assessn	nent						
Like	_ikelihood C		Consequence		Rating			Accept
Pos	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1 Separation of Accounts Payable and Procurement duties.		Core						
2 Goods returned notes are matched to credit notes; differences are investigated promptly.		Additional						





Pos	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Statements receive are reconciled to the accounts in the accounts in the accounts subledger regularly are investigated.	e supplier ounts payable	Additional					
4	Insert any addition replacement contr the organisation to	rols identified by	Core/ Additional					
Resi	dual Risk Assessm	ent						
Like	lihood	С	onsequence		Rati	ng	Ac	cept





Control Assessment	Worksheet						
Risk Category:	Liabilities				Prepared by:		
Business Process:	Accounts Payable	e			Date:		
Risk No. 3:	Disbursements a	re not author	ised properly.				
Description:				- · ·			actually received by the loyee expense claims.
Inherent Risk Asses	sment						
_ikelihood		Consequence	9	Ra	Rating		Accept
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
All invoices and payment requests are approved in accordance with relevant policies and/or Delegations of Authority.		Core					
 Blank cheques to be held securely and access restricted to relevant staff. 		Core					





Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Employee expenses approved by authori independently verific relevant substantiat	ised staff and ed and include	Core					
4	Records must be m payments with supp documentation.		Core					
5	Insert any addition replacement contr the organisation to	ols identified by	Core/ Additional					
Resi	dual Risk Assessme	ent						
Like	ihood	(Consequence		Rati	ing	Ac	cept





Con	trol Assessment V	Vorksheet						
Risk	k Category:	Liabilities				Prepared by:		
Bus	iness Process:	Accounts Payab	le			Date:		
Ris	k No. 4:	Accounts are no	ot paid on a t	imely basis.				
Des	cription:		If supplier inv	voices are paid well b			available discounts (i.e. early payment discount	early payment) or have t) greater demands will
Inhe	erent Risk Assessr	nent						
Like	Likelihood		Consequence		Rating		Accept	
Pos	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1	1 Relevant staff to review aged payables listing on a predetermined basis and investigate where appropriate.		Core					
2	There is a system generated report		Core					





Pos	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Statements received are reconciled to the accounts in the accounts sub ledger regularly a are investigated.	supplier unts payable	Additional					
4	Insert any additiona replacement contro by the organisation risk.	ols identified	Core/ Additional					
Resi	dual Risk Assessme	nt						
Like	lihood		Consequence	•	Rati	ng	Ac	cept





Con	trol Assessment V	Vorksheet						
Risk	Category –	Liabilities				Prepared by:		
Busi	iness Process –	Accounts Payat	ole			Date:		
Risk	No. 5 –	Supplier master	file data doe	es not remain pertin	ent and/or unau	thorised changes	are made to the sup	plier master file.
Desc	cription –	and to individual bank account. Co	data fields wi buncil needs t	thin those records. F	For example, if sup ate controls are in	pplier data is not up place to ensure th	-to-date, payments c at no unauthorised ch	s both to master file record ould be made to the wrong anges to the supplier
Inhe	rent Risk Assessr	nent						
Like	lihood		Consequen	ce	Rating		Accept	
Pos	sible Controls		Control Type	Assessing	Reviewing	Control Effectiveness	Action Plan ¹ (if control not	Comment (substantiation of
			i ypc	Officer – Title	Officer – Title	Rating	effective)	rating)
1	Access to the supplier masterfile is restricted to authorised staff		Core					
 Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately. 		Core						





Poss	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Separation of accounts payable and procurement duties.	Core					
4	There is a process in place to ensure the supplier master file is periodically reviewed for ongoing pertinence.	Additional					
5	Requested changes or additions to supplier masterfile are verified independently of source documentation.	Additional					
6	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resi	dual Risk Assessment						
Like	lihood	Consequenc	e	Ra	ating	Ac	cept





4.2. Accrued Expenses

Introduction

There are no specific sections of the Local Government Act that deal specifically with accrued expenses. However as a minimum, Council when reviewing the internal control environment surrounding accrued expenses should address the issue of when accrued expenses should be recognised as a liability. It is important that all Accrued Expenses are identified and recorded on a timely basis to ensure that expenses are recognised in the appropriate period and that the financial statements are not misstated.

The recognition, treatment and recording of accrued expenses is normally a process associated with year-end reporting for most Councils.

Key Issues/Risks

In relation to Accrued Expenses, the major risk faced by Councils may be summarised as follows:

1) Accrued Expenses are either inaccurately recorded or not recorded at all.

This risk is addressed in the following Control Assessment Worksheets.

Segregation of Duties

Please refer to "Segregation of Duties" in the 'Accounts Payable' business process in Section 4.1 for an analysis of the segregation of duties issues that generally relate to liabilities.





Control Assessment	Worksheet						
Risk Category:	Liabilities				Prepared by:		
Business Process:	Accrued Expense	ses			Date:		
Risk No. 1:	Accrued Expense	ses are either	r inaccurately recor	ded or not record	ed at all.		
Description:	normal review of misstated.	accrued expenses are either inaccurately recorded (i.e. inaccurate estimation of accrual) or unrecorded (i.e. no invoice received and ormal review of expenses did not identify need to accrue for expenses), the management reports and financial statements will be isstated.					
Inherent Risk Assess	ment						
Likelihood		Consequence		Rating			Accept
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
Accrued expense are completed in schedule of revie procedure.	accordance with a	Core					





Pos	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	2 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Res	dual Risk Assessn	nent						
Like	Likelihood		Consequence		Rating		Accept	
		1			1		1	





4.3. Borrowings

Introduction

All Councils have the statutory power to raise funds through the borrowing of money or by obtaining other forms of financial accommodation, under Section 133 of the Local Government Act. Council's power to borrow money and obtain other forms of financial accommodation is however limited by the statutory requirements of Section 134 of the Local Government Act which states that:

"A council must not enter into a financial arrangement unless or until:

- a) the council has obtained and considered independent and impartial advice about the proposed financial arrangements and the appropriate risk-management policies, controls and systems that should be in place from a person whom the council reasonably believes to be competent to give the advice
- b) the council has adopted risk-management policies, controls and systems by a resolution passed by at least a two-thirds majority of the members of the council".

With this statutory power to borrow, comes a whole range of associated risks, some of which are of a financial nature. In order to minimise Council's exposure to financial loss, it is imperative that all councils implement a comprehensive suite of internal financial controls.

Key Issues/Risks

In relation to Borrowings, the major risks faced by Councils may be summarised as follows:

- 1) Borrowings are either not recorded or are recorded inaccurately
- 2) Loans are taken out without appropriate approval
- 3) Loans are not repaid in accordance with the agreed terms
- 4) Loan repayments are not recorded at all or are recorded inaccurately
- 5) Lack of working capital to meet Council's financial commitments

It should be understood that the accumulated effect of these risks is far wider than purely financial consequences. For example, the financial loss to Council that could result from inappropriate borrowings result may lead to widespread negative perceptions of Council throughout the community.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

Most systems of internal control rely on assigning certain responsibilities to different individuals, or "segregating" incompatible functions. Such segregation of duties is intended to prevent one person from having both:

- Access to assets
- Responsibility for maintaining the accountability for such assets.

For instance, in the accounting system, different individuals are typically responsible for:

- Recording of borrowing transactions
- Approving new borrowings
- Following up on reconciliation or confirmation of borrowing to statements from third parties





- Review and analysis of recorded borrowing transactions by means of summary reports of activities (e.g. describing liquidity, interest rate gap, dealing positions, exposure to counterparties)
- Authorised signature of payments with respect to borrowing transactions.

If one individual has responsibility for more than one of these functions, that individual could misappropriate assets and conceal the misappropriation.





Control Assessment	Worksheet						
Risk Category:	Liabilities				Prepared by:		
Business Process:	Borrowings				Date:		
Risk No. 1:	Borrowings are	either not re	corded or are recor	rded inaccurately.			
Description:	Financing may b misstatement of		t either inaccurately	recorded or not rec	corded at all in the	general ledger or loai	n register, resulting in
Inherent Risk Assess	sment						
Likelihood Consequence			ce	Rating		Accept	
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
A loan register is maintained including reference to Council resolution approving the loan and schedule of the loan liability and loan repayments from the lender. This also includes details of any Cash Advanced Debentures.		Core					





Poss	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
2	Debt repayments are transacted and recorded in the correct accounting period, and are reconciled to ensure they are matched to the loan schedule where applicable.	Core							
3	A review is undertaken to identify unrecorded loan liabilities at key reporting dates.	Core							
4	All new loan repayment schedules and conditions are checked prior to accepting each loan.	Additional							
5	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional							
Resi	Residual Risk Assessment								
Likel	ihood	Consequence)	Rati	ng	Ac	cept		





Control Ass	sessment W	orksheet						
Risk Category: Liabilities						Prepared by:		
Business P	Process:	Borrowings				Date:		
Risk No. 2:		Loans are taken	out without a	ppropriate approv	al.			
Description		-	approvals not be ot		g out loans, the Co	ouncil may be exposed	to undue financial risk	
Inherent Ri	sk Assessm	ent						
Likelihood			Consequence	9	Rat	ing	A	ccept
					•			
Possible Co	ontrols		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1 approv	The loan register and loan approvals are subject to management and/or internal audit review.		Additional					
2 treasu which	All loans are in accordance with treasury management policy(ies) which outline appropriate approval mechanisms and authority required.		Core					





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional						
Resi	dual Risk Assessment							
Like	ihood	Consequence		Rating		Accept		
Action Plan Reference - Provide an action plan if control is not in place or where the control is rated 3 or below by reviewing officer								





Control Assessment	Worksheet									
Risk Category:	Liabilities				Prepared by:					
Business Process:	Borrowings				Date:					
Risk No. 3:	Loans are not repaid in accordance with the agreed terms.									
Description:	If repayments rec impose penalties	• •	-	missed, made late,	ed, made late, or made in the wrong amount, the lender may have the right to					
Inherent Risk Assess	ment									
Likelihood		Consequence	е	Rat	ing		Accept			
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
There is a process in place to ensure that loan repayments are made in accordance with the loan schedule.		Core								
 Loan repayments made via automated direct debit, where applicable, are approved appropriately and monitored for on- going relevance. 		Additional								





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
3 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional						
Resi	dual Risk Assessment							
Like	lihood	Consequence		Rating		Accept		
Action Plan Reference - Provide an action plan if control is not in place or where the control is rated 3 or below by reviewing officer								





Con	ntrol Assessment W	/orksheet						
Risk Category: Liabilities						Prepared by:		
Bus	siness Process:	Borrowings				Date:		
Risł	k No. 4:	Loan repayment	s are not red	corded at all or are i	recorded inaccura	ately.		
Des	cription:	If loan repayments are made but not recorded, liabilities, and cash will be overstated and interest expense may be inaccurately recorded. If loan repayments are recorded inaccurately liabilities, cash, and interest expense may be misstated. Overpayments reduce cash available for other business activities, while underpayments may give the lender cause (and the right) to call the loan (i.e., to demand that the loan be repaid immediately) or to impose penalties.						
Inhe	erent Risk Assessm			no loan bo ropala ini				
Like	elihood		Consequen	ence Ra		ng Acc		Accept
Pos	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1	All additions, deletions, and other changes to the loan register and loan repayment data are undertaken by relevant staff, and are compared to the loan agreement to ensure that they were input accurately. Identified errors are corrected.		Core					





Pos	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	2 <i>Insert any additional or</i> <i>replacement controls identified</i> <i>by the organisation to mitigate</i> <i>risk.</i>		Core/ Additional					
Res	idual Risk Assessmer	nt						
Like	ikelihood		Consequence		Rating		Accept	





Contr	ol Assessment Wo	orksheet						
Risk (Category:	Liabilities				Prepared by:		
Busin	ess Process:	Borrowings				Date:		
Risk I	No. 5:	Lack of working	capital to m	eet Council's financ	cial commitments.			
Desci	Description: Borrowings may take many forms (i.e. loans, cash advance facility are not managed effectively, Council may run out of						• •	
Inhere	ent Risk Assessme	ent						
Likeli	hood		Consequence		Rating		Ac	cept
Possi	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
Cashflow forecasts are considered to ensure sufficient working capital is available		Core						





Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	2 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resi	dual Risk Assessme	ent						
Likel	ihood		Consequence		Rating		Accept	





4.4. Employee Provisions

Introduction

Staff entitlements represent a significant component of Council's operating expenditure. In addition to the payroll expense are the provisions for employee entitlements that largely comprise:

- Provision for Annual Leave
- Provision for Long Service Leave.

"Employee entitlements" may be defined as:

"benefit entitlements which employees accumulate as a result of rendering services to the employer up to the reporting date".

Although there are no sections of the Local Government Act that deal specifically with Employee Provisions, a number of accounting standards provide Councils with guidance when considering the appropriate recording of these provisions. These are as follows:

• AASB 119 Employee Benefits.

This standard provides prescriptive guidance in terms of the methodology to be used when calculating and recognising the Employee Provisions.

For the risks and controls associated with payroll, please refer to the Payroll Business Process is Section 6.2 of this Framework.

Key Issues/Risks

In relation to Employee Provisions, the major risk faced by Councils may be summarised as follows:

1) Employee Provisions are either inaccurately recorded or not recorded at all

This risk is addressed in the following Control Assessment Worksheets.

Segregation of Duties

To minimise any weaknesses associated with segregation of duties issues in relation to employee entitlements, it is imperative that the recording and processing of leave entitlements is separated from the initial approval of leave, and that access to the payroll master file is restricted to appropriately designated and qualified staff.





Contr	rol Assessment Wo	orksheet								
Risk	Category:	Liabilities				Prepared by:				
Busir	ness Process:	Employee Provis	sions			Date:				
Risk	No. 1:	Employee provis	sions are eit	e either inaccurately recorded or not recorded at all.						
Desc	ription:	inaccurate and th	e employee p	eave but this leave is recorded against the incorrect employee or not recorded at all, staff entitlements will be employee provisions will be misstated. If accruals are not calculated correctly or not at all, staff entitlements will be employee provisions will be misstated.						
Inher	ent Risk Assessme	ent								
Likeli	ihood		Consequence		Rating			Accept		
Possi	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
1	1 Where appropriate, employee provisions are calculated by an automated process and the integrity of the calculations are verified for accuracy to ensure consistency with statutory reporting requirements.		Core							





Poss	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	There is an approval process for all staff requests for leave and leave taken is recorded by somebody independent from the approval.	Core					
3	There is a process in place to ensure the accuracy and completeness of inputs into the calculation of the employee provisions.	Core					
4	Leave balances are recorded on pay advices for verification by staff.	Additional					
5	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resi	dual Risk Assessment						
Likel	ihood	Consequence		Rati	ng	Aco	cept





4.5. Taxation

Introduction

Normally, Councils are exempt from Income Tax and Payroll Tax. Accordingly, the main areas of taxation that impact upon Council's operations are as follows:

- Fringe Benefits Tax
- Goods and Services Tax
- Pay As You Go ("PAYG").

Accordingly, Council should refer to the following legislation and accounting guidance releases for assistance with understanding, calculating and recognising their statutory liabilities in relation to tax:

- The Fringe Benefits Act 1986
- The Fringe Benefits Tax Assessment Act 1986
- A New Tax System (Goods and Services Tax Act) 1999
- Income Tax Assessment Act 1997
- AAG6: Accounting for the Fringe Benefits Tax.

When reviewing the internal control environment surrounding taxation, Council should consider the following issues:

- Accurate reporting of taxation liabilities in accordance with statutory requirements
- Timely reporting of Returns/Statements to avoid payment of late lodgement penalty fees
- Regular training of appropriately qualified staff.

Given the complexity surrounding the calculation and reporting of taxation liabilities, it is imperative that Council has appropriately qualified and trained staff to perform this task or access to expert advice.

Key Issues/Risks

In relation to Taxation, the major risks faced by Councils may be summarised as follows:

- 1) Tax liabilities are either inaccurately recorded or not recorded at all
- 2) Council does not meet statutory reporting / lodgement deadlines.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

To minimise any weaknesses associated with segregation of duties in relation to taxation, it is imperative that that following tasks are separated:

- Calculation, recording and processing of tax liabilities
- Review of tax lodgement documentation
- Payment of tax liabilities
- Approval of payment of tax liabilities
- Receipt of tax refunds
- Recording of tax refunds.





Control Assessment W	orksheet						
Risk Category:	Liabilities				Prepared by:		
Business Process:	Taxation				Date:		
Risk No. 1:	Tax liabilities are	e either inacc	curately recorded o	or not recorded at a	all.		
Description:	If staff are not provided with adequate training to keep them up to date with all relevant changes in taxation or if Council does not ob tax advice from external tax advisors, then there is the risk that either tax liabilities will be inaccurately recorded or not recorded at al As a result, the taxation liabilities will be misstated in both the management reports and the financial statements and Council may be liable for late lodgement penalty fees and avoidance fees.						
Inherent Risk Assessm	ent						
Likelihood		Consequence		Rat	Rating		Accept
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
All lodgement statements and returns are reviewed and approved by relevant staff prior to lodgement.		Core					





Pos	ssible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	There is a process in place to ensure relevant staff respons preparation of taxation return up to date and comply with re legislative requirements.	ible for s, are Core					
3	Relevant staff periodically rev selection of transactions to en appropriate tax treatment.						
4	External advice is sought who staff requires additional techr expertise.						
5	Insert any additional or replacement controls ident the organisation to mitigate						
Res	sidual Risk Assessment						
Lik	elihood	Consequence	Consequence		ing	Aco	cept





Control Assessment Worksheet									
Risk Category:	Liabilities				Prepared by:				
Business Process:	Taxation				Date:				
Risk No. 2:	Council does no	ot meet statu	tory reporting/lodge	ement deadlines.					
Description: It is important that Council recognises and records statutory reporting/lodgement deadlines in ord fees.				es in order to avoid any	late lodgement penalty				
Inherent Risk Assessn	nent								
Likelihood		Consequence		Rating		Ac	cept		
		1							
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
There is a process in place to ensure that all taxation returns are lodged within statutory timeframes.		Core							





Possi	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	ual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	





5.Revenue

5.1. Rates / Rate Rebates

Introduction

Under section 146 of the Local Government Act, a council may impose rates and charges of the following kinds on land within its area:

- General rates
- Separate rates
- Service rates
- Service charges

Rates generally represent the most significant source of revenue for Councils and accordingly it is imperative that Councils consider the following statutory requirements under the Local Government Act:

- Division 2 Basis of Rating
- Division 3 Specific characteristics of rates and charges
- Division 4 Differential Rating and special adjustments
- Division 5 Rebates of rates
- Division 6 Valuation of land for the purpose of rating
- Division 7 Issues associated with the declaration of rates
- Division 8 The Assessment Record
- Division 9 Imposition and Recovery of Rates and Charges.

AASB 118: Revenue also provides guidance for the disclosure of operating revenue, including rates income. For a summary of the recognition, determination and calculation of rates and rate rebates, we refer you to the following documents published by the Local Government Association:

- "Rates and Rating" in "A Framework for Local Government Financial Management"
- Model Rates Policy & Guidelines
- Model Rate Rebate Policy & Guidelines.

For an analysis of the risks and controls specifically relating to the issues surrounding the associated debtors with respect to rates, please refer to 'Debtors' business process in Section 3.4 of this Framework.

Key Issues/Risks

In relation to Rates / Rate Rebates, the major risks faced by Councils may be summarised as follows:

- 1) Council does not raise the correct level of rate income
- 2) Rates and rate rebates are either inaccurately recorded or not recorded at all
- 3) The Property master file does not remain pertinent
- 4) Rates are not collected on a timely basis

These risks are addressed in the following Control Assessment Worksheets.





Segregation of Duties

Most systems of internal control rely on assigning certain responsibilities to different individuals, or "segregating" incompatible functions. Such segregation of duties is intended to prevent one person from having both:

- Access to assets
- Responsibility for maintaining the accountability for such assets.

For instance, throughout the revenue process, different individuals are typically responsible for:

- Recording rate revenue and rate rebates
- Approving the rate revenue and rate rebates
- Invoicing the ratepayer
- Maintaining rate records and/or authorising adjustments to rate assessments
- Processing cash receipts
- Following up on rates outstanding
- Performing independent confirmation of rates information and following up on discrepancies
- Rate payer service calls, and/or complaints.

If one individual has responsibility for more than one of these functions, that individual could misappropriate assets and conceal the misappropriation.





Cont	rol Assessment Wo	orksheet								
Risk	Category:	Revenue				Prepared by:				
Busir	ness Process:	Rates / Rate Reb	ates			Date:				
Risk	No. 1:	Council does no	ot raise the correct level of rate income.							
Desc	ription:			t raise the correct level of rate income (due to inappropriate rating methodology or inaccurate data held in rate s will result in variations to cash flow and revenue expectations and possible negative publicity.						
Inher	ent Risk Assessme	ent								
Likeli	ihood		Consequen	ce	Rat	ing	Accept			
Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
1	1 Rates are automatically generated by the rate system, including the calculation of rate rebates and other parameters as applicable.		Core							
2	All software changes to rate modelling functionality fully tested and reviewed by relevant staff.		Core							





Possi	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	There is a rating po is reviewed annually clear guidance on ra methodology and re and remissions in lin legislation.	y that provides ating elevant rebates	Core					
4	Insert any addition replacement contr by the organisatio risk.	rols identified	Core/ Additional					
Resid	lual Risk Assessme	nt						
Likeli	hood		Consequence	•	Rati	ng	Aco	cept





Contr	rol Assessment Wo	orksheet								
Risk	Category:	Revenue				Prepared by:				
Busir	ness Process:	Rates / Rate Reb	ates			Date:				
Risk I	No. 2:	Rates and rate re	ebates are either inaccurately recorded or not recorded at all.							
Desci	ription:	,		,			and rates debtors in th be misappropriated.	e financial statements		
Inher	ent Risk Assessme	ent								
Likeli	hood		Consequenc	e	Rat	ing	Ac	cept		
							·			
Possi	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
Rates are automatically generated by the rate system, including the calculation of rate rebates and other parameters as applicable.		Core								
2 Annual valuation update is balanced prior to the generation of rates; all mismatches resolved prior to finalising rate generation.		Core								





Poss	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	All rate rebates and adjustments including write offs are appropriately authorised, with reference to Delegations of Authority and source documents.	Core					
4	Rates are generated and tested for accuracy of calculation methodology prior to the rates billing run.	Core					
5	5 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						
6	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resid	dual Risk Assessment						
Likeli	ihood	Consequence	;	Rati	ng	Aco	cept
1 Action P	Plan Reference – Provide an action plan if control is not	in place or where the	control is rated 3 or below b	w reviewing officer			





Control Assessmen	t Worksheet									
Risk Category:	Revenue				Prepared by:					
Business Process:	Rates / Rate R	ebates			Date:					
Risk No. 3:	The Property r	naster file dat	ster file data does not remain pertinent.							
Description:	pertinence attri pertinent Prope	bute of quality each of quality each of quality each of the second second second second second second second se	relates both to maste	er file records and to rds for current ratep	individual data fie ayers and exclude	elds within those records for former re	made. In this context, the ords. For example, atepayers. Inaccurate			
Inherent Risk Asses	sment									
Likelihood		Consequen	Consequence		Rating		Accept			
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
 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. 		Core								





Poss	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	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.	Core					
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resi	dual Risk Assessment						
Likel	ihood	Consequence		Rating		Accept	





Contr	Control Assessment Worksheet										
Risk	Category:	Revenue				Prepared by:					
Busir	ness Process:	Rates / Rate Reb	oates			Date:					
Risk	No. 4:	Rates are not co	llected on a ti	mely basis.							
Desc	ription:				y be pressure on Co sale of properties an	-	apital requirements and action.	I negative publicity in			
Inher	ent Risk Assessme	ent									
Likeli	ihood		Consequence		Rating		Accept				
Possi	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1	There is a process in place to ensure that rates are collected in a timely manner and overdue rates are followed up.		Core								





Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	2 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resi	dual Risk Assessme	ent						
Likel	Likelihood		Consequence		Rating		Accept	





5.2. Grants

Introduction

As part of the normal operations, Councils may receive revenue in the form of grants from various organisations. The nature of the grant affects the accounting treatment and recognition of the amount received by Council. One issue for Council to consider is whether a grant is:

- Restricted the grant money can only be used for specific programs or purposes
- Unrestricted the grant money can be used for any operational purpose
- Refundable if Council does not comply with the terms of the grant then all monies are to be refunded by Council
- Non-refundable Council is not liable for any funds refund.

If Council does not comply with the terms of any "restricted" and/or "refundable" grant, then the monies might have to be refunded to the original provider. Accordingly, it is extremely important that Councils comply with the terms of the Grant when utilising the funds provided. Also, if Councils are unable to secure re-current grant funding, community expectations may be established for the related service but not able to be met in future periods. For further guidance on the treatment, recognition, and disclosure of grant income, please refer to the following:

- AASB 15 : Revenue from Contracts with Customers (for annual reporting periods on or after 1 January 2018)
- AASB 1049: Whole of Government and General Government Sector Financial Reporting
- AASB 118 : Revenue (superseded by AASB 15 on or after 1 January 2018)
- AASB1004: Contributions

Key Issues/Risks

In relation to Grants, the major risks faced by Councils may be summarised as follows:

- 1) Council loses recurrent Grant funding to provide existing service
- 2) Grant funding is not claimed by Council on a timely basis or not claimed at all
- 3) Grants are either inaccurately recorded or not recorded at all.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

Please refer to the 'Rates / Rate Rebates' business process in Section 5.1 of this Framework for a discussion of the relevant segregation of duties issues that generally relate to revenue.





Control Assessment	Worksheet								
Risk Category:	Revenue				Prepared by:				
Business Process:	Grants		Date:						
Risk No. 1:	Council loses re	ses recurrent Grant funding to provide existing service.							
Description:	If Councils are ur able to be met in		able to secure recurrent grant funding, community expectations may be established for the related service but not uture periods.						
Inherent Risk Assess	sment								
Likelihood		Consequen	се	Rat	Rating Accept				
			Accessing	Poviowing	Control	Action Plan ¹	Comment		
Possible Controls		Control Type	Assessing	Reviewing	Effectiveness	(if control not	(substantiation of		
		1980	Officer – Title	Officer – Title	Rating	effective)	rating)		
1 Management and/or Council to approve all tied grants (prior to funds being received by Council) to ensure that Council will be able to meet the terms and obligations of the grant.		Core							





Possi	ble Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	2 Council reviews services where grant funding has ceased to ensure it understands the financial impact on its sustainability.						
3	3 <i>Insert any additional or</i> <i>replacement controls identified by</i> <i>the organisation to mitigate risk.</i>						
Resid	Residual Risk Assessment						
Likeli	hood	Consequence		Rating		Accept	
				1			





Cont	rol Assessment Wo	orksheet							
Risk	Category:	Revenue				Prepared by:			
Busi	ness Process:	Grants	Date:						
Risk	No. 2:	Grant funding is	not claimed	by Council on a tin	nely basis or not c	laimed at all.			
Desc	ription:			collect grant funding (e placed under greate	-		s or not submitting the	relevant	
Inher	ent Risk Assessme	ent							
Likel	ihood		Consequen	ce	Rati	ing	Accept		
Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
1	1 There is a process in place for the regular review of all grant income to monitor compliance with the terms of the grant.		Core						
2	 Grant funding is identified as part of the budget process and/or subsequent budget reviews. 		Core						





Possi	ble Controls	Cor Typ		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3 Resid	3 Insert any additional or replacement controls identified by the organisation to mitigate risk. Residual Risk Assessment		re/ ditional					
			sequence		Rati	ng	Acc	cept





Cont	rol Assessment Wo	orksheet						
Risk	Category:	Revenue				Prepared by:		
Busi	ness Process:	Grants				Date:		
Risk	No. 3:	Grants are eithe	r inaccuratel	y recorded or not r	ecorded at all.			
Desc	ription:	of grants and the	t comply with the terms of the grant, repayment may be required. If Council does not provide receipts to all provid reconcile these receipts to bank statements, grants may not be recorded at all, leading to misstatements in both orts and the financial statements.					
Inher	ent Risk Assessme	ent						
Likel	ihood		Consequenc	e	Rating		Accept	
Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1	Grant funding is identified as part of the budget process and/or subsequent budget reviews.		Core					
2	2 There is a process in place to ensure that grant funding received is reconciled to the budget and the funding agreement.		Core					





Possi	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	lual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	
					1			





5.3. User Pay Income – Fees for Service

Introduction

Councils may generate User Pay Income – Fee for Services through the provision of services to the community. Typical examples of these services may be sporting and recreational facilities. When reviewing the internal control environment surrounding User Pay Income, Council should consider the following issues:

- Designating the appropriate fee to be charged to ensure that the user receives and perceives value for money in the service provided
- Appropriate controls surrounding the recording of the revenue
- Adequate access and security controls surrounding cash handling, receipting and banking.

For guidance as to the disclosure requirements in relation to User Pay Income, we refer you to AASB 118 : Revenue (AASB15 ; *Revenue from Contracts with Customers* for annual reporting periods beginning on or after 1 January 2018).

For an analysis of the risks and controls in relation to Debtors (i.e. the collection and recovery of user pay policies), please refer to the *Debtors* business process in Section 3.4 of this Framework. Given that a portion of User Pay Income is represented by cash receipts, please refer to the *Receipting, Cash Floats and Petty Cash*, and *Banking* business processes in this Framework that deal with the specific risks and controls relating to these activities.

Key Issues/Risks

In relation to User Pay Income, the major risks faced by Councils may be summarised as follows:

- 1) The fee charged does not reasonably reflect the value of the services provided
- 2) Council does not apply User Pay principles consistently
- 3) User pay income is either inaccurately recorded or not recorded at all.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

Please refer to the Rates / Rate Rebates business process in Section 5.1 of this Framework for a discussion of the relevant segregation of duties issues that generally relate to Revenue.





Control Assessment	Worksheet							
Risk Category:	Revenue				Prepared by:			
Business Process:	User Pay Income	e – Fees for S	ervice		Date:			
Risk No. 1:	The fee charged	does not rea	sonably reflect the	value of the servi	ces provided.			
Description:						e that the fee charged c satisfaction and loss of r		
Inherent Risk Assessment								
Likelihood		Consequence		Rating		Accept		
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
There is a process in place to establish fees and charges (including GST treatment) which are reviewed annually and adopted by Council.		Core						





Poss	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
2	Regular reviews are ensure formal lease other Council facilitie being met and paym on time.	agreements and es contracts are	Core							
3	Fees and Charges register is maintained and made available to the public.		Core							
4	 Insert any additional or replacement controls identified by the organisation to mitigate risk. 		Core/ Additional							
Resi	Residual Risk Assessment									
Like	Likelihood		Consequence		Rating		Accept			





Conti	Control Assessment Worksheet										
Risk	Category:	Revenue				Prepared by:					
Busir	ness Process:	User Pay Income	e – Fees for	Service	Service						
Risk	Risk No. 2: Council does not			apply User Pay principles consistently.							
Desc	Description.		t apply User Pay principles consistently (i.e. by charging different rates for the same service), this could result in public dissatisfaction and loss of revenue.								
Inher	ent Risk Assessme	ent									
Likeli	ihood		Consequen	quence		ing	Accept				
							·				
Poss	Possible Controls			Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
 There is a process in place to establish fees and charges (including GST treatment) which are reviewed annually and adopted by Council 		Core									
 Fees and Charges register is maintained and made available for the public. 		Core									





Poss	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
3	There is a process in place to manage and reconcile bonds and deposits.		Core							
4	There is a process in place to ensure the fees and charges are applied in accordance with those adopted in the fees and charges register.		Additional							
5	5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5		Core/ Additional							
Resid	Residual Risk Assessment									
Likel	Likelihood		Consequence		Rating		Accept			





Cont	Control Assessment Worksheet										
Risk	Category:	Revenue				Prepared by:					
Busir	ness Process:	User Pay Income	e – Fees for Service			Date:					
Risk	Risk No. 3: User pay income			e is either inaccurately recorded or not recorded at all.							
Desc			om users are inaccurately recorded or not recorded at all by the Council, due to intentional or unintentional errors, this and revenue being misstated.								
Inher	ent Risk Assessme	ent									
Likeli	ihood		Consequence		Rating		Accept				
		·									
Poss	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1	1 There is a process in place to ensure that amounts charged are in accordance with Council's Fees and Charges register.		Core								
2	2 Delegations are in place for adjusting or waiving fees for service charges adopted in the fees and charges register.		Core								





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
3	There is a process in place to ensure that fee for service income is accounted for.	Additional							
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional							
Resid	Residual Risk Assessment								
Likel	Likelihood		Consequence		Rating		Accept		





5.4. Investment / Interest Income

Introduction

All Councils have the statutory power to invest money under its control, under section 139 (1) of the *Local Government Act 1999*. Investment income largely takes the form of dividends and interest.

For an analysis of the risks and controls associated with investments, please refer to the 'Investments' business process in Section 3.3 of this Framework.

Key Issues/Risks

In relation to Investment / Interest Income, the major risk faced by Councils may be summarised as follows:

1) Investment income is either inaccurately recorded or not recorded at all.

This risk is addressed in the following Control Assessment Worksheet.

Segregation of Duties

Most systems of internal control rely on assigning certain responsibilities to different individuals, or "segregating" incompatible functions. Such segregation of duties is intended to prevent one person from having both:

- Access to assets and
- Responsibility for maintaining the accountability for such assets.

For instance, in the investment cycle, different individuals are typically responsible for:

- Recording of investment transactions
- Approving new investments
- Following up on reconciliation or confirmation of investments to statements from third parties
- Review and analysis of recorded investments transactions by means of summary reports of activities (e.g. describing liquidity, interest rate gap, dealing positions, exposure to counterparties)
- Authorised signature of payments with respect to investment transactions.

If one individual has responsibility for more than one of these functions, that individual could misappropriate assets and conceal the misappropriation.





Contr	Control Assessment Worksheet										
Risk (Category:	Revenue				Prepared by:					
Busin	ess Process:	Investment / Inte	erest Income			Date:					
Risk I	No. 1:	Investment inco	me is either i	inaccurately record	led or not recorded	d at all.					
Descr	ription:	Inaccurately recorded investment income, investment income recorded in the incorrect period and investments not recorded at all, will result in misstatements in both the management reports and financial statements. Such errors may result from inaccurate data entry of interest rates and/or inaccurate calculation of interest or dividend income.									
Inhere	ent Risk Assessm	ent									
Likeli	hood		Consequence		Rating		Accept				
Possi	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1	 Investment balances and the interest earned are reconciled on a regular basis to third party statements and are accounted for in the relevant period. 		Core								





Possi	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
2	There is a process in place to ensure that interest attributable to a specific project is correctly recorded in line with the conditions of the agreement or relevant legislation.		Core						
3	Actual investment income compared to budget on a regular basis; variances are investigated.		Additional						
4	Insert any additional or replacement controls identified		Core/ Additional						
Resid	Residual Risk Assessment								
Likeli	Likelihood		Consequence		Rating		Ace	cept	





5.5. Receipting

Introduction

As a minimum, when reviewing the internal control environment surrounding Receipting, Councils should consider the following issues:

- Timely banking of receipts
- Accurate recording of receipts
- Issuing appropriate documentation to customers.

It is widely understood that "the receipt of cash" is a high risk activity. Consideration should be given to ways and means to minimise the risk. For instance, arrangements for the payment of rates might include options for payment of the rates by credit card on-line, telephone or direct to a bank, Australia Post or some other financial institution. Receipt of payments by cheque or EFTPOS might also be encouraged. Such arrangements not only provide convenience for residents, but transfer some of the risk associated with the receipt of cash and act to minimise the risk to staff".

Another way to minimise the risk associated with cash receipting is to ensure that all cash received is banked on a regular basis. Ideally, this should occur on a daily basis, but staffing levels and level of cash receipts may make this impractical.

Details of further risks and controls associated with cash handling and banking are considered in the 'Cash Floats & Petty Cash' in Section 3.1, and the 'Banking' Business Process in section 3.2 of this Framework.

Key Issues/Risks

In relation to Receipting, the major risks faced by Councils may be summarised as follows:

- 1) Receipts are either inaccurately recorded or not recorded at all
- 2) Receipts are not deposited at the bank on a timely basis.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

The following duties should be segregated within the receipting function:

- Receipting all cash payments from ratepayers/customers
- Recording all cash receipts
- Banking of cash receipts and cheques.

Also the opportunity for the misappropriation of funds through collusion should be minimised by the regular performance and independent review of bank reconciliations.





Contr	Control Assessment Worksheet										
Risk (Category:	Revenue				Prepared by:					
Busin	ess Process:	Receipting				Date:					
Risk I	No. 1:	Receipts are eith	er inaccurat	ely recorded or no	t recorded at all.						
Desci	ription:	Inaccurately entered receipts can lead to receipts being allocated to the incorrect customer account. Invalid or duplicated receipts result in an overstatement of cash and understatement of accounts receivable. In addition, postings in the wrong amount may result in an out- of-balance condition between the general ledger and the bank statement. Unrecorded receipts (through either intentional or unintentional errors) may lead to an overstatement of accounts receivable and misappropriation.									
Inher	ent Risk Assessm	nent									
Likeli	hood		Consequence		Rating			Accept			
Possi	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1 Customers are provided with a system generated or pre-numbered (manual) sequential tax compliant receipt detailing payment made.		Core									





Poss	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Process in place to ensure all monies received (including that from all offsite locations) are receipted and recorded in a timely manner.	Core					
3	Officers who create debtors invoices do not have access to receipting payments and/or reversing receipt transactions.	Core					
4	Receipt transactions are reconciled to the daily takings and out-of- balance banking is corrected promptly.	Core					
5	There is a process in place to ensure that the third party receipting downloads are reconciled to the third party substantiation documents.	Core					





Poss	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
6	Appropriate proces manage the funds behalf of third partic	collected on	Additional						
7	There is a review process for the authorisation of the reversal of transactions.		Additional						
8	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional						
Resid	Residual Risk Assessment								
Likel	Likelihood		Consequence		Rating		Accept		





Cont	Control Assessment Worksheet										
Risk	Category:	Revenue				Prepared by:					
Busir	ness Process:	Receipting				Date:					
Risk	No. 2:	Receipts are not	deposited at	the bank on a time	ely basis.						
Desc	ription:	-		e not banked on a timely basis, then there is an increased likelihood that the receipts will be open to misappropriation is of interest revenue.							
Inher	ent Risk Assessme	ent									
Likeli	ihood		Consequenc	e	Rat	ing	Accept				
Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1	Prior to and during the banking process, cash is stored securely at all times.		Core								
2	2 Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated.		Core								





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
3	Receipts are deposited regularly at the bank by a person independent from the initial recording of the cash receipts.	Additional							
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional							
Resid	Residual Risk Assessment								
Likeli	ihood	Consequence		Rating		Accept			





5.6. Other Revenue

Introduction

Other Revenue received by Councils typically includes:

- Donations
- Expiation Fees
- License Fees
- Permits
- Proceeds from the disposals of fixed assets.

For guidance as to the disclosure requirements in relation to Other Income, we refer you to AASB 118: Revenue (AASB 15: *Revenue from Contracts with Customers* for annual reporting periods on or after 1 January 2018).

For an analysis of the risks and controls in relation to Debtors (i.e. the collection and recovery of other income), please refer to the 'Debtors' business process in Section 3.4 of this Framework.

Key Issues/Risks

In relation to Other Revenue, the major risks faced by Councils may be summarised as follows:

1) Other Revenue is either inaccurately recorded or not recorded at all.

This risk is addressed in the following Control Assessment Worksheets.

Segregation of Duties

Please refer to the 'Rates / Rate Rebates' business process in Section 5.1 of this Framework for a discussion of the relevant segregation of duties issues that generally relate to revenue.





Contr	Control Assessment Worksheet										
Risk (Category:	Revenue				Prepared by:					
Busin	ess Process:	Other Revenue				Date:					
Risk I	No. 1:	Other Revenue is	s either inacc	urately recorded o	or not recorded at a	all.					
Desci	ription:		Errors in invoices can lead to a misstatement of debtors and other revenue. If invoices are issued but not recorded or if cash received is not recorded, other revenue, debtors and cash in the financial statements will be misstated.								
Inher	Inherent Risk Assessment										
Likelihood			Consequence		Rating		Accept				
Possible Controls			Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1	1 There is a process in place to ensure that all other revenues are accurately recorded and there is an audit trail.		Core								





Possi	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	lual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	
					1			





6.Expenses

6.1. Purchasing & Procurement

Introduction

The recent development of on-line purchasing and e/procurement present Councils with the opportunity to enhance the operational efficiency of the purchasing, procurement and disbursement environments. However it is important that this drive for operational efficiency does not circumvent the essential controls that should exist within this key facet of Council's operations.

When reviewing the internal control environment surrounding purchasing and procurement, Council should consider the following issues:

- Increasing use of on-line purchasing and e-procurement
- Obtaining value for money in purchasing and procurement
- Delegations of Authority
- Credit cards (please refer to the separate business process for Credit Cards in Section 6.4 this Framework)
- Custody of blank cheques and cheque-signing machines and access to electronic payment facilities.

Please refer to the chapter "Internal Control Framework" in "A Framework for Local Government Financial Management", published by the Local Government Association for a more detailed analysis of the importance of delegations in relation to purchasing and procurement.

For an analysis of the risks and controls specifically in relation to disbursements, tendering and contracting, please refer to the 'Accounts Payable' in Section 4.1 and the 'Contracting' business process in Section 7.1 of this Framework:

Key Issues/Risks

In relation to Purchasing & Procurement, the major risks faced by Councils may be summarised as follows:

- 1) Council does not obtain value for money in its purchasing and procurement
- 2) Purchases of goods and services are made from non-preferred suppliers
- 3) Purchase orders are either recorded inaccurately or not recorded at all
- 4) Purchase orders are made for unapproved goods and services
- 5) Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

The following activities should be segregated within the purchasing and procurement cycle:

- Approval of purchase orders
- Recording of the original purchase and liability.

If staffing levels make this control impractical, then purchase orders should be approved in accordance with the delegations of authority.





Control Asses	ssment Wo	rksheet								
Risk Category	y:	Expenses				Prepared by:				
Business Pro	cess:	Purchasing & Pr	ocurement			Date:				
Risk No. 1:		Council does no	t obtain valu	obtain value for money in its purchasing and procurement.						
Description:				have a robust and rigorous selection process for preferred suppliers, this may result in Council not obtaining from suppliers and therefore not achieving value for money in its purchasing and procurement.						
Inherent Risk	Assessme	nt								
Likelihood	Likelihood			ce	Rat	ing	A	ccept		
Possible Cont	trols		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
1 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.		Core								





Poss	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.	Core					
3	The organisation has a process in place to ensure use of preferred suppliers where relevant to maximise the best value for money to Council	Additional					
4	All relevant staff should undertake training for the raising of orders, posting of goods received and the requirements of the creditors process.	Additional					





Poss	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
5	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resi	dual Risk Assessme	ent						
Likel	Likelihood		Consequence		Rating		Accept	





Control Assessm	ent Worksheet									
Risk Category:	Expenses									
Business Proces	s: Purchasing & P	rocurement			Date:					
Risk No. 2:	Purchases of go	oods and ser	vices are made fro	m non-preferred s	uppliers.					
Description:	tion: If purchases of goods and services are made from non-preferred suppliers, this may result in Council not obtaining the best possible price for the goods and services.									
Inherent Risk Ass	Inherent Risk Assessment									
Likelihood	Likelihood Consequence Rating Accept									
			Assessing	Reviewing	Control	Action Plan ¹	Comment			
Possible Controls	\$	Control Type	Officer – Title	Officer – Title	Effectiveness	(if control not	(substantiation of			
		.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Officer – Title	Officer – Title	Rating	effective)	rating)			
1 Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.		Core								





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers.	Additional					
3	 Insert any additional or replacement controls identified by the organisation to mitigate risk. 						
Resid	lual Risk Assessment						
Likeli	hood	Consequence		Rating		Accept	





Control Assessment V	Vorksheet							
Risk Category:	Expenses				Prepared by:			
Business Process:	Purchasing & Pi	ocurement			Date:			
Risk No. 3:	Purchase orders	are either r	ecorded inaccurate	ely or not recorded	l at all.			
escription: Inaccurate input of purchase orders could lead to financial losses due to incorrect goods or services being purchased. If purchase order entry or processing is incomplete, receipts of goods and/or processing of invoices might be hampered. Stores employees are normally instructed only to accept goods for which purchase orders have been issued, and only up to the quantity specified in each purchase order. In invoice processing, the invoice is normally matched with the purchase order to verify the price and the payment terms.								
Inherent Risk Assessr	nent							
Likelihood		Consequence		Rat	ting		Accept	
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
Purchase order 1 system generate sequentially num		Core						





Poss	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
2	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.	Core						
3	There is a process in place to follow up and action incomplete purchase orders.	Additional						
4	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers.	Additional						
5	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional						
Resi	dual Risk Assessment							
Like	lihood	Consequence		Rating		Accept		





Control Assessment	Worksheet										
Risk Category:	Expenses	penses Prepared by:									
Business Process:	Purchasing & Pr	ocurement			Date:						
Risk No. 4:	Purchase orders	are made f	or unapproved goo	ds and services.							
Description:	function should no	A purchasing function procures goods and services to fulfil Council's requirements, as approved by management. The purchasing function should not acquire goods or services for which purchase orders have not been approved by management. Purchase orders might be paper-based or entered on-line.									
Inherent Risk Assess	ment										
Likelihood		Consequen	се	Ra	ting		Accept				
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)				
	s are issued in n Council's plicy and approved in n the Delegations of	Core									





Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	2 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	dual Risk Assessme	ent						
Likel	Likelihood		Consequence		Rating		Accept	
					•		•	





Cont	trol Assessment W	orksheet									
Risk	Category:	Expenses	enses Prepared by:								
Busi	iness Process:	Purchasing & Pr	ocurement			Date:					
Risk	No. 5:	Supplier master	file data doe	s not remain pertin	ent and/or unauth	orised changes	are made to the sup	plier master file.			
Desc	cription:	records and to inc	be considered "pertinent," the master file must reflect current conditions. In this context, pertinence relates both to master file ords and to individual data fields within those records. For example, if unapproved suppliers are added to the master file, payments Id be made to an unapproved supplier.								
Inhe	Inherent Risk Assessment										
Likel	lihood		Consequenc	e	Rat	ing		Accept			
Poss	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
Access to the supplier master file and ability to make changes is restricted to appropriately authorised staff.		Core									





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	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.	Additional					
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resi	dual Risk Assessment						
Likel	ihood	Consequence		Rating		Accept	





6.2. Payroll

Introduction

There are no sections of the Local Government Act that specifically deal with Payroll. However as a minimum, Council when reviewing the internal control environment surrounding payroll should consider the following issues:

- Compliance with statutory obligations (e.g. superannuation)
- Compliance with tax obligations and liabilities (e.g. Group tax)
- Changes in Employee Details
- Time recording
- Leave entitlements
- Payment processes.

One operational issue that can have a financial impact for Councils is that of the differential treatment accorded to contractors as compared to employees. When utilising contractors, Councils do not recognise these expenses as payroll related costs and are not liable for the employee benefits normally associated with payroll expenses (i.e. superannuation and leave entitlements).

For most Councils, payroll represents a significant operating expense. Accordingly, the internal financial controls environment needs to address the significant risk associated with this activity.

Key Issues/Risks

In relation to Payroll, the major risks faced by Councils may be summarised as follows:

- 1) Payroll expense is inaccurately calculated
- 2) Payroll disbursements are made to incorrect or fictitious employees
- 3) Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all
- 4) Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file
- 5) Voluntary and statutory payroll deductions are inaccurately processed or without authorisation.
- 6) Employees termination payments are not in accordance with statutory and enterprise agreements.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

The following segregation of duties should exist within the payroll and personnel cycle. Inquiries from employees regarding payroll calculations and disbursements may arise for a variety of reasons. Any such queries should be followed up by personnel independent of the payroll preparation and disbursement process to ensure:

- Appropriate segregation of duties exist between preparation, disbursement, and human resources (or personnel management); thus, the potential for concealment of fraud is minimised
- Any errors in calculation and/or disbursement are properly identified and corrected and not concealed
- Confidentiality of employee personnel matters is maintained.





Typically, all payroll queries (i.e. requests to change details) ought to be directed to supervisory level staff in the human resource or personnel management department. It is noted that in some councils, human resources are not involved in payroll queries and this segregation of duties issue is not applicable. However if Management regularly reviews the payroll master file and is advised of all significant changes to detail, the weakness associated with this segregation of duties issue may be reduced.





Cont	rol Assessment Wo	orksheet										
Risk	Category:	Expenses	Denses Prepared by:									
Busir	ness Process:	Payroll				Date:						
Risk	No. 1:	Payroll expense	is inaccurat	tely calculated.								
Desc	Description: Inaccurate calculation of payroll may result in both management report and financial statement errors. It will also lead to underpayments or overpayments to employees (and the associated cash flow implications), giving rise to the potential for industrial disputes.											
Inher	Inherent Risk Assessment											
Likeli	ihood		Consequen	се	Rat	ting		Accept				
			Control	Assessing	Reviewing	Control	Action Plan ¹	Comment				
Poss	ible Controls		Туре	Officer – Title	Officer – Title	Effectiveness Rating	(if control not effective)	(substantiation of rating)				
Where possible standardprogrammed formulae performpayroll calculations.		ulae perform	Core									
2	2 There is a process to ensure all overtime is verified and approved by relevant appropriate staff.		Core									





Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	There is a process in place to ensure accurate data entry of payroll source documents.		Core					
4	 All calculations for generating payroll payments are verified for accuracy. 		Core					
5	5 Payroll is periodically reconciled to the General Ledger accounts.		Additional					
6	6 <i>Insert any additional or</i> <i>replacement controls identified</i> <i>by the organisation to mitigate</i> <i>risk.</i>		Core/ Additional					
Resid	dual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	





Contr	Control Assessment Worksheet										
Risk	Category:	Expenses				Prepared by:					
Busin	ess Process:	Payroll				Date:					
Risk I	No. 2:	Payroll disburse	Payroll disbursements are made to incorrect or fictitious employees.								
Desci	ription:	When payroll disb	When payroll disbursements are posted to either the wrong employee or fictitious employees, this may cause payroll disputes.								
Inher	Inherent Risk Assessment										
Likeli	hood	Consequence Rating Accept									
				_							
Possi	Possible Controls Control Type Assessing Reviewing Control Action Plan ¹ Comment Officer – Title Officer – Title Officer – Title Officer – Title If control not effective) (if control not rating) (substantiation of rating)							(substantiation of			
1	1 The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll. Cor										





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	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.	Core					
3	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.	Core					
4	Employee records to include employment details and/or contract terms and conditions, authorisations for payroll deductions and leave entitlements.	Core					





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
5	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).	Core					
6	Any non-routine payroll queries or unusual payroll transactions/request are referred to management for investigation.	Core					
7	There is a process to ensure employees are made inactive in payroll records upon termination.	Core					
8	The payment for the payroll must be reconciled to a system generated report detailing amount and employee prior to payment.	Core					
9	There is a process to ensure an independent review of proposed payroll payments by authorised staff.	Additional					





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
10 Resid	10 Insert any additional or replacement controls identified by the organisation to mitigate risk. Residual Risk Assessment		Core/ Additional					
	ihood	Consequence	;	Rati	ng	Acc	cept	





Control Assessment Worksheet										
Risk Category:	Expenses				Prepared by:					
Business Process:	Payroll				Date:					
Risk No. 3:	Time and/or atte	ndance data	is either invalid, in	accurately record	ed or not recorde	ed at all.				
Description:	Recording of time not actually worked can lead to the underpayment or overpayments to employees. This may affect cash flow and council operations. Inaccurate input of time worked may result in payroll errors due to underpayments or overpayments to employees. If time worked is not input, there is a risk that employees will not be paid. This can lead to an understatement of the payroll expense and industrial disputes.									
nherent Risk Assessr	nent									
Likelihood		Consequence		Rating		Accept				
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
There is a process to ensure all overtime is verified and approved by relevant appropriate staff.		Core								





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	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.	Core					
3	Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the relevant supervisor.	Core					
4	There is a process in place to ensure accurate data entry of payroll source documents.	Core					
5	Time recording and attendance exceptions such as TOIL or flexitime are based on relevant policies/agreement are identified, monitored and corrected.	Additional					





Pos	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
6	6 <i>Insert any additional or</i> <i>replacement controls identified</i> <i>by the organisation to mitigate</i> <i>risk.</i>		Core/ Additional						
Resi	dual Risk Assessme	ent							
Like	Likelihood		Consequence		Rating		Accept		





Control Assessment Worksheet										
Risk Category:	Expenses				Prepared by:					
Business Process:	Payroll				Date:					
Risk No. 4:	Payroll master fi	le does not r	emain pertinent ar	nd/or unauthorised	changes are ma	de to the payroll mas	ster file.			
Description:	and to individual of be deposited in th	To be deemed pertinent, the master files must reflect current conditions. In this context, pertinence relates both to master file records and to individual data fields within those records. For example, if employee bank account numbers are not up to date, payments may be deposited in the wrong employee account. Also, if pay rate / conditions change due to promotion or reclassification and these are not reflected in the payroll master file, this will result in incorrect payroll disbursements.								
Inherent Risk Assessn	nent									
Likelihood		Consequence		Rating		Accept				
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised staff.		Core								





Possi	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
2	Managers periodically review listings of current employees within their departments and variances are investigated.	Additional							
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional							
Resid	Residual Risk Assessment								
Likeli	Likelihood		Consequence		Rating		Accept		





Contro	Control Assessment Worksheet										
Risk C	ategory:	Expenses				Prepared by:					
Busine	ess Process:	Payroll				Date:					
Risk N	o. 5:	Voluntary and st	tatutory payı	oll deductions are	inaccurately proce	essed or without	authorisation.				
Descri	ption:						n improper changes to th superannuation, etc.	ne payroll deduction			
Inhere	nt Risk Assessme	nt									
Likelih	ood		Consequen	ce	Rat	ing	Accept				
Possib	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1 The listing of payroll deductions is periodically reviewed by relevant staff for accuracy, compliance with statutory requirement and ongoing pertinence with changes compared to authorised source documents to ensure that they were input accurately.		Core									





Poss	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	All payroll deductions must be approved by the relevant employee.	Core					
3	Access to the payroll deduction listing is restricted to authorised staff.	Core					
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resi	dual Risk Assessment						
Like	lihood	Consequence		Rating		Accept	





Control Assessment Worksheet											
Risk C	ategory:	Expenses				Prepared by:					
Busine	ess Process:	Payroll				Date:					
Risk N	o. 6:	Employees term	ination paymo	nation payments are not in accordance with statutory and enterprise agreements.							
Descri	ption:	Termination of en	nployees outsi	ployees outside union agreements or statutory requirements can lead to industrial disputes or litigation.							
Inhere	nt Risk Assessm	ent									
Likelih	lood		Consequence)	Rat	ing		Accept			
Possib	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1	1 There is a process in place to ensure termination payments comply with relevant policies, procedures and legislation.		Core								
2	2 There is adequate training of payroll staff to ensure they are up to date with relevant statutory and enterprise agreements.		Additional								





Possi	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	lual Risk Assessme	ent						
Likeli	Likelihood C		Consequence		Rating		Accept	





6.3. Elected Members Expenses

Introduction

Under Section 76 (1) of the Local Government Act, "a member of a council is entitled to the allowance determined by the Remuneration Tribunal in relation to the member's office and indexed in accordance with this section".

Elected members, under Section 77 (1) of the Local Government Act, are "*entitled to receive from the council:*

- a) Reimbursement of expenses ... incurred in performing or discharging official functions and duties; and
- b) Reimbursement of expenses...approved by the council specifically or under a policy established by the council".

Under Section 79 (1), "the Chief Executive Officer of a council must ensure that a record (the "Register of Allowances and Benefits") is kept, in which is enteredin respect of each member of the council:

- a) The annual allowance payable to the member; and
- b) Details of any expenses reimbursed by the council under Section 77(1) (b); and
- c) Details of other benefits paid or payable to, or provided for the benefit of, the member by the council.

For a comprehensive analysis of the issues surrounding Elected Members' Expenses, please refer to the "Model Elected Members' Allowances and Support Policy", prepared by the Local Government Association.

Key Issues/Risks

In relation to Elected Members, the major risk faced by Councils may be summarised as follows:

- 1) Elected Member expenses and allowances are inaccurately recorded or not recorded at all.
- 2) Elected Members obtain unauthorised private benefit from Council.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

Please refer to "Segregation of Duties" in the Purchasing & Procurement business process for an analysis of the segregation of duties issues that relate generally to expenses.





Cont	trol Assessment Wo	orksheet						
Risk	Category:	Expenses				Prepared by:		
Busi	ness Process:	Elected Members	s Expenses			Date:		
Risk	No. 1:	Elected Member	expenses a	nd allowances are i	naccurately record	led or not record	led at all.	
Desc	cription:	If Elected Membe of Allowances and	•		not recorded agains	t the correct Elect	ed Member or not recor	ded at all, the Register
Inhe	rent Risk Assessme	ent						
Like	lihood		Consequen	ce	Rati	ng	Ac	cept
Poss	sible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1	1 Elected Members must complete and sign an expense reimbursement form when claiming Council related expenditure in line with the Policy (including providing valid substantiation) and are authorised by relevant staff.		Core					





Pos	sible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	All Elected Members allowar in accordance with the remu tribunal and are paid in a tim manner.	ineration Core					
3	Register of Allowances and maintained by designated pe and is made publicly availab Register is reviewed to ensu- accuracy.	erson le. The Core					
4	Insert any additional or replacement controls iden the organisation to mitigat						
Res	idual Risk Assessment						
Like	lihood	Consequenc	Consequence		Rating		cept





Control Assessment Worksheet										
Risk	Category:	Expenses				Prepared by:				
Busir	ness Process:	Elected Member	s Expenses			Date:				
Risk	No. 2:	Elected Member	s obtain una	uthorised private b	enefit from Counc	il.				
Description: If Councils reimburse Elected Members for expenses of a personal nature or n in negative publicity and public dissatisfaction.							pliance with the relevan	t policy, this may result		
Inher	ent Risk Assessme	ent								
Likeli	ihood		Consequenc	e	Rat	ing	Ac	cept		
Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
1	1Elected Members must complete and sign an expense reimbursement form when claiming Council related expenditure in line with the policy (including providing valid substantiation) and is authorised by a relevant officer. The signing of the form confirms that the Elected Members have excluded all items of a personal nature.Content		Core							





Poss	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Where use of public assets or services by Elected members is identified debtors invoice is raised for reimbursement	Core					
3	A policy clearly outlines what Elected Members can claim for council related expenses and is clearly communicated and adherence monitored.	Core					
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resid	dual Risk Assessment			I			
Likeli	ihood	Consequence		Rating		Accept	





6.4. Credit Cards

Introduction

The drive for operational efficiency in the purchasing and procurement has led to a number of developments, such as the proliferation of on-line purchasing and e-procurement. Included in these developments is the use of Credit Cards within Council. When reviewing the internal control environment surrounding the use of Credit Cards in the purchasing cycle, Councils should consider the following issues:

- Robust process for issuing cards to appropriately designated employees
- Restricted access to Credit Cards
- Appropriate Credit Card limits
- Regular review of credit card statements focusing on both the level and nature of credit card expenses.

For an analysis of the risks and controls associated with the disbursement and reimbursements processes associated with credit card statements/expenses, please refer to the Purchasing & Procurement in section 6.1 on page 134 and Employee Reimbursement Business Activities in Section 6.5 of this Framework.

Key Issues/Risks

In relation to Credit Cards, the major risks faced by Councils may be summarised as follows:

- 1) Credit Cards are issued to unauthorised employees.
- 2) Credit Cards are used for purchases of a personal nature
- 3) Credit Card limits are set at inappropriate levels.

These risks along are addressed in the following Control Assessment Worksheets.

Segregation of Duties

Please refer to "Segregation of Duties" in the Purchasing & Procurement Business Activity for the risks and controls that generally relate to expenses.





Control Asses	ssment Wo	orksheet						
Risk Category	y:	Expenses				Prepared by:		
Business Pro	cess:	Credit Cards				Date:		
Risk No. 1:		Credit Cards are	issued to u	nauthorised emplo	yees.			
Description:				mployees without the hat have not been a		-	may result in the Credit	Cards being used to
Inherent Risk	Assessme	ent						
Likelihood			Consequen	ce	Rat	ing	A	ccept
Possible Cont	trols		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1 ensure approva	There is a process in place to ensure there are appropriate approvals prior to the issuing of Credit Cards and limits.		Core					
2 Credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released.		Core						





Possi	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Access to credit card details and supporting documentation is restricted to appropriate staff.	Core					
4	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resid	Residual Risk Assessment						
Likeli	hood	Consequence		Rating		Accept	
				1			





Contre	Control Assessment Worksheet										
Risk C	Category:	Expenses				Prepared by:					
Busin	ess Process:	Credit Cards				Date:					
Risk N	No. 2:	Credit Cards are	used for pure	chases of a persor	nal nature.						
Descr	iption:	If Credit Cards are used for purchases of a personal nature, then there is the risk that these items will be paid by Council, resulting in overstating the operating expenses in management reports and the financial statements as well as adverse publicity.									
Inhere	Inherent Risk Assessment										
Likelihood Consequence				9	Rating		Accept				
Possi	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1	 Credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released. 		Core								





Poss	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	Core					
3	Cardholders are advised in the policy and procedures that improper use of the credit card, such as purchases of a personal nature, may result in disciplinary action in accordance with the Code of Conduct.	Core					
4	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.	Core					





Pos	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
5	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Res	dual Risk Assessme	ent						
Like	lihood		Consequence		Rating		Accept	
					•		•	





Cont	rol Assessment Wo	orksheet							
Risk	Category:	Expenses				Prepared by:			
Busir	ness Process:	Credit Cards				Date:			
Risk	No. 3:	Credit Card limit	ts are set at i	nappropriate levels	5.				
Desc	ription:		-	gh, then this may result in an increase in expenditure and budget overruns. On the other hand, if credit s could reduce the operational effectiveness of the credit card process and result in purchasing delays.					
Inher	ent Risk Assessme	ent							
Likeli	ihood		Consequence	e	Rat	ing	Ac	cept	
Poss	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
1	1 There is a process in place to ensure there are appropriate approvals set prior to the issuing of Credit Cards and limits.		Core						
2	2 There is a process in place to ensure credit card limits and usage is reviewed for operational efficiency.		Core						





Possi	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	lual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	
					1			





6.5. Employee Reimbursements

Introduction

When reviewing the internal control environment surrounding Employee Reimbursements, Councils should consider the following issues:

- Establishment of policy providing guidance to all employees of the appropriate process for employee reimbursements
- Authorisation of employee reimbursements in accordance with Delegations of Authority
- Submission of supporting documentary evidence (i.e. receipts) with all employee reimbursement claims
- Efficient lodgement and processing of employee reimbursements via on-line approval, where appropriate
- Claiming Employee reimbursements via the use of credit cards provided to employees by Council, where appropriate.

For an analysis of the risks and controls associated with the petty cash disbursements, disbursements generally and reimbursements of Elected Members' Expenses, please refer to the following business processes in this Framework:

- Cash Floats and Petty Cash in Section 3.1
- Accounts Payable in Section 4.1
- Elected Members' Expenses in Section 6.3.

Key Issues/Risks

In relation to Employee Reimbursements, the major risks faced by Councils may be summarised as follows:

- 1) Employees are reimbursed for expenses of a personal nature
- 2) Employee reimbursements are either inaccurately recorded or not recorded at all.

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

Please refer to "Segregation of Duties" in the Purchasing & Procurement business process for an analysis of the segregation of duties issues that generally relate to expenses.





Control Assessment Worksheet										
Risk Category:	Expenses				Prepared by:					
Business Process:	Employee Rein	nbursements			Date:					
Risk No. 1:	Employees are	reimbursed f	or expenses of a pe	ersonal nature.						
Description: If employees are reimbursed for private or personal expenses, this will result in unnecessary expenditures and misstatements in the management reports and the financial statements, and may result in negative publicity for the Council.										
Inherent Risk Asses	sment									
Likelihood		Consequence	ce	Rating		Accept				
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
 There is a process in place to ensure all employee reimbursements are valid with supporting documentation and approved by appropriate staff. 		Core								





Possi	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
2	A policy or procedure is in place setting guidelines for employee reimbursements.	Additional							
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional							
Resid	Residual Risk Assessment								
Likeli	hood	Consequence		Rating		Accept			





Contr	rol Assessment W	orksheet						
Risk	Category:	Expenses				Prepared by:		
Busir	ness Process:	Employee Reim	oursements			Date:		
Risk	No. 2:	Employee reimb	ursements a	re either inaccurate	ely recorded or no	t recorded at all.		
Description: If employee reimbursements are inaccurately recorded due to processing errors or the raising of fictitious claims, both the management reports and the financial statements will be misstated. If employee reimbursements are not recorded at all, then both the management reports and the financial statements will be misstated. Inherent Risk Assessment								
Likeli			Consequence		Rat	Rating		Accept
Possi	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1	1 Employee reimbursements are checked against the supporting documentation and compliance with relevant policies and procedures.		Core					





Possi	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	ual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	
		·						





6.6. Other Expenses

Introduction

Other Expenses may typically include the following:

- Office related expenses (i.e. printing and stationery)
- Operational expenses (i.e. utilities).

When reviewing the internal control environment surrounding Other Expenses, Councils should consider the following issues:

- Appropriate approval in accordance with Delegations of Authority
- Timely recording and monitoring against budget.

For an analysis of the risks and controls associated with the recording and disbursement of Other Expenses, please refer to the 'Accounts Payable' business process in Section 4.1 of this Framework.

Key Issues/Risks

In relation to Other Expenses, the major risk faced by Councils may be summarised as follows:

1) Other Expenses are invalid, inaccurately recorded or not recorded at all.

This risk is addressed in the following Control Assessment Worksheets.

Segregation of Duties

Please refer to "Segregation of Duties" in the 'Purchasing & Procurement' business process in Section 6.1 for an analysis of the segregation of duties issues that relate generally to expenses.





Contr	Control Assessment Worksheet										
Risk	Category:	Expenses				Prepared by:					
Busin	ess Process:	Other Expenses				Date:					
Risk I	No. 1:	Other Expenses are invalid, inaccurately recorded or not recorded at all.									
Desci	ription:	If processing erro	rs occur, this v	vill result in Other E	xpenses either bein	g inaccurately rec	orded or not recorded a	t all.			
Inher	Inherent Risk Assessment										
Likeli	hood		Consequence		Rating		Accept				
Possi	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1	There is a process in place to ensure that all other expenses are accurately recorded and there is an audit trail.		Core								





Possi	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	ual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	





7.External Services

7.1. Contracting

Introduction

For the purposes of this Framework the Contracting Business Activity considers the risks and controls in relation to contracting and tendering. Under Section 49 (1) of the Local Government Act, "*a council must prepare and adopt policies on contracts and tenders, including policies on the following:*

- a) The contracting out of services and
- b) Competitive tendering and the use of other measures to ensure that services are delivered cost-effectively
- c) The use of local goods and services; and
- d) The sale or disposal of land or other assets.

Section 49 (2), "the policies must:

- a) Identify circumstances where the council will call for tenders for the supply of goods, the provision of services or the carrying out of works, or the sale or disposal of land or other assets and
- b) Provide a fair and transparent process for calling tenders and entering into contracts in those circumstances; and
- c) Provide for the recording of reasons for entering into contracts other than those resulting from a tender process".

For a further analysis in respect of this issue, please refer to "Competitive Tendering – Service Provision in Local Government Manual", produced by the Local Government Association of South Australia.

When "in-house bids" are made for tenders or contracts, it is important to ensure that the application and inclusion of overhead costs is accurate. Misstated applied overhead costs can result in an inaccurate tender price being submitted that may expose the internal department to providing a service to Council that is unrealistic and not cost-effective.

Key Issues/Risks

In relation to Contracting, the major risks faced by Councils may be summarised as follows:

- 1) Council is not able to demonstrate that all probity issues have been addressed in the Contracting process
- 2) Council does not obtain value for money in relation to its contracting.
- 3) Commitments are made for unapproved goods and services

These risks are addressed in the following Control Assessment Worksheets.

Segregation of Duties

Within the contracting and tendering process, the following activities should be segregated or be performed by more than one person:

- Pre-selecting contract and tender applicants for consideration by Selection Panel
- Final selection of successful contractors and tenderers
- Contract and tender management (including management reporting and disbursements to service provider).





Control Assessment	Vorksheet								
Risk Category:	External Service	s			Prepared by:				
Business Process:	Contracting								
Risk No. 1:	Council is not a	ble to demor	nstrate that all prob	ity issues have be	en addressed in	the Contracting pro	cess.		
Description:		•	comply with probity i be demonstrated by C	-	•		be able to demonstrate y and public		
Inherent Risk Assessment									
Likelihood		Consequence		Rating			Accept		
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
1 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.		Core							





Poss	Possible Controls		Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	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.	Core					
3	Council maintains a current contract register.	Core					
4	There is a process in place to ensure that commitments are made with approval by Council or delegated staff.	Core					
5	There is a contract management process in place throughout the term of the contract to ensure that supplier/contractor meet their obligations.	Core					





Possi	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
6	6 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	lual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	
					1			





Contro	Control Assessment Worksheet									
Risk C	ategory:	External Service	S			Prepared by:				
Busine	ess Process:	Contracting				Date:				
Risk N	lo. 2:	Council does not obtain value for money in relation to its Contracting.								
Descri	Description: Poor contract selection and management of ineffective contractors can result in Council not obtaining value for money in relation to Contractors.							noney in relation to its		
Inhere	nt Risk Assessme	ent								
Likelih	lood		Consequence	ce	Rating		Accept			
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1 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.		Core								





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
	2	Tender Documents are kept securely.	Core					
	3	There is a contract management process throughout the term of the contract to ensure that supplier/contractor meet their obligations.	Core					
	4	There is an ongoing management in place that identifies and manages deliverables, key contact clauses, responsibilities, milestones and includes dispute resolution procedures.	Additional					





Pos	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
5	5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5		Core/ Additional					
Res	idual Risk Assessme	ent						
Like	Likelihood		Consequence		Rating		Accept	





Contr	Control Assessment Worksheet									
Risk (Category:	External Service	S			Prepared by:				
Busin	ess Process:	Contracting				Date:				
Risk I	No. 3:	Commitments ar	e made for u	napproved goods	and services					
Desci	Description: There is likelihood Council can find itself committed to unapproved goods and services for which it will be liable for payment and can result in council not obtaining best value for project and service outcomes							or payment and can		
Inhere	ent Risk Assessme	ent								
Likeli	hood		Consequence		Rating		Accept			
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)			
1	There is a process ensure that commi with approval by C delegated staff.	tments are made	Core							





Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
2	2 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional					
Resid	ual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	





8. Financial Governance

8.1. Governance

Introduction

Financial governance refers to the methods and processes that a Council uses to manage its financial affairs in pursuing its strategic and corporate objectives. Underpinning the effectiveness of the financial governance framework are clear roles and responsibilities and appropriate high levels of accountability.

It comprises the policies and practices by which a Council meets its responsibility to the community to achieve long-term financial sustainability.

It is critical that financial governance policies and practices are efficient, effective and transparent, as good financial governance enhances public confidence in Local Government. Also it helps to ensure that a Council is in a position to plan appropriately and make decisions that are properly responsive to the interests of its community.

A council has decision making powers defined under the *Local Government Act 1999* with the Chief Executive Officer as per Section 99 of *Local Government Act 1999* empowered to ensure those decision are implemented and to undertake responsibility for the day to day operations. The Chief Executive Officer may then delegate (or sub-delegate) a power or function vested in or on the chief executive officer to an employee of council ,committee of council or an authorised person as per Division 4.

Council policies and procedures govern organisational activities and processes and assist in establishing the boundaries and expected standards by which the council operates. This is further enhanced through the application of the Internal Financial Controls Framework generally.

Key issues/Risks

This section on Financial Governance is overarching in that it considers the major risks faced by Councils, and are summarised as follows:

- 1) Policies and Procedures do not reflect current requirements
- Delegations of authority are not commensurate with job roles and responsibilities
 Staff are not aware of their responsibilities to ensure good governance including
- compliance with policies, procedures and relevant legislation.

These risks are addressed in the following Control Assessment Worksheets.





Conti	Control Assessment Worksheet									
Risk	Category:	Financial Govern	nance			Prepared by:				
Busir	ness Process:	Governance				Date:				
Risk	No. 1:	Policies and Pro	cedures do n	ot reflect current r	equirements.					
Desc	Description: If policies and procedures are not updated on a regular basis, they may not reflect current practices and legislation or changes in the operating environment.							on or changes in the		
Inher	ent Risk Assessme	nt								
Likeli	ihood		Consequence		Rating		Accept			
Poss	Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)		
 There is a process in place to ensure all policies and procedures referenced in the Better Practice Model are reviewed for appropriateness and relevance. 		Core								





Possi	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional						
Resid	ual Risk Assessme	nt						
Likeli	Likelihood		Consequence		Rating		Accept	

¹ Action Plan Reference – Provide an action plan if control is not in place or where the control is rated 3 or below by reviewing officer.





Contr	Control Assessment Worksheet							
Risk	Category:	Financial Govern	nance			Prepared by:		
Busir	ness Process:	Governance				Date:		
Risk	No. 2:	Delegations of a	uthority are n	ot commensurate	with job roles and	responsibilities		
Desci	ription:	-	If the delegations of authority are not approved for the appropriateness of a person's role this can undermine the effectiveness of internal controls and increase the organisation's risk of fraud.					
Inher	ent Risk Assessme	ent						
Likeli	ihood		Consequence		Rating		Accept	
Possi	ible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
1	Delegations of aut in the Better Practi reviewed for appro changes approved	ce Model are priateness, with	Core					





Possi	ble Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2 Insert any additional or replacement controls identified by the organisation to mitigate risk.		Core/ Additional						
Resid	ual Risk Assessme	ent						
Likeli	Likelihood		Consequence		Rating		Accept	

¹ Action Plan Reference – Provide an action plan if control is not in place or where the control is rated 3 or below by reviewing officer.





Control Assessment Worksheet								
Risk (Category:	Financial Govern	nance			Prepared by:		
Busin	ness Process:	Governance				Date:		
Risk I	No. 3:	Staff are not awa relevant legislati		sponsibilities to er	nsure good govern	nance including o	compliance with poli	cies, procedures and
Desci	ription:	If staff are not aware of their responsibilities they could be making decisions that are not within the scope of their authority which can increase Council's exposure to risk and potentially lead to maladministration, misconduct and/or corruption.						
Inher	ent Risk Assessme	ent						
Likeli	ihood		Consequence		Rating		Accept	
Possible Controls		Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)	
1	There is a process are aware of polici procedures referer Practice Model.	es and	Core					





Poss	ible Controls	Control Type	Assessing Officer – Title	Reviewing Officer – Title	Control Effectiveness Rating	Action Plan ¹ (if control not effective)	Comment (substantiation of rating)
2	There is a process in place for staff to be made aware of the Code of Conduct and Conflict of Interest.	Core					
3	Insert any additional or replacement controls identified by the organisation to mitigate risk.	Core/ Additional					
Resid	Residual Risk Assessment						
Likeli	ihood	Consequence		Rating		Accept	
				1			

¹ Action Plan Reference – Provide an action plan if control is not in place or where the control is rated 3 or below by reviewing officer.





Appendix A – Likelihood & Consequence Tables

The following tables have been provided as a guide for risk management processes. Councils may wish to consider tailoring the parameters provided for their individual circumstances, or use their existing likelihood and consequence parameters.

Likelihood Rating	Description
E. Almost Certain	Is expected to occur in most circumstances
D. Likely	Will probably occur in most circumstances
C. Possible	Might occur at some time
B. Unlikely	Could occur at some time
A. Rare	May occur only in exceptional circumstances

Impact Scale	Socio-political & Community issues	Business Impact	Public Safety	Environment
1. Insignificant	 No adverse effect on public image Insignificant level of community concern Negligible adverse impact upon social health and well-being of the community which has little or no impact upon established community relationships and links. 	 Low financial loss – impact of less than \$5k Small delays in undertaking routine needs or tasks for ½ day. 	 No injuries or no significant injuries Negligible loss or damage to property / infrastructure. 	 "Nuisance" category under the SA Environment Protection Act (1993) met Contamination – on-site release immediately contained Slight, quickly reversible damage to few species.





Impact Scale	Socio-political & Community issues	Business Impact	Public Safety	Environment
2. Minor	 Minor adverse effect on public image Minor level of community concern Minor adverse impact upon social health & well-being of the community that may have a minor impact upon established community relationships & links. 	 Medium financial loss – impact of between \$5k and \$20k Minor impact in undertaking routine needs or tasks for 1 day. 	 First aid treatment required Minor loss or infrastructure damage. 	 "Nuisance" category under SA Environment Protection Act (1993) met Some minor adverse effects to few species/ ecosystem parts that are short term and immediately reversible.
3. Moderate	 Moderate adverse effect on public image Moderate level of community concern Social health and well-being of the community affected by moderately reduced opportunities for participation in community life and/or decision making, moderate incidences of increased isolation etc. 	 High financial loss – impact of between \$20k and \$50k Capability / production impaired, moderate impact on stakeholders & routine needs or tasks for 1 – 3 days. Minor legal issues, non compliances and breaches of regulation. 	 Medical treatment required Moderate loss/or infrastructure damage. 	 "Material" category under the SA Environment Protection Act (1993) met Contamination – on-site release contained with outside assistance Temporary, reversible damage, loss of habitat and migration of animal population, plants unable to survive, pollution requires physical removal, land contamination localised and can be quickly remedied.





Impact Scale	Socio-political & Community issues	Business Impact	Public Safety	Environment
4. Major	 Major adverse effect on public image Significant level of community concern Social health and well-being of the community seriously affected by major community unrest and/or significant breakdown of established community relationships and links. 	 Major financial loss - impact of between \$50k and \$100k Loss of capability, disruption to production, major impact on stakeholders & routine needs or tasks for 3 – 5 days. Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible. 	 Serious & extensive injuries Serious structural damage to infrastructure or serious loss of assets. 	 "Serious" category under the SA Environment Protection Act (1993) met Contamination – off-site release with no detrimental effects Death of individual animals, large scale injury, loss of keystone species and widespread habitat destruction.
5. Catastrophic	 Huge effect on public image Community outrage Social health & well-being of the community hugely affected by major community unrest and/or significant breakdown of established community relationships & links. 	 Huge financial loss/exposure – impact greater than \$100k Loss of production/capability, failure to meet stakeholder's needs for more than 5 days Projects & programs failure, inability to meet minimum acceptable standards, most objectives not met Major breaches of regulation, major litigation. 	 Fatalities Critical loss, irreversible damage property / infrastructure. 	 "Serious" category under the SA Environment Protection Act (1993) met Toxic release off-site with detrimental effect Death of animals in large numbers, destruction of flora species, air quality requires evacuation, permanent and wide spread land contamination, irreversible soil erosion or severe compaction, widespread introduction of weeds.





Appendix B – Definition of Key Terms

Appropriate / Authorised Staff / Relevant staff – Is defined as a person that has been assigned responsibility for completing specified tasks and activities which includes, but is not limited to, the approval of loans and liabilities and approval of expenditure.

Core – Considered to be the recommended controls that the Council should consider initially as a suitable starting point when reviewing the risks associated with a business process. These controls will typically be applicable for Councils of all sizes and locations

Additional – Theses possible controls are typically those that may be more applicable to Councils of a larger size or complexity and where resources are not limited.

Where:

Must - This specifies an unconditional requirement.

Should – This specifies that conformance is expected unless, when applying professional judgment, circumstances justify deviation.



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ADELAIDE HILLS COUNCIL AUDIT COMMITTEE MEETING Monday 14 February 2022 AGENDA BUSINESS ITEM

ltem:	7.9
Responsible Officer:	Kira-marie Laverty Corporate Planning & Performance Coordinator Office of the Chief Executive
Subject:	Quarterly Council Performance Report – Q2 2021-22
For:	Information

SUMMARY

As a local government entity, Council has a number of legislative obligations regarding the preparation and distribution of corporate planning and reporting information to the elected body and the community. In addition to these mandated requirements, Council has over time created a number of additional elements to improve the integration, transparency and accountability of its activities. The Quarterly Council Performance Report is just one of these elements.

A revised suite of corporate performance indicators and targets were developed in consultation with Council Members, the Strategic Leadership Team and relevant officers as part of the 2020-21 Annual Business Plan process and have continued to be incorporated into the Annual Business Plan 2021-22. These were aligned to the new Strategic Plan 2020-24 – A brighter future adopted in April 2020.

The Quarterly Council Performance Report for Q2 **(Appendix 1)** covers the period 1 October 2021 to 31 December 2021, and shows the performance against the corporate performance indicators as well as discussing key highlights aligned with the Strategic plan.

The purpose of this report is to inform the Audit Committee of Council's performance against the *Annual Business Plan 2021-22* targets in order to assist in their role as advisors to Council on the adequacy and effectiveness of processes involving financial management, reporting, risk and governance.

RECOMMENDATION

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

1. GOVERNANCE

Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal	A progressive Organisation
Objective O5	We are accountable, informed, and make decisions in the best interests of the whole community
Priority O5.3	Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community

The Quarterly Council Performance Report is part of the performance reporting suite contained in the *Corporate Planning & Performance Framework*.

Legal Implications

Chapter 8 - Administrative and financial accountability of the *Local Government Act 1999* sets out the key legislative obligations regarding corporate planning and reporting obligations, as follows:

- S122 Strategic management plans development, content requirements, consultation, review and availability of strategic plan, asset management plan and long-term financial plan;
- S123 Annual business plans and budgets development, content requirements, consultation, review and availability of annual business plan and budget
- S127 Financial statements preparation, content, auditing and availability of the financial statements;
- S131 Annual reports preparation, content, distribution and availability of the annual report

Additional requirements are contained in the *Local Government (General) Regulations 2013* and the *Local Government (Financial Management) Regulations*.

> Risk Management Implications

Quarterly Council Performance Reporting will assist in mitigating the risk of:

Ineffective performance management and reporting processes leading to poor performance and/or loss of stakeholder confidence

Inherent Risk	Residual Risk	Target Risk
Extreme (4B)	Low (3E)	Low (3E)

Note that there are many other controls that assist in mitigating this risk. The quarterly performance reports are part of the current control suite and therefore there is no additional mitigating impact of this report.

Financial and Resource Implications

The Corporate Planning & Performance Coordinator role, which coordinates the performance reporting function, is funded in the Governance & Performance Department budget.

Quarterly Council Performance Reporting assists in showing the financial and resource performance to plan as per the targets, initiatives and activities outlined in the 2021-22 Annual Business Plan.

> Customer Service and Community/Cultural Implications

Providing integrated, consultative corporate planning and effective and transparent performance reporting to the Council and community has the potential to increase the level of trust and confidence in Council.

Sustainability Implications

Quarterly Council Performance Reporting assists in demonstrating the outcomes related to Council's economic, social and environmental initiative.

> Engagement/Consultation conducted in the development of the report

Consultation on the development of this report was as follows:

Council Committees:Not applicableCouncil Workshops:Not applicableAdvisory Groups:Not applicableExternal Agencies:Not applicableCommunity:Not applicable

2. BACKGROUND

At its 19 June 2018 meeting, Council adopted (Res 128/18) the *Corporate Planning & Performance Framework*, of which a key element was the establishment of a suite of Corporate Business Performance Indicators which are aligned with Adelaide Hills Council's Strategic Plan goals and will enable the tracking of performance over time.

Over the 2019-20 financial year, Quarterly Council Performance Reports were drafted showing the performance against the Corporate Performance indicators, strategic initiatives and key activities of the *2019-20 Annual Business Plan*.

A revised suite of corporate performance indicators and targets were developed in consultation with Council Members, the Strategic Leadership Team and relevant officers as part of the 2020-21 Annual Business Plan process. These were aligned to the new *Strategic Plan 2020-24 – A brighter future* adopted in April 2020. These indicators have continued to be used in the *Annual Business Plan 2021-22*.

A change has been made to the timing of reports for the 2021-22 financial year. Reports are now provided to Council and the Audit Committee at the next meeting directly following the end of the quarter.

Council resolved at the 28 September 2021 meeting to establish more visible and accessible reporting mechanisms on significant projects across the district. Part of this is to include this information in the Quarterly Council Performance reports.

11.4 Community Project Update

7.25pm Cr John Kemp left the meeting 7.34pm Cr John Kemp returned to the meeting

Moved Cr Kirsty Parkin S/- Cr Leith Mudge 202/21

That Council establishes additional, more accessible and visible reporting mechanisms to provide information on the progress of significant projects across the district for the community and associated sporting clubs and associations. This could include more detailed information on key milestones and target dates and would be made available on the Adelaide Hills Council website for easy accessibility. This information would be updated on at least a quarterly basis.

Carried Unanimously

15/22

Council has received and noted this report at its January 25 Ordinary Council Meeting.

13.1 Council Quarterly Performance Report Q2

Moved Cr Nathan Daniell S/- Cr Kirrilee Boyd

Council resolves that the report be received and noted.

Carried unanimously

3. ANALYSIS

To reflect the alignment to the *Strategic Plan 2020-24 – A brighter future* the format of the Quarterly Council Performance Report is formatted to show Council's performance against the 5 strategic goals:

- Built Environment
- Community Wellbeing
- Economy
- Natural Environment
- Organisation

The report also includes:

- Reporting against the five (5) identified Major Projects (recently included per Res 202/21),
- Customer service standards,
- Capital works performance, and
- Quarterly financial performance.

Overall performance results for Quarter 2 include:

- 68 of Strategic initiatives are in progress, 8 are completed, 2 were deferred, 6 were not started and 15 are behind schedule.
- 15 of the 23 corporate performance indicators were met or exceeded, 7 were not met and 1 could not be assessed this quarter.
- 11 of the 17 customer service standards were met or exceeded, 2 were not met, and 4 had no instances reported or could not be assessed this quarter.

Comments within the report provide additional information on the strategic initiatives and performance indicators where they are not currently on track or under target.

See the attached Quarterly Council Performance Report – Quarter 2 2021-22 (Appendix 1) for details.

As identified in the Background section above, quarterly performance reports are now produced the month following the end of a quarter. As such the Q2 performance report was received and noted by Council at its 25 January 2022 meeting (i.e. prior to the Audit Committee viewing the report), this situation is likely to occur throughout the year given the scheduling of Audit Committee and Council meetings.

4. OPTIONS

As this is an information report, the Audit Committee is limited to receiving and noting the report however additional feedback can be provided to the Governance and Performance team for consideration of future enhancements for the 2021-22 FY reports.

5. APPENDIX

(1) Quarterly Council Performance Report – Q2 2021-22

Appendix 1

Quarterly Council Performance Report – Quarter 2 2021-22

Quarterly Council Performance Report



Quarter 2 – 1 October to 31 December 2021



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1. Executive Summary



Highlights

- Over 12,000 inspections on Adelaide Hills properties have been completed and 355 105F notices issued as part of our fire prevention strategies. This has shown an improvement on property compliance from last year with 29% less notices issued.
- More than 6,000 people attended twilight markets at Fabrik over two nights during the Lights of Lobethal Festival.
- 'Chipper the Cat' continued to work hard at getting the message out there about the Cat Bylaw commencement on 1 Jan 22. Since the media/education program began Council has seen an increase in cat registrations from 440 to over 1050.
- The first Home Based Business Network meeting was held, with strong interest reflecting this growing area of the Hills economy.
- AHC's Work Health and Safety Action Plan has been completed with 100% of the actions achieved and implemented.
- 2021 Youth Leadership Program has been completed. Program participants took the lead in the production and distribution of 300 support packs for local year 12s going through exam periods.
- The Service Review Framework was endorsed by the Audit Committee and adopted by Council.
- The second series of legislative reforms came into effect in November 2021.
- A vendor for the Council's new website has been selected and appointed.
- Community & Recreation Facility Grants of \$100,000 and Community Development Grants of \$42,460 were awarded.

Customer	Service Standards
😬 11	Targets met or exceeded
💛 4	N/A or No Incidents reported
😕 2	Target not met

Capital Performance

\$4.9m	of infrastructure delivered
\$4.7m	of works ordered

The primary focus of this quarter was making sure that key Local Roads and Community Infrastructure Projects commenced, along with many of the other larger category renewal programs and major projects.

Risk and Challenges

COVID-19 continues to impact all areas of the organisation as detailed below:

- Staff impacts increased pressures on staff due to additional activities such as supporting staff and managers with working from home arrangements, assisting SA Health and SAPOL with public health inspections, and finding new ways to provide services and events to the community.
- Project & Procurement impacts there are materials supply and contractor availability issues which are impacting on the delivery timeframes and costs of projects.
- Volunteer impact volunteer numbers have reduced from 170 to 130 over the past 6 months, affecting service provision and placing more pressure on the paid workforce and other volunteers.
- Event impacts uncertainty has led to many events being cancelled.
 Restrictions have reduced numbers of community members able to attend Council meetings.

Gumeracha Main Street Project

The Gumeracha Main Street Upgrade project will deliver a range of improvements, including underground power lines, a new storm water system, better pedestrian connectivity and a safer streetscape environment for Gumeracha's 'Village Heart'. This community streetscape project is delivered in close partnership with SA Power Networks, the Gumeracha Main Street Group and the Gumeracha Community Association.

Latest News

The streetscape upgrade works are complete. The contractor "Plot Works" accelerated the works uphill and have achieved an outstanding finish. All benches and bike hoops are installed and trees have been planted.

The Department for Infrastructure and Transport (DIT) will reseal Albert Street by the end of this financial year.

The tennis and netball courts in Federation Park have been asphalted and newly fenced. There's a waiting period for the asphalt to cure and evaporate chemicals before the acrylic paint can be applied. The project will be complete by mid-February.

FABRIK Development

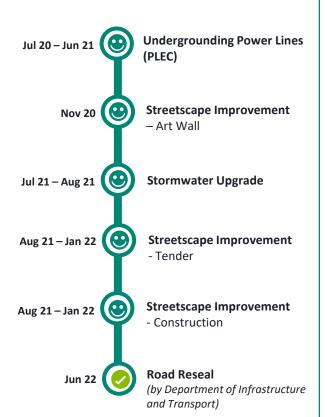
The FABRIK Development Project will involve upgrading and enhancing the former Onkaparinga Woollen Mills site at Lobethal. The new building will provide an exciting and focused entry point to the site that will enable staff to promote the history of the site, the current uses and businesses within the location and then direct visitors to various buildings from a central location.

Latest News

Walter Brooke were engaged by Council to undertake the detailed design, produce the planning documentation, and coordinate the building documentation in-conjunction with Council staff. The draft designs included a project video fly-through.

Council's Heritage Advisor was included in meetings to provide feedback on the draft designs. Elected Members were then informed of the design and following that session, the Community were updated and the next steps in the process were discussed.

The final designs were then submitted for Planning Approval in November and will be assessed by State Government in January 2022.





Heathfield Oval Change Rooms

Constructing new change rooms for Heathfield Oval to provide compliant male/female and umpire change room facilities in accordance with South Australian Cricket Association standards.

Latest News

Construction is well underway following a very positive official Groundbreaking ceremony, attended by Hon Minister Wingard, and local MPs Rebekah Sharkie and Josh Teague.

The existing structure was demolished back to required levels and a new steel structure erected in October 2021. First fix of building was achieved before Christmas 2021 which included sheeting and cladding underway, and services installed.

The scope for the cricket nets has been verified and design and quoting is underway.



Heathfield Sports Courts Redevelopment

The Heathfield Sports Courts Redevelopment is being constructed in partnership with the Department of Education and the federal Government.

It aims to provide additional sporting facilities to the community, sports clubs as well as an improved amenity for the Heathfield School.

Latest News

Construction on the sports courts project is well underway. Activities completed to date includes:

- vegetation clearance,
- access road establishment,
- bulk excavation of excess material,
- retaining walls,
- drainage,
- court base levelling and
- asphalt sealing of court base.

Work on the court perimeter fencing has started and is expected to be completed by the end of January.



Lobethal Bushland Park Masterplan Implementation

Lobethal Bushland Park (LBP) Masterplan goals are:

- Biodiversity protection, conservation, restoration and enhancement
- To promote community health, wellbeing and education
- Maintain the 'local' feel of Lobethal Bushland Park whilst improving the function and amenity for all

Latest News

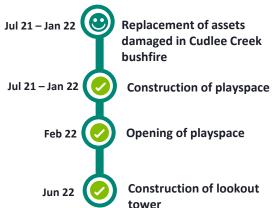
<u>Replacement of infrastructure</u> – all the pre-existing boardwalks, bridge and signage has been replaced since the Cudlee Creek Bushfire, utilizing recycled materials where possible. Additional park entry signage is also being developed for the park under current successful grant funding.

<u>Weed Management</u> – under the successful Nature Foundation Grant funding, annual weed management works is underway. Weed management activities are also ongoing associated with volunteer group (Friends of LBP) and Council annual operational budgets.

<u>Lookout Tower</u> – planning and approvals under the Native Vegetation Act for upgrade to existing Lookout Tower is underway. Further approval will also need to be sought by the Minister for Environment.

<u>Threatened Species recovery</u> – Translocation of Nationally Threatened plant species that were impacted by the Cudlee Creek Bushfire has been initiated. Further translocations and monitoring of populations is proposed in association with the Department of Environment and Water, and the SA Seed Conservation Centre.

<u>Playspace</u> - The Bushland Park Playspace is under construction with an expected completion in February 2022, the majority of the civil works are complete and equipment installation has begun but there are some items waiting transport from Sydney, they are expected to be delivered in mid-January.



2. Performance by Strategic Goal

A functional Built Environment

Highlights

Local Heritage Grant Fund

 Round 3 of the Local Heritage Grant Fund launched on the 15th November 2021.
 Applications window has been extended until 31 January 2022. Shortlisted Projects will be presented to the Council for endorsement in March 2022.

🕗 Bus Shelter Installation Program

• New bus shelters in Woodside and Stirling have been installed.

New and Upgrade Footpath Program

• Completed footpath projects include Mount Barker Road, Aldgate; Elizabeth St, Woodside; and Glover St, Kersbrook.

😍 Gumeracha Main Street Project

• The streetscape upgrade works are complete which now finalises the full project for Gumeracha Main Street upgrades.

🕗 Bridgewater Oval Drainage

 Works are almost complete. The associated clubs should be congratulated for their work in delivering a great community outcome and working so successfully, in partnership with Council.

Strategic Assets

• Council endorsed its Bridge Asset Management Plan for community consultation.

Risks & Challenges

6

Transition to the Planning, Development & Infrastructure Act (PDI Act)

- 94% of the project has been completed. There are three remaining actions to be finalised, but all have been commenced.
- Development of backup system to PlanSA Portal commenced to enable access to data for business continuity should system outages occur.

Integration of Development Assessment Systems

 Project on hold waiting on outcome of PlanSA system enhancements

Water reuse for Woodside recreation ground irrigation

- The funding allocated to this project will be utilised for an investigation into bores and water efficiencies as per Council resolution 14 December 2021.
- Federation Park and Oval masterplan implementation
 - Centrally controlled irrigation system still being investigated as well as the potential for a new bore.

🕗 Asset Management Plans for Buildings

• Review of all buildings on Council owned or controlled land nearing completion for tender to be released early in 2022.

Recreation Trails & Cycling Route Upgrades

• Draft Trails & Cycling Routes Framework documents were endorsed by Council for consultation in December 2021.

Community Wastewater Management System (CWMS)

- Council has identified efficiencies in the operation of the CWMS business and these savings will be returned to customers in Quarter 3.
- Crafers Village Main Street Traffic Calming and Open Space Upgrades
 - Project scope redefined for pocket park development.
 - Community engagement for pocket park has been undertaken, and a Tender for design called.

x Purchase of Electric Vehicles cars for fleet

 Seven Hybrid vehicles on order with one delivered this quarter. Delays due to procurement issues resulting from the pandemic.

Legend: 🕗 = On Track \bigcirc = Not Started \bigcirc = Deferred 😢 = Behind Schedule 2 = Completed \checkmark = Not a Strategic initiative

ች A functional Built Environment

Risks & Challenges Continued....

Energy Upgrades, Battery & Efficiency Actions from new Carbon Management Plan

 Property and Sustainability Audit tender documentation is being prepared to enable the identification and prioritisation of building works to improve electricity and water efficiencies.

Installation of further Electric Vehicle charging stations

 Council workshop planned in the new year to discuss the role of Council in providing EV charging stations. Still waiting on outcome of grant funding application.

🔀 Mount Lofty Gardens - Lampert Road Safety Upgrade

Community consultation undertaken and scope realigned. Design to be tendered.

Mount Barker Road, Aldgate ' Park and Ride'

Awaiting Department of Infrastructure and Transport, and Australian Rail Track Corporation Land Agreement.

Public Toilet Upgrades – Stirling, Aldgate and Bridgewater

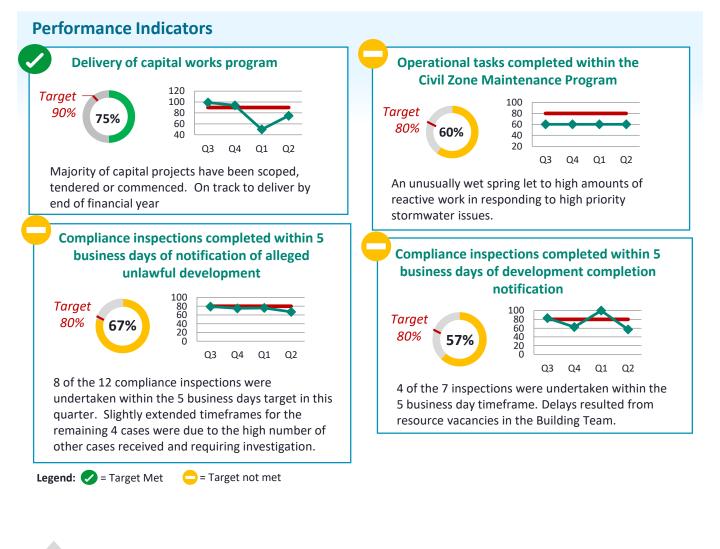
- Bridgewater Oval and Aldgate Main Street toilet upgrades have been completed.
- Steamroller Park toilet upgrade has commenced and is due for completion in February 2022, there has been some delay due to supply issues and weather.

Upper Sturt Road Walking Path

 Property owner is in support of land transfer. Boundary survey quotes being sought.

Local Heritage Grant Fund

Increased Development Application fees have significantly reduced the benefit of the grant to recipients.



7 There were

Legend: 🕗 = On Track 😑 = Not Started 🜔 = Deferred 😢 = Behind Schedule 😍 = Completed 🗸 = Not a Strategic initiative

A functional Built Environment

Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
B1001	Recreation Trails & Cycling Route Upgrades	0
B1003	New Bus Shelter Installation Program	0
B1004	New and Upgrade Footpath Program	0
B1006	Crafers Village Main Street Traffic Calming and Open Space Upgrades	8
B2001	Federation Park and Oval masterplan implementation	•
B2002	Gumeracha Main street project - stage 2	C
B2004	Gumeracha Main Street Stormwater	•
B2005	Transition to the Planning, Development & Infrastructure Act (PDI Act)	\bigotimes
B2006	Local Heritage Grant Fund	0
B2007	Integration of Development Assessment Systems	•
B3001	Water reuse for Woodside recreation ground irrigation	•
B3002	Implement irrigation systems (renewal / upgrades)	•
B3005	Energy Upgrades, Battery & Efficiency Actions from new Carbon Management Plan	⊗
B3006	LED Street lighting replacement	0
B4006	Asset management – Additional System Licenses and Field Devices	•
B4007	Asset Management Plans for Buildings	0
B4009	Building Upgrades – minor	0
B4011	Community Wastewater Management System Capacity Upgrades (Birdwood & Woodside gravity mains)	0
B4014	Road Safety Program including co-contribution to Road Blackspot	0
B4015	Installation of further Electric Vehicle charging stations	8
B4016	Purchase of Electric Vehicles cars for fleet	×
B4019	Aldgate Main Street amenity upgrade	0
B4021	Merchants Rd slip repair	0
B4022	Western Branch Creek erosion protection - design only.	0

Legend: 🕗 = On Track 😑 = Not Started 🖒 = Deferred 🔀 = Behind Schedule

🙂 = Completed

A functional Built Environment

Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
B4023	Bushland Park lookout tower	
B4024	Bridgewater Oval Drainage	0
B4025	Play space Audit	•
B4026	Woodside Rec Ground - Driveway & Carpark Upgrade	•
B4027	Woodside Recreation Ground - Masterplan progression	Ø
B4028	Aldgate Bridgewater Crafers Stormwater Master Plan	0
B4030	Mill Road, Lobethal - School Crossing	0
B4031	Public Toilet Upgrades – Stirling, Aldgate and Bridgewater	\bigotimes
B4032	Mount Barker Road, Aldgate ' Park and Ride'	×
B4033	Upper Sturt Road Walking Path	\bigotimes
B4034	Strathalbyn Rd - Service road Sealing	0
B4035	Hunters Road - Amenity Upgrade	٢
B4036	Mount Lofty Gardens - Lampert Road Safety Upgrade	\mathbf{x}
B4037	Birdwood footpath from kindergarten to playground	0
B4038	Bus Stop replacement - main street Stirling	⊘
B4039	Civil Services Cadet engineer	Ø
B4040	Crafers to Stirling Bikeway Stirling	۲



📴 Community Wellbeing

Highlights

Accessibility Planning

- Staff training in creating Easy Read docs.
- Establishment and promotion of new Disability Engagement Group.
- New Disability Access & Inclusion section of Council's website has been created and now live
- Call for expressions of interest has been promoted, inviting residents with disability and their supporters to join new Disability Engagement Group.
- Accredited access consultant has been engaged to inform strategic planning and projects to improve accessibility and inclusion.

Community wellbeing indicators (CWI)

• The CWI project was announced Regional Winner of the Minister's Award for Excellence in Public Health. There will be a launch event (Feb-2022), and discussions with potential research and funding partners for the next stage of development.

Support for Small Community Events

- The number of small events has increased during the quarter with Council supporting multiple events across the district including Bio-Blitz in Gumeracha, Lobethal Gardening Festival, Uraidla Show, local markets and the Stirling Family Fun day (run by The Hut).
- The global pandemic still continues to provide uncertainty to event organisers and lead to cancellation of community events.

🖌 Online Youth Hub

 Development of an online Youth Hub has commenced. The aim is to increase youth wellbeing by offering a platform for connection, engagement and information provision around programs and events, community organisations, support services and wellbeing.

🖌 Year 12 Support program

• The program, run by the Youth Leadership group, delivered a total of 300 Support packs to Year 12s in 4 High Schools in the district plus the Adelaide Hills Vocational College.

✓ Youth Leadership

- 13 participants graduated fro the 2021 program.
- Participants have been involved in organising a number of successful events, including the Represent live youth music festival in October, a BMX event at Woodside, and their graduation event.

Mylor BMX - Pump track at Sherry Park

- Staff are working with all stakeholders to find a compromise that delivers good outcomes for each group.
- Contractors will review plans early in the New Year.

Community Resilience and Readiness program

- Charleston Community have completed 4 community ready workshops, identified gaps in their preparedness and developed an action plan to address them.
- Parents from primary schools in the region have received training regarding preparing children and how to have conversations with them regarding bushfire preparation.
- The Adelaide Hills Community Action Bushfire Network has commenced with representatives from various community groups as members.
- Two grant applications have been submitted to continue resilience and preparedness work with the AHC community beyond the closure date of this project in June 2022.

Reconciliation Action Plan Initiatives

- Acknowledgement of Country cards produced using new branding.
- Aboriginal Place Naming Strategy scheduled to go to Feb 2022 Council meeting for consideration.

Grow our involvement in the Women's Tour Down Under

- The Santos Festival of Cycling will take place in the Adelaide Hills on January 25, 27 and 28 with the Women's Stage 3 start and finish in Lobethal on Tuesday 25.
- We continue to work closely with SA Tourism Commission around COVID-19 requirements. Local residents and businesses were informed in December of the potential road closures.

/ Emergency management

- Council's Emergency Management Plan was completed in October 2021.
- I-Responda training was provided for Council's Incident Management Team and support staff.
- Thanks to the City of Burnside, the Glenunga Hub has been established as an alternative site to establish Council's Incident Management Team and Emergency Operations Centre.

🕑 Community Wellbeing

Risks & Challenges

🔀 The Summit Community Centre Natural Amenity Space

• Meeting held with contractor to plan process, product requirements and expectations. Awaiting final quote with expected commencement late February 2022.

Volunteer Program

- The long term effect of COVID -19 has resulted in the reduction in active volunteer numbers from 170 to 130 over the past six months.
- Potential reasons for loss of volunteers and reduction in new volunteers includes:
 - Uncertainty due to COVID19
 - Programs being shutdown or placed on hold
 - Mandated vaccines for Commonwealth Home Support Programs
- Lower numbers of volunteers are causing some issues with service provision.
- Additional recruitment drives will be undertaken in the new year when appropriate

Bridgewater Court Resurfacing

- A request has been made to change the scope of this project to include some additional foundation works. Additional funds have been applied for from the Office for Recreation & Sport's grant funding program.
- The timing may impact the grant funding requirements associated with the Local Road's and Community Infrastructure Project which is currently funding this project.

🔀 Capital Divestment - Sales Revenue & **Capital Cost**

- Further engineering assessments being undertaken in respect of the under building culvert to determine remediation works required.
- Negotiations with tenant are on hold pending outcome of under building culvert assessment and remediation

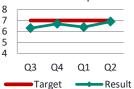
Legend: 🕗 = On Track 😑 = Not Started 🜔 = Deferred 😢 = Behind Schedule 😍 = Completed 🗸 = Not a Strategic initiative

Performance Indicators

Positive ageing wellbeing score

Average level of self-determined wellbeing of program participants reviewed in the quarter.

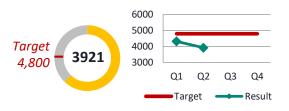




The wellbeing score has improved slightly this quarter, spring time often gives the client group a bounce as the weather improves and activates and outings increase (especially after the lockdown which happened in the previous quarter).

Feedback from Community Centre Participants Target Target 85% 80% Feel better Will use the connected to other knowledge/skills in the community gained in the future

Number of volunteer hours contributed to AHC programs each year



Volunteer hours are down this quarter primarily due to COVID disruptions. The long term effect of COVID -19 has resulted in the reduction in active volunteer numbers from 170 to 130 over the past six months.

🖭 Community Wellbeing

Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
C1001	Accessibility Planning - Staffing	I
C1002	Accessibility Planning materials	I
C1003	Mylor BMX - Pump track at Sherry Park	 Image: A start of the start of
C1004	Gumeracha Library upgrades	
C1005	Stirling region Skate Park	•
C2003	The Summit Community Centre Natural Amenity Space	\mathbf{x}
C4001	Community Wellbeing Indicators - staffing	I
C4002	Regional Health Planning Initiatives - Staffing	
C4004	Gumeracha Court Resurfacing – Federal Government Community Development Grant Funding	0
C4006	Play Space Upgrades	I
C4009	AHC contribution to Heathfield High School Sports Court Redevelopment	
C4017	Bridgewater Court Resurfacing	\mathbf{S}
C4018	Community Resilience and Readiness program	I
C4019	Heathfield Oval Changeroom Upgrade	
C4020	Play space upgrades at Lobethal Bushland Park	I
C5001	Reconciliation Action Plan (RAP) initiatives	I
C5002	Aboriginal Cultural Centre development	I
C6001	Fabrik activation - Capital	I
C6002	Capital Divestment - Sales Revenue	×
C6003	Capital Divestment - Capital Cost	×
C6004	Activation Arts & Heritage Hub - Operating (Income)	0
C6005	Activation Arts & Heritage Hub - Operating (Expenditure)	Ø
C6006	Grow our involvement in the Women's Tour Down Under	Ø
C6007	Support for Small Community Events	0
C6009	Public Art (including Acquisition)	0

👩 A prosperous Economy

Highlights

Expression of interest process related to 'Free' Camping Sites in the district

- The Free Camping Expression of Interest process was opened to the community at the Gumeracha Community Forum. It has also been promoted on Council's Social Media.
- The Expression of Interest process closes on 28 February 2022. This is on track to meet the initiative timelines.

Additional Tree Safety Work required to support the Tour Down Under

 Route for Festival of Cycling has been inspected by an arborist and works identified at four sites. These works will be actioned prior to the event

🖌 Business Workshop

- AHC hosted a networking event for Home Based Businesses in response to information provided by the recently conducted Business Survey.
- The event was attended by 9 businesses who were very happy with the networking opportunity.

Procurement Training

13

- AHC provided two training sessions for businesses on how to engage in Council's Procurement processes.
- 18 businesses attended the events. This supports local businesses to grow their market share and Council to purchase more goods and services locally.

Place making program to shape, activate and coordinate community place making

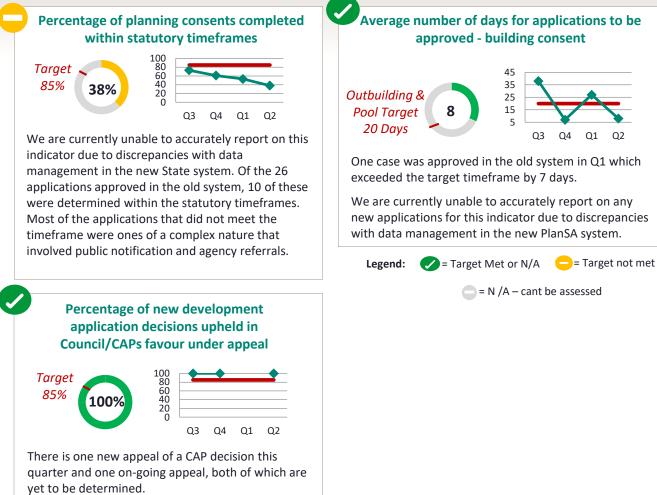
- Focus during the quarter has been on supporting the Crafers Pocket Park upgrade in particular leading the community engagement component for this project.
- Council received high levels of participation during the engagement with over 130 survey responses received.
- Early engagement with the Chair of Imagine Uraidla has commenced, following the adoption at a recent Committee Meeting of the intent/desire to initiate a Township Masterplan Project should funding be secured in the near future.

Review and upgrade Council signage and branding

 Banners are in production for the Woodside Council offices and design work and costing is continuing for wayfinding signage at the Stirling library and offices.

🕤 A prosperous Economy

Performance Indicators



Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
E1003	Undertake an expression of interest process related to the level of interest and viability of 'Free' Camping Sites in the district	Ø
E2001	Review and upgrade Council signage and branding	Ø
E2002	Place making program to shape, activate and coordinate community place making	0
E4001	Additional Tree Safety Work required to support the Tour Down Under	Ø
E4002	UNESCO World Heritage Bid	⊘



💯 A valued Natural Environment

Highlights

Long Term Strategic Tree Planting Program

- Plantings to occur on Piccadilly Road Crafers
- Approval sought from SA Power Networks to remove and plant on Onkaparinga Valley Road Charleston.

Native Vegetation Marker Program to protect and manage roadside vegetation

• 27 Bushrat assessments undertaken across 16 sites.

Local Climate Adaptations for landscape conservation

• Our collaboration continues with Trees for Life, Adelaide University, Mt Barker Council and Department of Environment and Water to investigate the dying stringybarks and links to a changing climate within the region.

Animal management

- Education related to the upcoming By-law change for cat confinement has continued during the quarter including:
 - Presentations at the Basket Range Community meeting and the Gumeracha Community meeting.
 - An education stall at the Stirling market to provide information to cat owners.
 - A competition for cat owners was held, as well as continuing with a social media ad campaign, print media and signage around the Council area.

Sustainability

- The reduction of single use plastic Council report was endorsed on 26 October 2021 and Council is now progressing priority actions.
- The final Council report for the Woodside Recreation Ground reuse project was presented to Council on the 14 December 2021 and it was endorsed not to proceed.
- The Fleet Transition Plan outcomes will be included in the budget deliberations for 2022-2023.

Heritage Agreements for land under Council's care and control

- Heathfield Stone Reserve letter of request for rededication to conservation reserve has been lodged with the Lands Title Office.
- Purchase order raised for consultant to undertake Heritage Agreement applications for 4 reserves - MiMi Reserve, Stock Road Reserve (Mylor), Heathfield Reserve and Carey Gully Water Reserve, to be completed and lodged by June 30 2022.

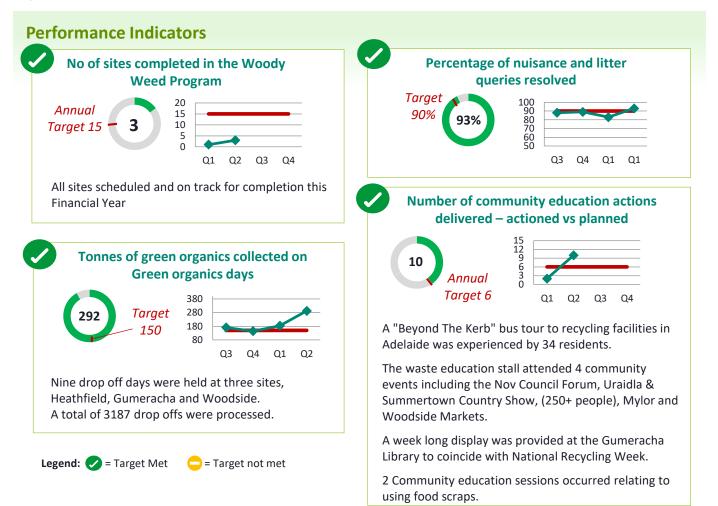
✓ Fire prevention

- All property inspections (both initial and follow up) have been for fire danger season.
- Over 12,000 inspections on Adelaide Hills properties have been completed with 355 105F notices issued.
- Council has engaged a contractor to clear 13 properties for falling to take reasonable steps under the Fire and Emergency Services Act.

🗸 Waste

- The first of Council's new waste and recycling educational videos, featuring the Brinkley Landfill, was completed and made publicly available in December 2021.
- A number of waste and education stalls were held at local events including the Gumeracha Community Forum and the Uraidla Show.
- Free green organic drop off days continued in the lead up to the 2021/22 Fire Danger Season.

💯 A valued Natural Environment



Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
N1003	Long Term Strategic Tree Planting Program	
N1004	Strategic Tree Planting - Avenue of trees	Ø
N1005	Internal resourcing of Tree Team	I
N2002	Heritage Agreements for land under Council's care and control	
N2003	Native Vegetation Marker Program to protect and manage roadside vegetation	0
N2006	Develop and review Council Management Plans for high value reserves	Ø
N2008	Develop informative and attractive signage in Council reserves/playgrounds	•
N2010	Post prescribed burn weed management	I
N3001	Local Climate Adaptations for landscape conservation	
N3002	Resilient community facilities and open space including water fountains	0
N5001	Undertake Kerbside Waste Audits	Ø

16

Legend: \bigcirc = On Track \bigcirc = Not Started \bigcirc = Deferred \bigotimes = Behind Schedule \bigotimes = Completed \checkmark = Not a Strategic initiative

A progressive Organisation

Highlights

🕗 Cyber & Systems Security

 Realignment of the work activity within the Cyber Security Plan has commenced to align with the development of a state wide Local Government Information Security Framework facilitated by LGITSA (Local Government Information Technology South Australia) and grant funding from LGA's Local Government Research & Development Fund.

Service Review Framework Development

 The Service Review Framework was endorsed by the Audit Committee at its October meeting and adopted by Council at the November meeting.

Update of Business Continuity Plan (BCP) and implementation

 Departmental managers have completed the Maximum Acceptable Outage (MAO) analysis for each of the Council's service areas. The resulting critical functions will be subject to further analysis for inclusion in the draft BCP

Local Government legislative reform proposals

- The second series of legislative reforms came into effect in November 2021. The majority of the reforms related to changes to the election legislation which will be in place for the 2022 Local Government Election.
- Submission made regarding the Stage 2 Regulation Reforms which came into effect on 23 December. Most reforms relate to strategic and financial planning and reporting.

🗸 Finance

- The financial statements for the 2020-2021 financial year were finalised and presented to both the Audit Committee and Council.
- New supplier contracts were entered into for the supply of vehicle tyres, debt recovery services, printing and cleaning services.

New council website and e-services

• A vendor for the Council's new website has been selected and appointed..

Develop or respond to Boundary Reform Proposals

- Council's LGA AGM motion regarding changes to the Boundary Change Guidelines was narrowly defeated. Mayor Wisdom will write to the Boundaries Commission to encourage progress on the matter.
- The Woodforde/Rostrevor boundary proposal does not appear to have any further progress.
- Customer Experience Training
 - A Complaint Handling form within our CRM system has been developed for improved record keeping in line with our Complaint Handling Policy and Procedure. It is currently undergoing testing and will be rolled out to the wider organisation in quarter 3.

Customer experience improvement projects

 Internal workshops are being conducted to understand issues and opportunities relating to automatic CRM case updates to customers.

Organisational Development

• Work continued on the payroll and HR system implementation including learning the new system and quality checking the data.

Crown Land review

 Meeting held with Crown Lands Department to discuss Crown Land parcels within our district, including those that are proposed to be resumed to the Crown. Application for revocation lodgment with the Minister for Planning.

Unmade road review

• Consultation completed for the proposed review of the Roadside Trading Policy with a workshop to be held with Council in February.

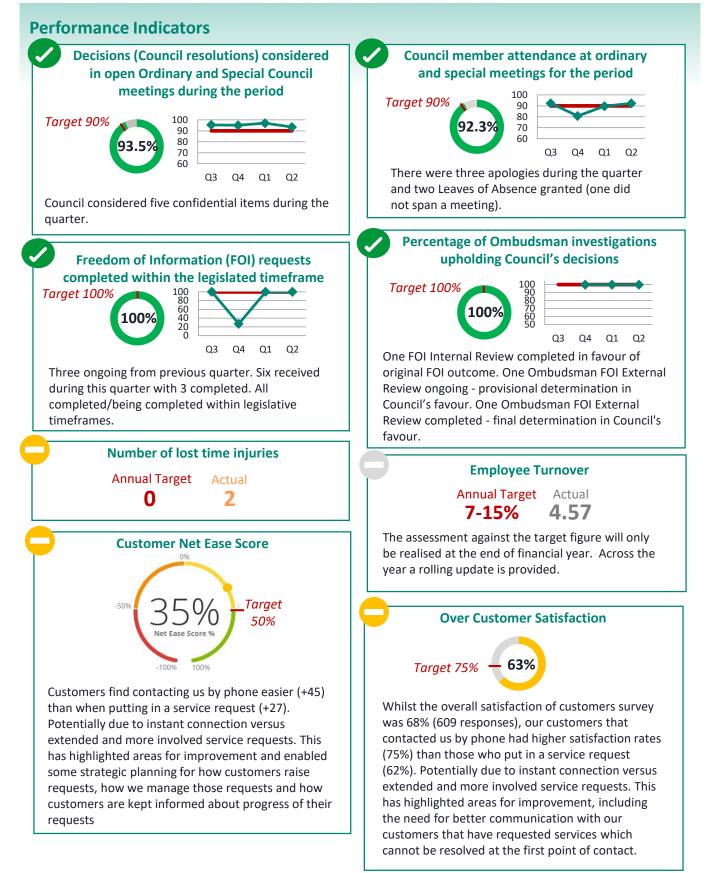
Risks & Challenges

🗙 Heathfield Resource Recovery Centre (HRRC)

- Project delayed due to unplanned work in the Sustainability, Waste and Emergency Management area.
- Project to be managed internally between January and June 2022.
- Resource to manage building & swimming pool compliance inspections
 - Staff resources reduced during this quarter due to planned leave and two team vacancies

Legend: 📀 = On Track 😑 = Not Started 📀 = Deferred 😢 = Behind Schedule 😍 = Completed 🗸 = Not a Strategic initiative

A progressive Organisation



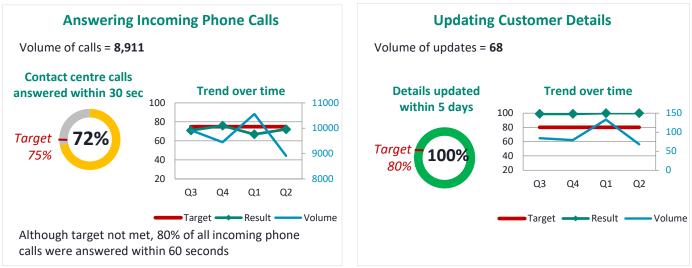
A progressive Organisation

Progress on Strategic Initiatives from the Annual Business Plan

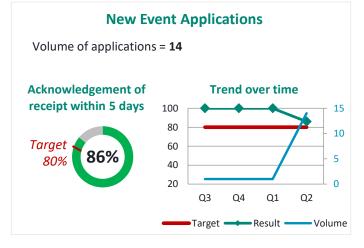
Project ID	Strategic Initiatives	Status
01001	Resource to manage Skytrust (WHS system) implementation	Ø
01002	Update of Business Continuity Plan and implementation	0
01003	Heathfield Resource Recovery Centre (HRRC) - Concreting of Bays	×
O1004	Heathfield Resource Recovery Centre (HRRC) - Pedestrian movement safety upgrade	8
02001	New council website and e-services	
02003	Customer experience improvement projects	0
02004	Customer Experience Training	0
O2006	Cemetery mapping and imaging	0
03001	Service Review Framework Development	Ø
04003	Develop or respond to Boundary Reform Proposals	0
O4004	Council Member Honour Boards	
05001	Local Government legislative reform proposals	0
05003	Corporate Plan Review	•
05005	Resource to manage building & swimming pool compliance inspections	0
06002	Cyber & Systems Security - Program Management	I

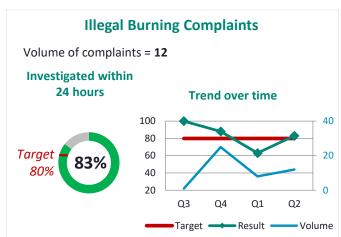


5.1 General Customer Standards



5.2 Service Specific Standards – Time Based Indicators





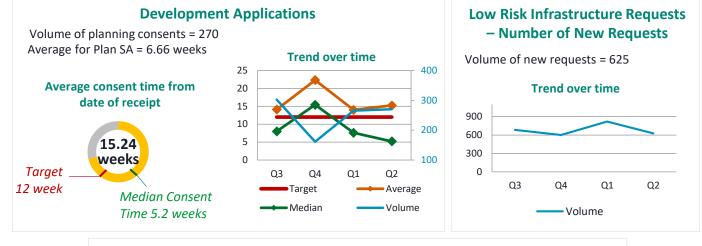




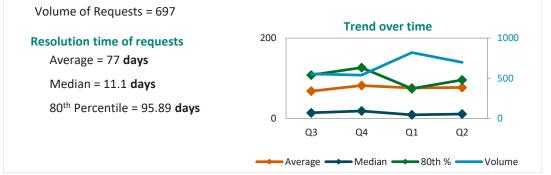




5.3 Service Specific Standards – Other Indicators

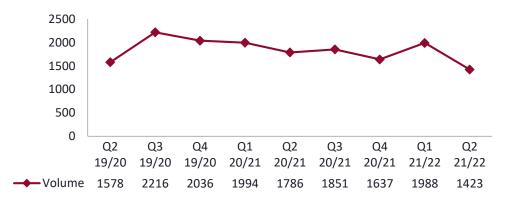






Overall Volume of Requests

Trend in volume of requests/customer cases for which there is an adopted service standard, excluding the volume of phone calls. This data now includes number of planning consents granted for the quarter. In previous quarters this wasn't included.



Quarter 2 of the 2021-22 FY was very productive , with \$4.91M of Capital Works delivered during this period and another \$4.72M of works on Order. The primary focus of this quarter was making sure that Key LCRIP projects commenced along with the larger category renewal programs and major Projects.

Highlights

- Construction for sports court resurfacing and change room redevelopment at Heathfield well underway.
- Streetscape upgrade in Gumeracha completed, as is Stirling to Crafers Bikeway.
- Unsealed Renewal Program 50% Complete
- Sealed Road reseal, heavy patch and major patch programs all well underway
- New Toilet Blocks at Bridgewater and Aldgate Well received
- Gumeracha Playing Courts Renewal Underway
- Drainage installed at Bridgewater and Heathfield Ovals

What's Next

- Retaining wall Works and Replacement of the footbridge at Bridgewater Oval will commence in Quarter 3
- All major road renewal programs will continue to be delivered in Quarter 3
- New CWMS Control Cabinets to be installed at Springhead Rd Mount Torrens, Jacaranda Drive and Mount Barker Rd, Verdun in Quarter 3
- Toilet Block at Steamroller Park to be completed in Quarter 3

Financial Performance by Asset Category (preliminary numbers)

	YTD Actuals	YTD Budget	YTD Var fav / (unfav)	Annual Budget
Asset Category	\$'000s	\$'000s	\$'000s	\$'000s
Bridges	17	85	68	300
Buildings	536	1,342	807	6,496
Cemeteries	5	20	14	92
CWMS	51	69	17	302
Footpaths	1,015	430	(585)	1,893
Guardrails	-	25	25	110
Kerbing	29	50	21	220
Local Roads & Community Infrastructure Program (LRCIP Phase 1)	111	103	(7)	103
Local Roads & Community Infrastructure Program (LRCIP Phase 2)	463	1,432	969	1,432
Other - Ret Walls, Str Furniture & Bus Stops	74	97	23	514
Roads	669	993	324	6,270
Sport & Recreation	1,502	683	(819)	4,311
Stormwater	355	239	(117)	853
Fleet	770	755	(15)	3,056
ICT	280	523	243	1,149
Library	3	11	8	15
Plant & Equipment	14	25	11	118
	5,891	6,881	990	27,235

Overall Funding Statement as at 30 December 2021

Note: These figures are preliminary only. The fully reconciled figures will be presented to Council as part of the Budget Review report.

	YTD Actual	YTD Budget	YTD Variance	Revised Budget
	\$'000	\$'000	\$'000	\$'000
Total Operating Income	45,812	45,179	633	51,335
Total Operating Expenditure	20,411	21,006	594	50,220
Funding surplus before Capital	25,401	24,173	1,228	1,115
Capital Expenditure	5,891	6,881	990	27,236
Capital Income	1,768	1,702	66	9,041
Net expenditure - Capital projects	4,123	5,179	1,055	18,195
Net Lending / (Borrowing) Result for Year	21,278	18,994	2,284	(7,348)

Adelaide Hills Council Operating Summary By Directorate as at December 2021							
	YTDYTDYTD VarRevisedActualsBudgetfav / (unfav)Budget\$'000s\$'000s\$'000s\$'000s						
Income							
Community Capacity	1,468	1,493	(25)	2,161			
Corporate Services	40,455	40,385	70	41,694			
Development & Regulatory Services	900	790	110	1,228			
Infrastructure & Operations	2,989	2,510	479	6,253			
Income Total	45,812	45,179	633	51,335			
Expenditure							
Community Capacity	3,670	3,912	242	7,832			
Corporate Services	5,422	5,502	80	8,478			
Development & Regulatory Services	1,941	1,957	15	3,913			
Infrastructure & Operations	9,377	9,635	258	29,998			
Expenditure Total	20,411	21,006	594	50,220			
Operating Surplus (Deficit)	25,401	24,173	1,228	1,115			





MORE INFORMATION



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ADELAIDE HILLS COUNCIL AUDIT COMMITTEE MEETING Monday 14 February 2022 AGENDA BUSINESS ITEM

ltem:	7.10
Responsible Officer:	Lachlan Miller Executive Manager Governance & Performance Office of the Chief Executive
Subject:	Legislative Reform Update
For:	Information

SUMMARY

The Local Government Legislative Reform Process has been underway for approximately two years and Council has made a number of submissions during that time. The *Statutes Amendment (Local Government Review) Bill 2020* underwent many amendments during its passage through both Houses of State Parliament.

The resultant *Statutes Amendment (Local Government Review) Act 2021* (the "Amendment Act") was assented to by the Governor on 17 June 2021 and the Office of Local Government (OLG) has published indicative commencement schedules for each of the 210 new or amended provisions.

A number of the new or amended provisions in the *Local Government Act 1999* (the "LG Act") relate to the functions of the Audit Committee.

The purpose of this report is to provide the Committee with an overview of the key legislative changes that relate to the functions of the Committee along with he proclaimed commencement date for each of these new/altered provisions.

RECOMMENDATION

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

1. GOVERNANCE

Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5	A Progressive Organisation
Objective O5	We are accountable, informed, and make decisions in the best interests
	of the whole community
Priority O5.1	Enhance governance structures and systems to prudently adapt to
	changing circumstances and meet our legislative obligations

Some of the incoming reforms will impact on Council's policy suite including the *Risk Management Policy* and the *Internal Audit Policy*.

Legal Implications

The provisions relating to Audit Committees, their functions and membership are contained in the *Local Government Act 1999* (the "LG Act") and the *Local Government (Financial Management) Regulations 2011* (the "Regulations").

The *Statutes Amendment (Local Government Review) Act 2021* (the "Amendment Act") was assented to by the Governor on 17 June 2021. Section of the Act are being progressively commenced.

On 23 December 2021, the *Statutes Amendment (Local Government Review) Act (Commencement) Proclamation 2021* (the "Proclamation") was published in the *SA Government Gazette.* The Proclamation set out commencement dates for a series of reforms contained in the Amendment Act. This has provided some certainty to the sector and will facilitate the planning and implementation of systems and processes to achieve compliance with the new/revised requirements.

Risk Management Implications

Understanding and implementing the legislative changes arising from the Amendment Act in relation to the Audit Committee's role and functions 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)	Low (3E)	Low (3E)			

Many of Council's governance-related controls have been developed to manage legislative compliance risks. Some of the existing controls will need to be reviewed and revised and there will also be new mitigations to be developed as Amendment Act provisions are commenced.

Financial and Resource Implications

In general, the financial implications of the Amendment Act are not anticipated to be onerous although this assessment may change as subordinate legislation is developed. Any specific financial implications in excess of current budgets will be addressed for Council's consideration through the budget review process.

Notwithstanding that one of the stated intents of the Reform Program was to reduce bureaucracy, the Amendment Act provisions, in the majority of cases, will result in more administrative effort and these burdens will fall largely to the governance and finance functions of councils although other functions will also be impacted.

Customer Service and Community/Cultural Implications

The community could reasonably expect that public institutions, such as councils, have robust accountability arrangements including, but not limited to, Audit Committees, internal control, risk management and audit.

> Sustainability Implications

Not applicable.

> Engagement/Consultation conducted in the development of the report

Consultation on the development of this report was as follows:

Council Committees:	The Audit Committee has had a number of discussions during 2021 regarding the Amendment Act and the incoming provisions.
Council Workshops:	Council has had a number of workshops as various tranches of reforms have come into effect. The most recent workshop was 8 February 2022 to discuss the Proclamation.
Advisory Groups:	Not Applicable
External Agencies:	Local Covernment Association

 External Agencies:
 Local Government Association

 Office of Local Government
 Governance & Policy Officers Network

Community: Not Applicable

2. BACKGROUND

The Local Government Legislative Reform Process has been underway for approximately two years and Council has made a number of submissions during that time. The *Statutes Amendment (Local Government Review) Bill 2020* underwent many amendments during its passage through both Houses of State Parliament.

The resultant Amendment Act was assented to by the Governor on 17 June 2021. Tranches of amendments are being progressively commenced.

Key elements of the reform program related to financial accountability and improved governance. As such there are a significant number of Amendment Act provisions which impact the role, and functions of the Audit Committee.

3. ANALYSIS

The Proclamation set out a series of six commencement dates beginning in January 2022 through to November 2023. For each commencement date, the Proclamation lists the affected sections in the applicable legislation.

The following reforms are listed due to the relevance to the Audit Committee. Please note the majority of the text has been copied from information sheets prepared by the Office of Local Government (www.agd.sa.gov.au/local-government/office-of-local-government/local-government-reform):

6 January 2022

- Amendments to the *Local Government Act 1999* (the LG Act) to implement financial accountability reforms, including:
 - The requirement for adopted council annual business plans to include a statement about significant changes from draft annual business plans, with reasons for these changes.
 - An amendment to ensure that a budget adopted by a council may include approval of an amount of new borrowings or other forms of financial accommodation which may be undertaken for the financial year.
 - An incremental improvement to bring forward council annual budget processes by requiring councils to adopt their annual business plans and budgets and declare general rates by 15 August each year (rather than 31 August).
 - The requirement for councils to ensure that an audit firm is not appointed for more than five years.
 - A regulation-making power to prescribe a standard or document that relates to council's internal controls. The regulations will require councils to comply with the *Better Practice Model Internal Financial Controls* published by the LGA, that is currently being used by all councils.
- Amendments to the *Local Government (Financial Management) Regulations 2011* will also require councils to report on expected changes to general rate revenue in a consistent way in their annual business plans, and enable comparability between councils. Clear information about changes to rates in annual business plans will enable ratepayers to more easily understand and engage with councils on this critical decision.
- Amendments to the LG Act to require that council annual reports must include the amount of legal costs incurred by the council in the relevant financial year. This will apply for the annual report that must be prepared and adopted by the council on or before 30 November 2022 for the 2021-22 financial year.

• Amendments to the *Local Government (General) Regulations 2013* have also been made to require councils to include in their annual reports information about credit card expenditure, interstate and international travel, and gifts to council members and employees from the council.

30 April 2022

- Amendments to the *Local Government Act 1999* to establish a council rate monitoring system that will require all councils to receive and consider periodic advice from the Essential Services Commission of South Australian (ESCOSA) on their revenue decisions in the context of their long-term financial plans and infrastructure and asset management plans.
- Amendments to the *Local Government (Financial Management) Regulations 2011* to prescribe the rate monitoring period of 4 years. This is the period within which a council must, in accordance with a determination by ESCOSA, provide information on its long-term financial plan and infrastructure and asset management plan to ESCOSA

30 June 2022

• No Audit Committee-related provisions

<u>30 June 2023</u>

- Amendments to the *Local Government Act 1999* (the LG Act) to require long-term financial plans to include a funding plan that outlines the council's approach to funding services and infrastructure, sets out the council's projected total revenue, and outlines the intended sources of that revenue.
- This commencement date will give councils sufficient time to develop and adopt a funding plan as part of their long-term financial plan.

31 August 2023

• No Audit Committee-related provisions

30 November 2023

- Further amendments to the *Local Government Act 1999* (the LG Act) to implement financial accountability reforms, including—
 - Extending the work of council audit committees to audit and risk committees to provide independent assurance and advice to councils on accounting, financial management, internal controls, risk management and governance matters. Audit and risk committees will be required to consist of a majority of independent members and councils will have the ability to form regional audit and risk committees.
 - New requirements for councils and their chief executive officers to ensure that effective policies, systems and procedures relating to risk management are established and maintained.
 - New requirements for chief executive officers of a council that have an internal audit function to consult with the relevant audit and risk committee before appointing a person to be primarily responsible for the internal audit function.

• This commencement date will ensure that councils can transition to these new requirements effectively, and enable the sector to develop appropriate guidance material and training as required

Council and its Audit Committee are well placed to implement the reforms as they come into effect. In many cases Council has had similar protocols in place for a number of years and therefore the transition is not considered to be overly onerous.

4. OPTIONS

The Committee is limited to receiving the report

5. APPENDIX

Nil

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE MEETING Monday 14 February 2022 AGENDA BUSINESS ITEM

ltem:	7.11
Responsible Officer:	Lachlan Miller Executive Manager Governance & Performance Office of the Chief Executive
Subject:	Audit Actions Implementation Update
For:	Information

SUMMARY

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

Two (2) actions have been completed since the last implementation report (November 2021) to the Committee.

Audit action implement status related to the Cyber Security Audit will be report in confidence at the April 2022 meeting in conjunction with a presentation for staff.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted
- 2. To note the implementation status of Internal and External Audit actions.

1. GOVERNANCE

Strategic Plan 20	20-24 – A brighter future
Goal 5	A Progressive Organisation
Objective O5	We are accountable, informed, and make decisions in the best interests of the whole community
Priority O5.2	Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action.
Priority O5.3	Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community.

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

Legal Implications

Accounts, Financial Statement and Audit, Local Government Act 1999

Section 125 of the *Local Government Act 1999* (the Act) requires councils to ensure that appropriate policies, practices and procedures of internal controls are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.

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

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

Risk Management Implications

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

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

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

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

Financial and Resource Implications

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

Customer Service and Community/Cultural Implications

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

Sustainability Implications

Not applicable

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

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

Council Committees:	Not Applicable
Council Workshops:	Not Applicable
Advisory Groups:	Not Applicable
External Agencies:	Not Applicable
Community:	Not Applicable

2. BACKGROUND

The 2022 Audit Committee Work Plan and Reporting Schedule provides for reports to the Audit Committee on a biannual basis (February and August) regarding the implementation status of actions arising from Internal and External Audits

The Audit Committee was last provided an update of outstanding actions at its 15 November 2021 meeting.

3. ANALYSIS

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

Two (2) actions have been completed since the last implementation report to the Committee.

The actions associated with the Cyber Security Audit will be report in a confidential session at the April 2022 Audit Committee meeting in conjunction with a presentation from the new Team Leader ICT.

4. OPTIONS

The Committee has the following options:

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

5. APPENDIX

(1) Audit Actions Implementation Status – February 2022

Appendix 1

Audit Actions Implementation Status – February 2022

Re	f /	Audit Name	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Offic	Due Date	Progress	Est. Completio	Comment
	F	-	Policy guidance for travel expenses could be improved · Timing of travel policy review could be improved · Travel expenses were not supported by adequate accounting records.	Not Rated	Council does not have a specific travel policy, rather references are contained in the <i>Council Member Allowances and Support</i> <i>Policy</i> (Elected Members) and <i>Training and</i> <i>Development Policy</i> (Staffing Policy) which requires interstate travel to be approved by the relevant Director.	It is proposed that a travel related expenditure guideline for staff will be prepared to address the Auditor-General recommendations.	Megan Sutherland	30/06/2021	Not Commenced	31/05/2022	Whilst it has been agreed that a Policy/Procedure will be developed to provide guidance to staff, limited resourcing within the OD team has delayed completion. A new team member in OD has commenced mid January. This work will be undertaken over the coming months.
	0	2020 Galpins Financial Controls Review Interim Management Letter May 2020	The Business Continuity Plan is overdue for review	Low	The Business Continuity Plan is updated.	Council will be accessing the Local Government Risk Services to business continuity planning service.	Lachlan Miller	30/06/2021	In Progress	31/03/2022	Local Government Risk Services (LGRS) has been contracted to deliver their BCP development and implementation service. Function owners have completed their assessments of the maximum acceptable outage (MAO) for their service offerings utilising a SharePoint database. For those services with critical MAOs, a Critical Function Plan (CFP) will be developed in conjunction with LGRS and these will be incorporated into the revised BCP.
		Completion Report	Finding: Audit identified eleven employees with annual leave balances in excess of 300 hours. Risk: Leave balances exceeding the allowable balances under the relevant EB. Staff not taking leave has financial implications as leave is paid at higher rates than it was accrued, and may lead to health safety and welfare issues.	Low	Implement strategies to systematically reduce excessive leave balances, and review monitoring procedures to ensure that employees do not accumulate excessive annual leave balances.	Leave Planners to be used annually to manage excessive leave balances. A draft procedure is to be completed to support the expectations and management of excessive leave.	Megan Sutherland	30/06/2022	In Progress	30/06/2023	Managing the reduction of leave has been a key strategy discussed with the Executive Team and as part of the overall savings strategy process that has been included in the LTFP. Further requirements will be outlined with People Leaders and employees to pro- actively reduce leave balances over the next 2 years. Progress to be reported through The Quarter.
	F	2021 - Bentleys - Payroll Function Internal Audit - May 2021	Efficiency of manual payroll process	Low	We recommend management: • Assess the benefit of payroll process automation and quantify the cost associated • Quantify the saving if the three days of the Payroll Officer's time could be freed up; and • Make a decision to implement system solution of payroll process.	We will assess the benefit of automating the payroll process after implementing the new payroll system to meet ATO requirements and implement improved efficiencies. (This has been approved by ELT.)	Megan Sutherland	1/01/2022	In Progress	30/06/2022	Implementation of the new payroll system continues. Ongoing systems testing and requirements has slightly delayed expected implementation timeframes. New timeframes have been established. Phase 2 work, will commence after the initial 'go live' date, covering further automation of payroll processes. This work will continue past 30 June 2022.
	F	2021 - Bentleys - Payroll Function Internal Audit - May 2021	Efficiency of manual payroll process	Low	We recommend management: • Assess the benefit of payroll process automation and quantify the cost associated • Quantify the saving if the three days of the Payroll Officer's time could be freed up; and • Make a decision to implement system solution of payroll process.	We will review the Payroll Officer's time and quantify savings after the system has been used and new patterns of work established.	Megan Sutherland	16/12/2022	In Progress	16/12/2022	The implementation plan for the payroll system changed, requiring ongoing implementation in the new year. This will impact on being able to assess time and quantify savings as the Pay Officer will not have all new work patterns established. The due date has therefore been extended to 16/12/2022.
	F	2021 - Bentleys - Payroll Function Internal Audit - May 2021	Policies and procedures	Low	We recommend management: • Review and update the Leave Policy to ensure currency and consistent requirements. • Document completion or approval of timesheets requirements into policies and procedures where appropriate to ensure transparency and consistency of the process.	Whilst the need for an update of the Leave Policy / Procedures is required (and will be undertaken as per the target date below) it is important to recognise that there is currently a full payroll manual in place and a payroll checklist is used every pay to ensure transparency and consistency.	Sutherland	30/12/2021	In Progress	31/03/2022	Changes within the OD structure are currently taking place, along with two system implementations. Some considerations to leave procedure updates have been discussed and also included in the Enterprise Development Agreements. The updated Leave Procedure will be completed in 2022.

Ref	Audit Name	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Offic	Due Date	Progress	Est. Completio	Comment
7	2021 - Bentleys - Payroll Function Internal Audit - May 2021	Records management	Low	We recommend management: • Document the record management requirements into policies and procedures and enforce the implementation.	Following the implementation of the new payroll system we will review and update processes to ensure an automated leave management function is implemented.	Megan Sutherland	30/06/2023	Not Commenced	30/06/2023	With changes to the implementation of the payroll and HR systems, implementation will be continuing into 2022. The processes will not be finalised until both of the systems are live and the aspects that affect the leave management are functional. Then a review can take place.
8	2021 - Bentleys - Payroll Function Internal Audit - May 2021	Leave management	Not Rated	We recommend management: • Assess the adequacy and currency of the leave management policy process against the Council's operational needs.	Council's Leave Management Policy is to be reviewed as will reporting against that policy.	Megan Sutherland	30/03/2022	In Progress	30/03/2022	Changes within the OD structure are currently taking place, along with two system implementations. Some considerations to leave procedure updates have been discussed and also included in the Enterprise Development Agreements. The updated Leave Procedure will be completed in 2022.
9	2021 Galpins Financial Controls Review Interim Management Letter May 2021	One instance of non-compliance with the procurement policy	Medium	All documentation related to procurement procedures undertaken (e.g. decision made in relation to best approach to market, request for tenders, tender responses, written quotes, evaluation forms detailing the decision made, etc) are retained on file in Council's records management system. Ensure that suppliers providing services to Council are under formal contracts and/or purchase orders are issued as required by the Procurement Framework.		Natalie Westover	30/09/2021	Completed	30/11/2021	Cleaning services tender has been undertaken and supplier/contractor appointed
10	2021 Galpins Financial Controls Review Interim Management Letter May 2021	Asset management plans overdue for adoption	Medium	Management works towards preparation and adoption of Buildings, CWMS, Stormwater, Bridges and Playground asset management plans.	Continue to document asset management planning and adopt asset management plans for major asset classes (i.e. CWMS, bridges, playgrounds)	David Collins	30/06/2022	In Progress	30/06/2023	Road Footpath and Kerb AMP adopted. Bridges 21_22, Building 21_22, and CWMS 21_22 Safety Barrier, Retaining Wall, Bus Shelter AMPs under peer review will be provided to Council - not part of Strategic Management Plans as minor asset and not material Maintenance is subsequently aligned to adopted AMP's.
11	2021 Galpins Financial Controls Review Interim Management Letter May 2021	Asset management plans overdue for adoption	Medium	Management works towards preparation and adoption of Buildings, CWMS, Stormwater, Bridges and Playground asset management plans.	Continue to document asset management planning and adopt asset management plans for major asset classes (i.e. stormwater)	David Collins	30/06/2023	In Progress	30/06/2023	Road Footpath and Kerb AMP adopted. Bridges 21_22, Building 21_22, and CWMS 21_22 Safety Barrier, Retaining Wall, Bus Shelter AMPs under peer review will be provided to Council - not part of Strategic Management Plans as minor assets and not material Maintenance is subsequently aligned to adopted AMP's.
12	2021 Galpins Financial Controls Review Interim Management Letter May 2021	Asset management plans overdue for adoption	Medium	Management works towards preparation and adoption of Buildings, CWMS, Stormwater, Bridges and Playground asset management plans.	Continue to document asset management planning and adopt asset management plans for major asset classes (i.e. buildings)		30/06/2022	In Progress	30/06/2022	Budget has been allocated in the 21/22FY to undertake building audits and valuations. Tender specifications have been finalised with additional work being undertaken to classify all buildings prior to going out for tender, which is expected in February 2022.
13	2021 Galpins Financial Controls Review Interim Management Letter May 2021	Asset maintenance plans not aligned with asset management plans	Medium	Ensure that maintenance schedules are developed in accordance with Asset Management Plans for other high risk assets in addition to road, footpath and kerb (e.g. buildings, stormwater, CWMS, etc) as the plans are developed, and steps are taken to progress towards more proactive maintenance plans.	Ensure the maintenance plans align to adopted asset management plans as they are developed.	David Collins	30/06/2023	In Progress	30/06/2023	Road Footpath and Kerb AMP adopted. Bridges 21_22, Building 21_22, and CWMS 21_22 Safety Barrier, Retaining Wall, Bus Shelter AMPs under peer review will be provided to Council - not part of Strategic Management Plans. Maintenance is subsequently aligned to adopted AMP's

Ref	Audit Name	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Office	Due Date	Progress	Est. Completio	Comment
14	2021 Galpins Financial Controls Review Interim Management Letter May 2021	The Business Continuity Plan is overdue for review	Low	The Business Continuity Plan is updated.	Develop and implement Business Continuity Plan	Lachlan Miller	31/12/2021	In Progress	30/06/2022	Local Government Risk Services (LGRS) has been contracted to deliver their BCP development and implementation service. Function owners have completed their assessments of the maximum acceptable outage (MAO) for their service offerings utilising a SharePoint database. For those services with critical MAOs, a Critical Function Plan (CFP) will be developed in conjunction with LGRS and these will be incorporated into the revised BCP.
15	2021 Galpins Financial Controls Review Interim Management Letter May 2021	IT Policies and Procedures		We understand that new ICT policies are part of the Cyber Security Plan. It is recommended that the following IT policies (or equivalent) be developed, issued on the Intranet site and implemented to Council Staff: - • Information Security Policy • Access Management Policy • Change Management Policy • Change Management Procedure • Network Security Policy including passwords • Information management – classification and handling • Online services • Physical Access • Remote Access and telecommuting	Implement Information Security Management System (ISMS)	James Sinden	28/02/2022	In Progress	30/06/2022	The implementation of an ISMS is a part of the recently adopted Cyber Security Plan that was adopted at the June 2021 Council Meeting. Commencement was delayed due to the resignation of a key AHC Staff member responsible for the delivery of the project. After advertising for an Senior Cyber Security ICT Officer, Council was unable to find an appropriate candidate given there is considerable demand in the industry for these skillsets. An assessment of market conditions has occured and the position will reviewed. In the short term a specialist contract resource will be used to progress some of these recommendations. The newly appointed Team Leader ICT has already introduced a formal ITIL Change Management process using the forms engine via the corporate website for both external vendors and internal ICT change control.
										Development of ICT Policy and implementation of an ICT Operations Manual planning has started and AHC Staff have been assisting with the development of a Local Government Cyber Security Framework that has been grant funded by the LGA and facilitated by LGITSA (Local Government Information Technology South Australia) and external consultants. A draft version of the framework is expected to be released shortly to the LG Sector for feedback.

Ref	Audit Name	lssue	Risk Rating	Recommendation	Proposed Action	Responsible Office	Due Date	Progress	Est. Completic	Comment
16	2021 Galpins Financial Controls Review Interim Management Letter May 2021	ICT Disaster Recovery Plan	Medium	AHC should update the IT Disaster Recovery Plan with the date, review date, Recovery Team details and MAO for each application. We also recommend that any updates to the DRP make use of flowcharts and checklists which are considered more effective in an emergency situation.	Update ICT Disaster Recovery Plan	James Sinden	31/12/2021	In Progress	30/06/2022	The implementation of an ISMS is a part of the recently adopted Cyber Security Plan that was adopted at the June 2021 Council Meeting. Commencement was delayed due to the resignation of a key AHC Staff member responsible for the delivery of the project. A network redesign project is underway to improve network survivability in the event of Internet communication link failure, a key component to support Council's increasing reliance on Cloud services. A number of system projects are also underway and so the DR Plan will be reviewed and updated once those significant changes are implemented. Review of the ITL Service Catalogue is also underway and will inform components of the DR Plan.
17	2021 Galpins Financial Controls Review Interim Management Letter May 2021	ICT Governance – IT Steering Committee	Medium	We recommend that AHC reconvene IISIP to manage the current ICT program. Membership of the IISIP should include key business owners and IS and ICT representatives. The IISIP should meet at least monthly and include minutes and action plans. A key purpose is to prioritise and manage progress of projects.	Reconvene IISIP	James Sinden	30/06/2021	Completed	31/12/2021	This activity is now completed with the establishment of ISSRG (Information Services Strategic Reference Group) replacing IISIP after consultation and agreement with the Executive Leadership Team. ISSRG now operational and consists of a new membership and terms of reference.
18	2021 Galpins Financial Controls Review Interim Management Letter May 2021	ICT Governance – Revise ICT and IS Strategic Plan	Medium	We recommend that AHC develop a new ICT and IS Strategic Plan to cover 2021-2024. We also recommend the development of annual tactical plan which includes tasks, accountability, key dates and KPIs for the implementation of the Strategic Plan.	Commence a review ICT & IS Strategic Plan	James Sinden	31/07/2021	In Progress	30/06/2022	The implementation of an ISMS is a part of the recently adopted Cyber Security Plan adopted at the June 2021 Council Meeting. Commencement was delayed due to the resignation of a key AHC Staff member responsible for the delivery of the project. A review of the ICT and IS Strategic Plan is now underway progressing with the newly formed Strategic Reference Group (ISSRG).
19	2021 Galpins Financial Controls Review Interim Management Letter May 2021	User Access – Password settings and Add/Change/Delete	Medium	Recommend that the password settings be improved by considering:- • Password history (24 passwords) • Password aging 90 days • Minimum password length 12 characters • Password complexity enabled- not include users name and contain three of four (Uppercase, lower case, number, special character) • Automatic lockout has been configured for systems after 15 minutes of inactivity. • Lockout duration 30 minutes after 8 unsuccessful attempts We also recommend documenting the Add/Change/Delete process for users.	Security Authentication enhancements	James Sinden	30/09/2021	Completed	30/06/2022	The implementation of an ISMS is a part of the recently adopted Cyber Security Plan that was adopted at the June 2021 Council Meeting. Commencement was delayed due to the resignation of a key AHC Staff member responsible for the delivery of the project. Review and Implementation of Microsoft best practice configuration is included in a scope of works with a short term IT specialist resource comencing in November 2021 through to February 2023 A Microsoft Licensing uplift review is also being planned to review the benefit of utilising Microsoft Cloud enabled security managment technologies.