



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 23 May 2022
6.30pm
63 Mt Barker Road, Stirling**

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

Committee meetings are open to the public and members of the community are welcome to attend. 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.

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 23 May 2022
6.30pm
63 Mt Barker Road, Stirling

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 – 20 April 2022

Recommendation

That the minutes of the Audit Committee meeting held on 20 April 2022 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. External Audit Interim Management Letter – Galpins (to be considered in conjunction with Item 7.1)
 - 6.2. Corporate Services Directorate Risk Presentation
 - 6.3. Phil Mattingly, Team Leader ICT, Cyber Security Presentation (to be considered in conjunction with Item 8.1)
 - 6.4. 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. Internal Financial Controls & IT Entity Controls Review - Interim Management Letter
 1. *That the report be received and noted*
 2. *Notes the communication received from Galpins from their Interim visit relating to the 2021-22 Financial Controls Review and the Management Responses to their findings from the Interim Audit, as contained in Appendix 1.*
 3. *Notes the communication received from Galpins from their Interim visit relating to the 2021-22 IT Entity Level Controls Review and the Management Responses to their findings from the Interim Audit. As contained in Appendix 2.*
 - 7.2. Internal Financial Controls Update
The Audit Committee resolves that the report be received and noted.
 - 7.3. End of Year Reporting Timetable 2021-22
The Audit Committee resolves that the report be received and noted.
 - 7.4. 2021-22 Budget Review 3
 1. *That the report be received and noted*
 2. *To recommend to Council the proposed budget adjustments presented in Budget Review 3 which result in:*
 - a. *An increase in the Operating Surplus from \$1.546m to \$1.607m for the 2021-22 financial year.*
 - b. *Changes to Capital Works, reducing capital income by \$4.250m and reducing capital expenditure by \$146k for the 2021-22 financial year resulting in a revised capital expenditure budget for 2021-22 of \$21.836m.*
 - c. *An increase in Council's current Net Borrowing Result from \$2.572m to \$6.615m for the 2021-22 financial year as a result of the proposed operating and capital adjustments.*

7.5. Revised Draft Annual Business Plan 2022-2023

1. *That the report be received and noted*
2. *To advise Council that the Committee has reviewed the revised draft Annual Business Plan 2022-23 – May 2022 (ABP), as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability and does not raise any significant concerns.*

7.6. Risk Management Plan Update

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

7.7. 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 v1.10a as contained in Appendix 1.*

8. CONFIDENTIAL ITEMS

8.1. Cyber Security Audit – Implementation Status

9. NEXT MEETING

The next Audit Committee meeting will be held at 6.30pm on Monday 15 August 2022 at 63 Mount Barker Road, Stirling.

10. CLOSE MEETING

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
WEDNESDAY 20 APRIL 2022
63 MT BARKER ROAD STIRLING**

In Attendance

Members:

Cr Malcolm Herrmann	Presiding Member
Peter Brass	Independent Member
David Moffatt	Independent Member
Natalie Johnston	Independent Member

In Attendance:

David Waters	Acting Chief Executive Officer (Electronic)
Terry Crackett	Director Corporate Services
Mike Carey	Manager Financial Services
Kira-marie Laverty	Corporate Planning & Performance Coordinator (Electronic)
Steven Watson	Acting Executive Manager Governance & Performance Minute Taker

Guests in Attendance:

Nil	
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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

Cr Leith Mudge

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
WEDNESDAY 20 APRIL 2022
63 MT BARKER ROAD STIRLING**

2.2. Leave of Absence

Leave of the meeting was sought for the following Leave of Absence:

Cr Leith Mudge 20 April – 8 May 2022 was granted

2.3. Absent

Nil

3. MINUTES OF PREVIOUS MEETINGS

3.1. Audit Committee Meeting – 14 February 2022

Moved David Moffatt
S/- Natalie Johnston

AC15/22

That the minutes of the Audit Committee meeting held on 14 February 2022 as supplied, be confirmed as an accurate record of the proceedings of that meeting.

Carried

4. Delegation of Authority

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers. The Recommendations in Item(s) 7.1, 7.2, 7.4, 7.5, 7.6 are to be submitted to Council for consideration.

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

Nil

6. PRESENTATIONS, ACTION REPORT & WORKPLAN

6.1. Risk Presentation – Nil, next Presentation in May2022

6.33pm Peter Brass joined the meeting

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
WEDNESDAY 20 APRIL 2022
63 MT BARKER ROAD STIRLING**

6.2. Action Report and Work Plan Update

Moved Natalie Johnston
S/- David Moffatt

AC16/22

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

Carried Unanimously

7. OFFICER REPORTS – DECISION ITEMS

7.1. Annual Business Plan for Consultation

Moved Peter Brass
S/- David Moffatt

AC17/22

The Audit Committee resolves:

1. That the report be received and noted
2. To advise Council that the Committee has reviewed the draft *Annual Business Plan 2022-23* (ABP), as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability.
3. That, on the basis of the Committee's review, to recommend the draft ABP to Council for community consultation.
4. That a further update on the Draft ABP be provided to the May 2022 Audit Committee Meeting to consider Councils proposed adjustments (if any) to the latest movements in CPI.

Carried Unanimously

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
WEDNESDAY 20 APRIL 2022
63 MT BARKER ROAD STIRLING**

7.2. Q3 Performance Report

Moved Natalie Johnston
S/- David Moffatt

AC18/22

The Audit Committee resolves:

1. That the Quarterly Council Performance Report – Q3 2021-22 be received and noted.
2. Note that the Quarterly Council Performance Report – Q3 2021-2 will be provided to Council for noting.

Carried Unanimously

7.3. Rates Oversight Scheme

Moved Peter Brass
S/- Natalie Johnston

AC19/22

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

Carried Unanimously

7.4. Policy Review - Internal Audit

Moved Peter Brass
S/- Natalie Johnston

AC20/22

The Audit Committee resolves:

1. That the report be received and noted
2. The Audit Committee recommends the revised Internal Audit Policy (draft), Appendix 1 to Council for consideration.

Carried Unanimously

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
WEDNESDAY 20 APRIL 2022
63 MT BARKER ROAD STIRLING**

7.5. Policy Review - Prudential Management

Moved David Moffatt
S/- Natalie Johnston

AC21/22

The Audit Committee resolves:

1. That the report be received and noted
2. The Audit Committee recommends the revised *Prudential Management Policy* (draft), Appendix 1 to Council for consideration.

Carried Unanimously

7.6. Policy Review - Risk Management Policy

Moved Peter Brass
S/- Natalie Johnston

AC22/22

The Audit Committee resolves:

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

Carried Unanimously

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
WEDNESDAY 20 APRIL 2022
63 MT BARKER ROAD STIRLING**

7.7. Confidential Items Review

Moved Cr Malcolm Hermann
S/- Peter Brass

AC23/22

The Audit Committee resolves:

DECISION 1

1. That the report be received and noted.
2. That the items held as confidential in the Confidential Items Register (Appendix 1) be noted.

Carried Unanimously

DECISION 2 – Resolution AC32/21 - Cyber Security Report

Moved Natalie Johnston
S/- David Moffatt

AC24/22

The Audit Committee resolves:

3. Pursuant to Section 91(7) of the *Local Government Act 1999*, the Audit Committee orders that the following document(s) (or part) shall be kept confidential, being document(s) (or part) relating to a matter dealt with by the Audit Committee on a confidential basis under Sections 90(2) and 90(3)(e) of the Act:
 - The Report of 24 May 2021, Item No. 8.1, Cyber Security Report, AC32/21 remain confidential until 30 June 2023 and that this order be reviewed every twelve (12) months.

On the grounds that the document(s) (or part) relates to matters affecting the security of the council, members or employees of the council, or council property, or the safety of any person.
4. Pursuant to section 91(9)(c) of the *Local Government Act 1999*, the Audit Committee delegates the power to revoke the confidentiality order either partially or in full to the Chief Executive Officer.

Carried Unanimously

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
WEDNESDAY 20 APRIL 2022
63 MT BARKER ROAD STIRLING**

DECISION 3 – Resolution AC51/20 - Cyber Security Audit

Moved Natalie Johnston
S/- Peter Brass

AC25/22

The Audit Committee resolves:

5. Pursuant to Section 91(7) of the Local Government Act 1999, the Audit Committee orders that the following document(s) (or part) shall be kept confidential, being document(s) (or part) relating to a matter dealt with by the Audit Committee on a confidential basis under Sections 90(2) and 90(3)(e) of the Act:

- The Report of 19 October 2020, Item No. 7.2, Cyber Security Audit, AC320/51 remain confidential until 30 June 2023 and that this order be reviewed every twelve (12) months.

On the grounds that the document(s) (or part) relates to matters affecting the security of the council, members or employees of the council, or council property, or the safety of any person.

6. Pursuant to section 91(9)(c) of the Local Government Act 1999, the Audit Committee delegates the power to revoke the confidentiality order either partially or in full to the Chief Executive Officer.

Carried

8. CONFIDENTIAL ITEMS

Nil

9. NEXT MEETING

The next ordinary meeting of the Audit Committee will be held on Monday 23 May 2022 from 6.30pm at 63 Mt Barker Road, Stirling.

10. CLOSE MEETING

The meeting closed at 7.42pm.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 23 May 2022
AGENDA BUSINESS ITEM**

Item: 6.4

Responsible Officer: Steven Watson
Governance and Risk Coordinator
Office of the Chief Executive

Subject: Action Report and Work Plan

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. 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.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5	A Progressive Organisation
Objective O4	We actively represent our community
Priority O4.3	Attract and develop a diverse and capable elected body that represents, promotes and reflects the composition of the community
Priority O4.3	Advocate to, and exert influence with, our stakeholders on behalf of our community to promote the needs and ambitions of the region
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 O5.2	Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action.

The review by the Audit Committee of the Action Report and Work Plan is an important element of Council's commitment to open and transparent decision making which facilitates public accountability.

Action Report

There are three (3) completed items and two (2) outstanding items 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)		February
Annual Business Plan		April
Budget Review 1		November
Budget Review 2		February
Budget Review 3	Included in this meeting	May
End of Year Financial Report		November
End of financial year reporting timetable	Included in this meeting	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	Included in this meeting	May
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		February/August
Internal Audit Plan review	Included in meeting as part of Quarterly Update	May
External Audit		
External audit interim letter	Included in this meeting	April
Implementation of external audit actions progress report		February/August
External Audit Plan review		February
Meeting attendance by external auditors	Included in this meeting	February/October
Review of auditor independence and legislative compliance		October
Audit Committee Completion Report		October/November
Public Interest Disclosure		
Public Interest Disclosure Policy review (replaces Whistle-blowers)		April 2024
Public Interest Disclosure Arrangements and Compliance	Nil reports made to date	May 2024
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		February/August
Annual Report		November
Action Report & Work Plan Update	Included in this meeting	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**).

➤ **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

3. OPTIONS

The Audit 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).

4. APPENDICES

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

Appendix 1

Audit Committee Action Report

Audit Committee Action Report
May 2022

Meeting Date	Meeting	Res No.	Item Name	Previously Declared COI	Action Required (Council Resolution)	Responsible Director	Responsible Officer	Status	Date of Update	Due Date	Status (for Council reporting)
24/05/2021	Audit Committee	AC33/21	Cyber Security Report - Period of Confidentiality	NIL	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	20/04/2022	30/06/2023	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. Also work activity continues on addressing a number of recommendations from the Cyber Security Audit working with external consultants. The progression of a Local Government Cyber Security Framework has commenced working in collaboration with LGA, LGITSA and consultants. A draft version of the framework will commence consultation with the LG Sector shortly.
16/08/2021	Audit Committee	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	James Sinden	In Progress	20/04/2022	30/04/2022	Recruitment to the Team Leader ICT position has been completed. Recruitment to the Technical Officer role was not successful after approaching the market. A revised approach to support this activity is currently being implement. An update to the Audit Committee from the Team Leader ICT will be provided in May 2022.
20/04/2022	Audit Committee	Administrative Action	7.1.Annual Business Plan for Consultation	NIL	In the Initiatives can the totals be tallied please.	Andrew Aitken	Kira-Marie Laverty	Completed	17/05/2022	29/04/2022	Suggestions entered and report prepared for the 03 May 2022 Special Meeting of Council.
20/04/2022	Audit Committee	Administrative Action	7.4.Policy Review - Internal Audit	NIL	Can the program for internal audit be driven by Risk Management including consideration of risk appetite and risk tolerance.	Andrew Aitken	Steven Watson	Completed	17/05/2022	3/06/2022	Suggestions entered into the draft policy and report prepared for the 24 May 2022 Ordinary Meeting of Council.
20/04/2022	Audit Committee	Administrative Action	7.6.Policy Review - Risk Management Policy	NIL	Update People Leader to include (anyone with a direct report). Include risk appetite and risk tolerance in the document. Policy to mention and align to external audit. Condense spacing between paragraphs.	Andrew Aitken	Steven Watson	Completed	4/05/2022	28/05/2022	Suggestions entered into the draft policy and report prepared for the 24 May 2022 Ordinary Meeting of Council.

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 & Prudential Requirements	Long Term Financial Plan (LTFP)	Annual
	Annual Business Plan	Annual
	Budget Review 1	Annual
	Budget Review 2	Annual
	Budget Review 3	Annual
	End of Year Financial Report	Annual
	End of financial year reporting timetable	Annual
	End of financial year update	Annual
	Final Annual Financial Statements (incl management representation letter)	Annual
Internal Control and Risk Management	Placement of Council's insurance portfolio (for noting)	Annual
	Internal Financial Controls update	Annual
	Risk Management Plan Update	Quarterly
	LGRS Risk Evaluation - Results	Biennial
	LGRS Risk Evaluation - Action Plan Review	Bi-annual
Internal Audit	Internal Audit quarterly update	Quarterly
	Internal audit reports	As required
	Implementation of internal audit actions progress report	Bi-annual
	Internal Audit Plan review	Annual
External Audit	External audit interim letter	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
	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 required

Version Control:	V1.0 - Adpoted 15 November 2021
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2022					
Feb	April	May	Aug	Oct	Nov
	Draft				
					2022-2023
2021-22					
		2021-22			
					2021-22
		2021-22			
			2021-22		
				2021-22	

[illegible]

		verbal	letter		
				in camera	
				draft	final

[illegible]

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 23 May 2022
AGENDA BUSINESS ITEM**

Item:	7.1
Responsible Officer:	Lachlan Miller Executive Manager Governance & Performance Office of the Chief Executive
Subject:	Financial Controls Review & IT Entity Level Controls Review – Interim Management Letters
For:	Decision

SUMMARY

As part of the External Audit Plan, Council's external auditors (Galpins) have completed the interim field work as part of their 2021-22 Financial Controls Review and have issued an interim management letter.

This report provides an update to the Audit Committee in relation to the 2021-22 Financial Controls Review detailing the outcomes from Galpins' fieldwork in relation to internal controls as detailed in the Interim Management Letter (**Appendix 1**). Management have provided responses to the findings contained within the interim management letter and these responses are provided within this report to the Audit Committee.

Further as part of the External Audit Plan, Galpins have also completed the 2021-22 IT Entity Level Controls Review and have issued the Interim Management Letter (**Appendix 2**). Management have again provided responses to the findings and these responses are provided within this report to the Audit Committee.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted**
 - 2. Notes the communication received from Galpins from their Interim visit relating to the 2021-22 Financial Controls Review and the Management Responses to their findings from the Interim Audit, as contained in Appendix 1.**
 - 3. Notes the communication received from Galpins from their Interim visit relating to the 2021-22 IT Entity Level Controls Review and the Management Responses to their findings from the Interim Audit. As contained in Appendix 2.**
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1. BACKGROUND

Internal Financial Control Audits

Section 129(1)(b) of the *Local Government Act 1999* (the Act) requires council auditors to provide an opinion regarding internal controls of councils. This opinion focuses on councils' obligations under s125 of the Act:

"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."

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

In order to assist the Council in addressing the requirements of s129, Galpins have reviewed a prioritised list of controls from the better practice model based on an initial audit risk assessment.

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

2021-22 AHC Financial Control Review

Galpins Annual Audit Plan for the year ended 30 June 2022 was presented to the Audit Committee on 14 February 2022. The Plan highlighted the timing of the Galpins interim visit and the preparation of a management letter in relation to that visit to be communicated to the Audit Committee.

The objectives of the interim audit were to:

- understand Council's business, business cycles and processes relevant to the financial statements
- understand the internal controls in place for the areas considered critical for the audit of the financial statements
- design internal controls tests for the internal controls identified
- perform the internal controls tests to determine the final risks of material misstatements in the financial statements to be addressed in the final audit
- review a prioritised list of internal financial controls considered critical for the purpose of issuing a controls opinion.

The scope of this audit included a review of key internal controls (consisting of a prioritised list of controls from the Better Practice Model), that are considered key controls, to be in place for the purpose of addressing the requirements of s129.

In addition to consideration of the Better Practice Model, Galpins advised that they would also be including a review of key IT controls in the form of an IT Entity Levels Control Review.

2. ANALYSIS

➤ 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

Monitoring internal control assists in meeting legislative and good governance responsibilities and obligations.

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.

➤ Legal Implications

Part 3 – Accounts, Financial Statements and Audit, *Local Government Act 1999* and Part 6 – Audit, *Local Government (Financial Management) Regulations 2011*.

➤ Risk Management Implications

The implementation of the Internal Financial Control Model and testing of Council's transactions and internal controls by an external auditor will assist in mitigating the risk of:

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

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

The controls tested are part of the internal control framework contributing to the current Residual Risk rating. The recommendations arising from the review 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

Satisfactory internal financial controls (IT and non-IT) provide the foundation for Council's financial management and reporting framework.

The costs associated with the provision of external audit services are contained within the Governance & Performance Department's budget.

➤ **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: Not Applicable

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

External Agencies: Galpins

Community: Not Applicable

Interim Management Letter

The Interim Management Letter for the 2021-22 Financial Controls Review has now been received and is attached for the Committee's consideration (**Appendix 1**).

The auditor's overall review of Council's internal controls opinion is:

'Overall the Council demonstrated a high level of compliance with the implementation of an internal control framework consistent with the principles within the Better Practice Model.'

'During our interim visit we found that the majority of key internal controls reviewed were in place and were operating effectively (94 out of 100 core controls reviewed). Good progress has been made in addressing audit findings since the 2017-18 financial year.'

'The principles underpinning the model were used by the Council in the identification of its business cycles, the establishment of its internal controls and the implementation of its financial risk management processes.'

In addition, in relation to ongoing monitor and self-assessment, it was noted:

'..Council has established mechanisms to ensure ongoing monitoring of effectiveness of the internal controls such as an internal controls self-assessment and test of effectiveness of internal controls. We were impressed with the accuracy of these self-assessments which were largely consistent with the audit findings, and wish to highlight that many of the findings provided in this report had also been identified by Council during its own self-assessment.'

The Management Letter expressed a positive end of year forecast concluding that:

‘ there is a high likelihood of issuing an unmodified controls opinion at the end of the financial year. This will depend on the Council demonstrating continued progress towards addressing identified control weaknesses, ensuring that the existing core controls in place continue to operate effectively and that the annual internal control activities are performed at year end.’

Management have provided a response to each the findings contained within the interim report and those have been included in Galpins Financial Control Review Interim Management Letter (**Appendix 1**).

The interim management letter conclusion is positive and management will continue to manage the operation of internal controls with diligence while working towards addressing the weaknesses identified in the recommendations.

The auditors will be attending the Audit Committee meeting to present the findings.

IT Entity Level Controls Review Report

The IT Entity Levels Control Review for the 2021-22 Financial Controls Review has now been received and is attached for the Committee’s consideration (**Appendix 2**).

The Report states that:

Council demonstrated a high level of effectiveness of IT controls to reduce the risk of material misstatement in the financial report, as the majority of the IT controls reviewed were in place and operating effectively.

As with the Interim Management Letter, management has reviewed the finding and provided responses and identified actions which will be monitored and reported to the Committee in the biannual cycle.

Notwithstanding that the Report is marked confidential, management do not believe that there is a need to utilise the provisions of S90 of the *Local Government Act 1999* to consider the report in confidence given that the findings are mostly policy -related.

3. OPTIONS

The Committee has the following options:

- I. Note the communication received from Galpins from their Interim visit relating to the 2021-22 Financial Controls Review and the Management Responses to their findings from the Interim Audit. (Recommended)
- II. Consider alternative courses of action (i.e. requesting additional information and/or actions) (Not Recommended)

4. APPENDICES

- (1) *Galpins Financial Controls Review Adelaide Hills Council 2021-22 Interim Management Letter*
- (2) *Galpins 2021-22 IT Entity Levels Control Review*

Appendix 1

*Galpins Financial Controls Review Adelaide Hills Council
2021-22 Interim Management Letter*



Accountants, Auditors & Business Consultants

Financial Controls Review

Adelaide Hills Council

2021/22 Interim Management Letter



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Table of Contents

1. EXECUTIVE SUMMARY	3
1.1 Background	3
1.2 Objectives and scope	3
1.3 Category of findings.....	5
1.4 Overall review of the council's internal controls.....	6
1.5. Summary of findings	7
2. DETAILED AUDIT FINDINGS	8
2.1 FIXED ASSETS.....	8
2.2 GENERAL LEDGER.....	12
APPENDIX 1 – CRITICAL INTERNAL FINANCIAL CONTROLS	16

1. EXECUTIVE SUMMARY

1.1 Background

During our interim audit we perform procedures to gain an understanding of the internal controls in place relevant to the financial statements and perform tests of design and effectiveness for these controls. Based on the results of the control testing, we then assess the audit risks to define the extent and nature of our substantive procedures (e.g. inspection of documents, recalculation, reconciliation, etc) for our final visit.

In addition to an opinion on the financial statements, section 129 of the Local Government Act 1999 requires auditors to provide an opinion regarding internal controls of councils. This opinion focuses on council's obligations under s125 of the Local Government Act 1999:

"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."

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

In order to assist the Council in addressing the requirements of s129, we have reviewed a prioritised list of controls from the better practice model based on our initial audit risk assessment. Further details about our scope can be found in item 1.2 of this report.

1.2 Objectives and scope

The objectives of our interim audit were to:

- understand Council's business, business cycles and processes relevant to the financial statements
- understand the internal controls in place for the areas we consider critical for the audit of the financial statements
- design internal controls tests for the internal controls identified
- perform the internal controls tests to determine the final risks of material misstatements in the financial statements to be addressed in our final audit
- review a prioritised list of internal financial controls we consider critical for the purpose of issuing a controls opinion.

The scope of our audit included a review of internal controls we consider key controls to be in place for the purpose of addressing the requirements of s129.

These key internal controls consist of a prioritised list of controls from the better practice model. This list was defined based on our risk assessment to determine the key business cycles, and key risks within these business cycles, that we understand should be the focus of the Council's control self-assessment.

The identification of key core controls and key business risks included the following risk assessment procedures:

Risk review – A review of Council's inherent risk assessment for internal financial controls.

Financial statement review – A high level financial statement review performed to identify key accounts and transaction streams.

Internal / external audit results review – The findings and recommendations of internal / external financial audits are reviewed to identify known areas of weakness, and areas known to be attracting audit attention.

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:

- Purchasing and Procurement/Contracting
- Fixed Assets
- General Ledger
- Accounts Payable
- Rates / Rates Rebates
- Payroll
- Receipting
- Credit Cards
- Banking
- Debtors

We have included a list of key controls identified by the audit for these business cycles as an appendix to this report (see Appendix 1). This list does not represent a complete population of internal controls that the Council should have in place. There is an expectation that controls not in this list will still exist and be operating effectively within Council.

The list of controls is only intended to be a guide for Council to prioritise its resourcing in readiness for the audit opinion, and for the ongoing monitoring of internal controls i.e. it is a risk based listing of controls which may be desirable for Council to include in its ongoing monitoring program for internal financial controls.

The list should not be considered a minimum standard – rather, it is a starting reference point for Council to consider. It is expected that Council will have performed a risk assessment of financial risks, and given consideration to the need to monitor controls that address High / Extreme risks that may not be included in this listing.

1.3 Category of findings

In order to assist the Council in establishing the overall level of control effectiveness and prioritising areas for attention, we have provided an overall assessment of the business cycles for which we have identified performance improvements opportunities (this report is prepared on an exception basis).

We assessed each business cycle using our risk assessment which was focused on the risk of finding material weaknesses which could lead to a modified controls opinion in the 2019/20 financial year. An overall assessment of the risk of a potential modified audit opinion per business cycle is provided in item 1.5 of this report.

Detailed findings including the controls tested as per the Better Practice Model, findings and recommendations are provided in section 2 of this report. The individual findings are also rated to assist the Council in prioritising corrective actions.

The overall assessment of the risk of non-compliance with s125 of the Local Government Act 1999 and the related findings and recommendations were 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.
Better Practice Weaknesses	The issue described has been included in this report as an opportunity for better practice.

The Council should also perform its own assessment of priority based not only on audit risks, but also other risks management considers relevant such as non-compliance with pertinent legislations and regulations, and reputational risks.

1.4 Overall review of the council's internal controls

Overall the Council demonstrated a high level of compliance with the implementation of an internal control framework consistent with the principles within the Better Practice Model.

During our interim visit we found that the majority of key internal controls reviewed were in place and were operating effectively (94 out of 100 core controls reviewed). Good progress has been made in addressing audit findings since the 2017/18 financial year.

The principles underpinning the model were used by the Council in the identification of its business cycles, the establishment of its internal controls and the implementation of its financial risk management processes.

A summary of the results of our review is provided in the table below:

Business cycles	Controls Reviewed	Operating Effectively					2022 Findings			
		2022	2021	2020	2019	2018	H	M	L	BP
Purch & Procurement/Contracting	10	10	9	8	7	4	-	-	-	-
Fixed Assets	16	13	13	13	13	11	-	3	-	-
General Ledger	11	8	10	9	8	8	-	2	1	-
Accounts Payable	13	13	13	13	11	10	-	-	-	-
Rates / Rates Rebates	10	10	10	10	10	7	-	-	-	-
Payroll	19	19	19	19	18	16	-	-	-	-
Receipting	5	5	5	5	4	3	-	-	-	-
Credit Cards	5	5	5	5	5	5	-	-	-	-
Banking	5	5	5	5	5	5	-	-	-	-
Debtors	6	6	6	6	6	6	-	-	-	-
Total	100	94	95	93	87	75	-	5	1	-

We recommend that Council prioritises the moderate risk findings, as failure in compensating controls addressing the same risk or existence of multiple moderate weakness within the same business cycle may lead to a material weakness and non-compliance with s125 of the Local Government Act.

We noted that Council has established mechanisms to ensure ongoing monitoring of effectiveness of the internal controls such as an internal controls self-assessment and test of effectiveness of internal controls. We were impressed with the accuracy of these self-assessments which were largely consistent with the audit findings, and wish to highlight that many of the findings provided in this report had also been identified by Council during its own self-assessment.

Audit have concluded that there is a high likelihood of issuing an unmodified controls opinion at the end of the financial year. This will depend on the Council demonstrating continued progress towards addressing identified control weaknesses, ensuring that the existing core controls in place continue to operate effectively and that the annual internal control activities are performed at year end.

1.5. Summary of findings

Business Cycle	Findings	Risk
Fixed Assets	2.1.1 Assets requiring new revaluations and new condition assessments to ensure they are revalued with sufficient regularity.	M
	2.1.2 Asset management plans overdue for adoption	M
	2.1.3 Asset maintenance plans not aligned with asset management plans	M
General Ledger	2.2.1 A list of IT users with access to key finance modules in Open Office was not reviewed by Finance Management in 2021/22	M
	2.2.2 Instances of manual journal entries not independently reviewed	M
	2.2.3 The Business Continuity Plan is overdue for review	L
Purchase, Procurement and Contracting	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
Accounts Payable	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
Payroll	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
Receipting	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
Rates	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
Credit Cards	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
Banking	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
Debtors	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A

2. DETAILED AUDIT FINDINGS

2.1 FIXED ASSETS

2.1.1 Assets requiring new revaluations and new condition assessments to ensure they are revalued with sufficient regularity.

Moderate

Control Relevant staff review useful lives, residuals, valuations, depreciation methodology and test for impairment to ensure that methods used are still appropriate and significant changes are incorporated into Asset Management Plans.

Risk Fixed Assets are not valued correctly initially or on subsequent revaluation.

Finding	Recommendations	Management Response
<p>Accounting standards require assets using the revaluation model to be revalued with sufficient regularity to avoid material misstatement. Common practice is for asset to have a full revaluation every 3-5 years, 5 years being generally accepted as the maximum allowable gap.</p> <p>A full revaluation to meet the requirements of the Australian Accounting Standards generally involves a review of the unit rates of infrastructure assets and a condition assessment.</p> <p>Council performs revaluations using internal resources (a review of unit rates performed internally by Council's asset officers and engineers) and using an external valuer (a full revaluation involving a review of the depreciated replacement cost and condition assessment).</p> <p>Audit noted the following asset classes requiring new condition assessments to ensure they are fully revalued with sufficient regularity as required by accounting standards (Council only performed internal review of unit rates on a regular basis for these classes):</p>	<p>Ensure that assets using the revaluation model are revalued with sufficient regularity as required by Australian Accounting Standards.</p>	<p>Response: Accepted</p> <p>Action: Engage Confirm consultant to undertake condition revaluation of Footpath, Kerb and Retaining Wall in Confirm with updated condition ratings. To be completed early in 2022/23 financial year with revaluation as at July 2022.</p> <p>Engage consultant to undertake a condition audit of active (above ground) CWMS assets and condition revaluation as at July 2022.</p> <p>Engage consultant to collect base road condition information for analysis in 22/23 and revaluation based on condition data from July 2023.</p> <p>Note: Building condition audit and revaluation out to tender April 2022 and AMP completed in 22/23.</p>

Asset classes	Last condition assessment	Next condition assessment (planned)
Roads	30/04/2016	2022/23 FY
Footpath	30/06/2018	Completed in 2021/22 – still to be updated in Confirm.
Kerb & gutter	30/06/2014	Completed in 2021/22 – still to be updated in Confirm.
CWMS	01/04/2017	2022/23 FY
Stormwater	No data available	No data available
Retaining wall	30/06/2014	Completed in 2021/22 – still to be updated in Confirm.

Audit also noted that Council usually performs a full revaluation of buildings using an external valuer. Last full revaluation of buildings was performed on 01 July 2017 (APV valuers and Asset Management).

Responsible Officer: Manager Strategic Assets

Due date: June 2024

2.1.2 Asset management plans overdue for adoption

Moderate

Control	Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999.
Risk	Fixed Asset maintenance and/or renewals are inadequately planned.

Finding	Recommendations	Management Response
<p>In our 2019/20 interim management letter we reported that the current asset management plans were last adopted in 2012. At a minimum, the Local Government Act 1999 requires that council undertakes a comprehensive review of its asset management plans within 2 years after each general election of the council, meaning the plans are overdue for review.</p> <p>A follow up of this matter performed during our interim audit revealed that the Road, Footpath and Kerb Asset Management Plan 2021 and the Bridge Asset Management 2022 Plan were adopted by Council.</p> <p>Council has not yet prepared asset management plans for Buildings, CWMS, Stormwater and playground assets.</p>	<p>Management works towards preparation and adoption of Buildings, CWMS, Stormwater and Playground asset management plans.</p>	<p>Response: Accepted</p> <p>Action: CWMS final draft AMP proposed for presentation to Audit in August 2022. Adoption proposed in 22/23 following consultation.</p> <p>Draft Stormwater and Playground AMP's to be developed during 22/23 and adoption in 2023/24.</p> <p>Responsible Officers; Manager Strategic Assets (Stormwater), Sport & Recreation Officer (Playgrounds)</p> <p>Due date: June 2024</p> <p>Action: Building condition audit and revaluation out to tender April 2022 and to be AMP completed in 22/23.</p> <p>Responsible Officers; Manager Property Services</p> <p>Due date: June 2023</p>

2.1.3 Asset maintenance plans not aligned with asset management plans**Moderate**

Control	Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans.
Risk	Fixed assets acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed asset register does not remain pertinent.

Finding	Recommendations	Management Response
<p>In our 2019/20 interim management letter we reported that current maintenance schedules do not always correspond with the Asset Management Plans.</p> <p>A follow up of this matter performed during our interim visit revealed that Council does not currently have documented asset maintenance plans.</p> <p>Audit acknowledges that there are some formal inspection and maintenance regimes in place for high risk assets.</p>	<p>Ensure that maintenance schedules are developed in accordance with Asset Management Plans.</p>	<p>Response: Accepted</p> <p>Action: Managers with maintenance budget responsibility to develop asset maintenance plans for business area to ensure alignment with AMP outcomes.</p> <p>Responsible Officer: Manager Strategic Assets</p> <p>Due date: June 2024</p>

2.2 GENERAL LEDGER

2.2.1 A list of IT users with access to key finance modules in Open Office was not reviewed by Finance Management in 2021/22

Moderate

Control

Access to General Ledger maintenance is restricted to appropriately authorised personnel.

Risk

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

Finding	Recommendations	Management Response
<p>During the 2018/19 audit noted that there were no mechanisms to ensure a complete list of users with access to finance functions in Open Office was formally reviewed on a regular basis by finance management.</p> <p>In 2019/20, the ICT department implemented a six-monthly report containing a list of users with access to different modules in the finance system. These reports were sent to relevant managers for review in the 2019/20 and 2020/21 financial years.</p> <p>Audit noted that these reports were not reviewed by relevant manager in the 2021/22 financial year.</p> <p>Our review of users' access identified the following potentially excessive access rights that Management may consider in the next round of review of IT users' access rights to finance modules:</p> <ul style="list-style-type: none"> ▪ Rates assessment – 4 users with administrator access including one terminated employee. ▪ Cashlink – 6 users with administrator access including one terminated employee. ▪ Payroll function – payroll module was upgraded and the ICT department could not generate a report. 	<p>Finance Management performs a formal review of a list of users with access to key finance modules in Open Office to ensure adequate segregation of duties in the finance system.</p> <p>Key areas of access that should be considered in this review include:</p> <ul style="list-style-type: none"> - Banking - Rates - Accounts payable - Accounts receivable - Receipting - General ledger 	<p>Response: Accepted</p> <p>From a systems security perspective while the Audit noted that the reports submitted were “not reviewed by relevant manager” there are compensating and more effective controls with regards to the removal of access for terminated employees.</p> <p>User access is removed at a higher level (Active Directory Authentication) that prevents access to all Council systems including financial systems protecting Council systems along with other security measures such as two factor authentication.</p> <p>The removal of a user's access at an application level is therefore a process undertaken to ensure current users have appropriate access to modules within the system at the application level and as referenced should be undertaken every 6 months in line with the current procedure.</p>

<p>We acknowledge that Management may consider some of the above access rights to be appropriate. The purpose of listing them is to recommend that Management consider the extent of the access rights described above in the next round of review of the reports provided by the ICT department.</p>		<p>Action:</p> <p>Process now commenced for finance modules business systems owners to review IT users' access rights and provide appropriate changes to relevant Manager to review and initiate changes</p> <p>Responsible Officer: Manager Financial Services</p> <p>Due date: June 2022 and ongoing every 6 months</p>
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2.2.2 Instances of manual journal entries not independently reviewed**Moderate****Control**

Journal entry access is restricted to appropriately authorised personnel.

Risk

General ledger does not contain accurate financial information.

Finding	Recommendations	Management Response
Audit selected a sample of manual journal entries to test the effectiveness of internal controls related to approval of manual journal entries. Audit noted that 7 out of 10 samples selected had a manual journal entry that was not independently reviewed.	Ensure that manual journal entries are independently reviewed.	<p>Response: Accepted</p> <p>Action: All finance users will be reminded of the importance of ensuring all manual journals are independent reviewed.</p> <p>Responsible Officer: Manager Financial Services</p> <p>Due date: Implemented</p>

2.2.3 The Business Continuity Plan is overdue for review**Low****Control**

Formal disaster recovery plan is in place and communicated to relevant staff.

Risk

Data contained within the General Ledger is permanently lost.

Finding	Recommendations	Management Response
<p>The current Business Continuity Plan was last reviewed and adopted in April 2011.</p> <p>Audit acknowledges that an ICT Disaster Recovery Plan (DRP) was developed in 2018 (currently being updated) which sets out the key forms of ICT disruption and the current recovery and resumption arrangements in place. The contents of the ICT DRP are well-known to ICT staff.</p> <p>The financial risk mitigated by this control is that data contained within the general ledger is permanently lost. Whilst the BCP is overdue for review, the document still contains relevant procedures to address the risk of GL data loss. For this reason, we have classified the risk as low. In making this assessment, we have not considered the impact of non-financial risks addressed by the BCP.</p> <p>This is a repeated finding from our 2019/20 Interim Management Letter.</p>	<p>The Business Continuity Plan is updated.</p>	<p>Response: Accepted</p> <p>Action:</p> <p>Local Government Risk Services (LGRS) has been contracted to deliver their BCP development and implementation service.</p> <p>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.</p> <p>Responsible Officer: Executive Manager Governance & Performance</p> <p>Due date:30/9/22</p>

APPENDIX 1 – CRITICAL INTERNAL FINANCIAL CONTROLS

Purchasing and Procurement

Risks

R1	Council does not obtain value for money in its purchasing and procurement.
R2	Purchases of goods and services are made from non-preferred suppliers.
R3	Purchase orders are either recorded inaccurately or not recorded at all.
R4	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	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process.
R2	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

FIXED ASSETS

Risks

R1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent.
R2	If fixed assets are not securely stored, they may be subject to damage or theft.
R3	If fixed assets are not valued correctly, the management reports and financial statements will be misstated. For example, incorrect carrying values may result from the use of inappropriate depreciation rates.
R4	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals.
R5	Fixed Asset maintenance and/or renewals are inadequately planned.

RISKS	Control	Control Type
R1	There is a process in place for the verification of fixed assets which is reconciled to the FAR.	Core
R1	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
R1	All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies.	Core
R1	Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties.	Core
R1	Council has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored to ensure adherence.	Core
R1	Reconciliation of fixed assets to the General Ledger is performed in accordance with schedule of review or procedure.	Core
R1	Asset register calculations are reviewed for accuracy.	Core
R1	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
R1	Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans	Additional
R2	Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users.	Core

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.	Additional

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

PAYROLL

Risks

R1	Payroll expense is inaccurately calculated.
R2	Payroll disbursements are made to incorrect or fictitious employees.
R3	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.
R4	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.
R5	Voluntary and statutory payroll deductions are inaccurately processed or without authorisation.
R6	Employees termination payments are not in accordance with statutory and enterprise agreements.

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

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

RECEIPTING

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

Galpins 2021-22 IT Entity Levels Control Review Report



Accountants, Auditors & Business Consultants

CONFIDENTIAL

IT ENTITY LEVEL CONTROLS REVIEW

Adelaide Hills Council

2021/22 Interim Management Letter



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Table of Contents

1. EXECUTIVE SUMMARY	3
2. IT ENTITY LEVEL CONTROLS REVIEW	4
2.1 IT ENTITY LEVEL CONTROLS	4
2.2 CHANGE MANAGEMENT	6
2.3 INFORMATION SECURITY	7
2.4 BACKUP AND RECOVERY	10
2.5 THIRD PARTY IT PROVIDERS.....	11
3. FINDINGS	12
3.1 IT Policies and procedures.....	12
3.2 ICT Disaster Recovery Plan	13
3.3 ICT Governance- Revise ICT and IS Strategic Plan	14
3.4 ICT Risk Assessment.....	15
4. DISCLAIMERS.....	16

1. EXECUTIVE SUMMARY

In addition to our financial controls review documented in our 2021/22 Interim Management Letter, our external audit for the 2021/22 financial year included a review of the following IT controls:

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 / security to the Data Centre including locks, 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

Our 2021/22 external audit plan incorporated this high level review of IT controls for the purpose of informing our assessment of the risk of material misstatement in the financial report.

Council demonstrated a high level of effectiveness of IT controls to reduce the risk of material misstatement in the financial report, as the majority of the IT controls reviewed were in place and operating effectively.

The results of our review are summarised in Section 2 of this report.

Detailed findings and recommendations are included in Section 3 of this report.

2. IT ENTITY LEVEL CONTROLS REVIEW

2.1 IT ENTITY LEVEL CONTROLS

Topic	Review comments	Conclusion
IT governance	<ul style="list-style-type: none"> The IS Strategic Reference Group (ISSRG) with a smaller representation and more strategic focus was formed as a result of the 2021 audit. It prioritises requests by importance. The Information Systems department reports to the Director Corporate Services, which is appropriate. 	Adequate
IT strategic planning	<ul style="list-style-type: none"> The ICT and IS Strategic Plan 2017-20 sets out four goals: <ol style="list-style-type: none"> Access – Security, service delivery model, consistent user experience Collaborate – maintain external relationships Explore – emerging technologies and opportunities Inform – systems structure and single source of truth The ICT Strategic Plan has not been updated. – recommend update There is no implementation – tactical plan – recommend implementation plan It is expected that the new IS Strategic and tactical plan will be rolled into the Corporate Plan covering Finance, HR and ICT. 	See Finding 3.3
Adequacy of financial resources	<ul style="list-style-type: none"> The budget for ICT is considered adequate to cover both capital and operating requirements. Funds are available when needed with an appropriate Business Case. Rising software subscriptions are difficult to manage. There is an ongoing budget for Cyber Security for the next three years. 	Adequate
Adequacy of IT personnel resources	<ul style="list-style-type: none"> Resources in the IS and ICT group are adequate after a recent restructure to bring in Information management (Records management team). Note that the Cyber Security role has been unfilled since October 2021 and has been covered by contractors. 	Adequate

Topic	Review comments	Conclusion
IT policies and procedures	<ul style="list-style-type: none">• The following IT Policies were provided:<ul style="list-style-type: none">○ ICT usage Agreement – employee form○ OPO-04 ICT Device and Systems Access Operational Policy○ OPR-01 Data Breach Procedure 200716○ ICT Disaster Recovery Plan○ Backup and Recovery Testing• There is a need to develop further IT policies.• CyberCX have been engaged to develop Security Policies.	See Finding 3.1
IT risk management	<ul style="list-style-type: none">• AHC have not conducted an ICT Risk Assessment. It is recommended that an ICT Risk Assessment in accordance with the AHC Risk Framework is conducted, which will assist in documenting key controls and prioritising ICT projects.• CyberCX have identified a number of initiatives. The ICT Risks have not yet been rolled up and incorporated in the AHC Corporate Risk Register.	See Finding 3.4

2.2 CHANGE MANAGEMENT

Topic	Review comments	Conclusion
Process for changes to software / programs	<ul style="list-style-type: none"> A change management form has been developed (ITIL) that is used to manage changes for vendors and internal changes. Projects manage their own changes. 'Manage Engine' (Cloud based) helpdesk used. 	Adequate
Process for changes to IT infrastructure	<ul style="list-style-type: none"> A SharePoint list is maintained to log notable ICT changes. Segregation of duties is in place, with a two phase approval process for notable changes. For more incidental changes, an assessment of impact is made by the ICT Team Leader who seeks informal (i.e. verbal) approval from the ICT Manager. All staff notifications are used to notify Council of changes that may result in outages. Backout plans are implemented for potentially impactful changes. ICT procurement milestones also restrict changes and control major system changes. Each virtual machine image has its own change log (i.e. logs of each change to virtual desktops which can be rolled back). This will be managed through the change control form in the future. Patching is now managed by MS E5 (Endpoint manager) which manages patching down to workstations, with managed updates to patches. 	Adequate

2.3 INFORMATION SECURITY

Topic	Findings	Conclusion
Physical access / security to the Data Centre including locks, alarms, fire protection, air conditioning	<ul style="list-style-type: none"> Audit toured the data centre. Stirling premises is controlled with limited points of entry which require a fob. A fob is required to access the Council premises via the perimeter. There is a door from the Stirling library to the Council premises that also requires fob access, and the fob reader is concealed behind padding in the wall for added measure. Doors within the perimeter are unlocked during business hours but require fob access after hours. Visitors report to the library front desk where they are required to sign in using the tablet application which prints a badge with the visitor's picture on it. The only secure zone within the security perimeter is the server room, which requires fob access that is provided to a limited number of people. This access system also has logging functionality. The server room contains no windows and would not be recognisable as a sensitive location to an outsider. The server room has as HVAC system with under-floor cooling and a standard air-conditioning unit as a backup. The servers and network infrastructure are protected by an Uninterruptible Power Supply (UPS). The server room locks automatically when not occupied. Vendors coming on-site to perform maintenance are escorted and supervised while in the server room. Servers and network infrastructure are located in the Stirling server room at the Stirling office with redundancy at AdamDC. Access to the Stirling server room is restricted to a few individuals, the room is located deep within the security perimeter and is not identifiable from the outside of the building. Printers are placed in appropriate locations within the security perimeter. There is smoke detection and a single hand held extinguisher but no fire suppression in the ceiling. The compensating control is the offsite facility at AdamDC. There is a dark fibre (dedicated) to the Adam DC. This is an Active/Active set up with full redundancy. There is a plan to move more applications into the cloud, eventually decommission the Stirling servers and run only AdamDC. 	Adequate

Topic	Findings	Conclusion
Logical access to the network	<ul style="list-style-type: none"> Controlled via Active Directory (Azure) <ul style="list-style-type: none"> Password history (24 remembered) Maximum password age (120 days) Minimum password length (8 characters) Password complexity (enabled) Automatic lockout has been configured for systems after 5 minutes of inactivity Locked after 5 invalid password attempts for 5 minutes. There are opportunities to strengthen password settings. MS Analytics is used to assess security and the security administrator has received 365 training. <p><u>New user process</u></p> <ul style="list-style-type: none"> For initial access, People Leaders fill out a New Staff form for OD (HR) to approve. Once approved, OD populate a SharePoint form which is then sent to Helpdesk to be configured. Helpdesk then vet the request to some extent before access is configured (i.e. any concerns are followed up with the People Leader). For deprovisioning, People Leader's notify OD that access is to be removed which is then sent to ICT for action. OD and ICT are not always notified of contractors who are provisioned with access (e.g. to cloud systems), and as such these are not always managed under the controlled process. Once the SharePoint form is delivered to ICT from OD, the ticketing system has workflows that control the access provisioning / deprovisioning process. ICT have scripts that both provision and revoke access automatically (with data from the SharePoint form). However, some systems require access to be configured and removed manually. A user's password is sent to their People Leader via email and is configured to change upon first login. Historically, a standard password was used for all initial passwords. This has now been corrected – new passwords are random. There are scripts set up in AD for New users, changed users and Exiting users. Add/change/delete user process not documented. 	Adequate

Topic	Findings	Conclusion
Remote Access to the Network	<ul style="list-style-type: none">• Audit reviewed a network diagram showing communications routers.• The VPN has been replaced by a VM Ware View (Horizon) using remote desktop requiring 2Factor Authentication via an application on the user's mobile phone or mobile device.• A fortigate firewall is implemented that includes IDS/IPS functionality and a level of AV and anti-spam mechanisms.• There is redundancy to the data centre.• Network diagrams are maintained.• Switches act as routers between networks with rules that restrict access (i.e. segregation). Robust network logging is in place.• Admin users in ICT now have separate admin accounts (with no email) and require Multi-Factor Authentication (MFA) to log in to these.	Adequate

2.4 BACKUP AND RECOVERY

Topic	Findings	Conclusion
Backup process including storage of tapes / mirrored drives	<ul style="list-style-type: none"> • SharePoint is configured for backups every three hours and monthly off-site backups to tape. • Storage-level snapshots (SAN) are taken twice per day and kept on-site for a week before moving to tape. This is done using VEEAM. • Tapes are stored offsite at AdamDC, although there is a plan to move away from tapes. • Partial restores are tested, and full restores of entire Virtual Machines (VMs) are tested and working. • Change backout plans use VM snapshots rather than the backup system. 	Adequate
IT Disaster Recovery Plan	<ul style="list-style-type: none"> • The following observations were made regarding the ICT Disaster Recovery Plan (DRP): <ul style="list-style-type: none"> ○ Dates and document control information has been added as a result of last year's management letter. ○ No list of key contacts. ○ No list of applications and Maximum Acceptable Outage. ○ There is no emergency response team. 	See Finding 3.2

2.5 THIRD PARTY IT PROVIDERS

Topic	Findings	Conclusion
Describe Outsourced IT services	<ul style="list-style-type: none">• Includes Open Office, GIS/ Assets (Confirm system – cloud based) etc.• Simple – website – SAAS• Cemeteries system is in the cloud.	Adequate.
Review Access of Third Parties to the Network	<ul style="list-style-type: none">• There are five IT providers who log on to AHC. Previously generic userIDs were used and they could log on at any time. Now replaced with Multi-Factor Authentication and a requirement to request log on and complete a change request form.• Third parties have been requested to complete a 127 question questionnaire re Cyber security.	Adequate

3. FINDINGS

3.1 IT Policies and procedures

Moderate

Finding	Recommendations	IT Management Response
<p>Existing IT policies include: -</p> <ul style="list-style-type: none"> • ICT usage Agreement – employee form • OPO-04 ICT Device and Systems Access Operational Policy • OPR-01 Data Breach Procedure 200716 • ICT Disaster Recovery Plan • Backup and Recovery Testing <p>A Cyber Security Audit conducted by Cyber CX also identified a number of gaps in policies.</p> <p>LGITSA have developed a Security Framework for the Local Government sector that includes Cyber Security and Physical Security.</p> <p>CyberCX have been engaged by AHC to implement the Security Framework which includes the development of ICT Policies.</p> <p>There have been a number of delays in implementing the Cyber Security Plan due to the difficulty in recruiting a Cyber Security Officer, which has been backfilled with a Contractor.</p>	<p>We understand that new ICT policies are part of the Cyber Security Plan.</p> <p>It is recommended that the following IT policies (or equivalent) be developed, issued on the Intranet site and implemented to Council Staff: -</p> <ul style="list-style-type: none"> • Information Security Policy • Access Management Policy • Change Management Procedure • Network Security Policy including passwords • Information management – classification and handling • Online services • Physical Access • Remote Access and telecommuting 	<p>The implementation of the LGITSA Cyber Security Framework and associated work activity with consultants (CyberCX) will see an alignment to this recommendation.</p> <p>As indicated in the findings, delays were incurred due to resourcing an appropriately skilled Cyber Security Officer and the release of the LGITSA Cyber Security Framework to ensure alignment with the LG Sector in the implementation of Cyber Security Plans across the state.</p> <p>Action: Implement an Information Security Management System (ISMS) Responsibility: Manager Information Services Timing: May 2022 to December 2022</p>

3.2 ICT Disaster Recovery Plan

Moderate

Finding	Recommendations	IT Management Response
<p>Our review of the Disaster Recovery Plan (DRP) identified the following:</p> <ul style="list-style-type: none"> The DRP does not have references to who should form the Disaster Recovery Team The DRP does not include Maximum Acceptable Outages (MAO) for each application. A network redesign project has been completed to improve network survival in the event of a communication link failure, improving support for Cloud services. There is opportunity for future updates to the DRP to make more use of flowcharts and checklists, which are considered more effective in an emergency situation. 	<p>AHC should update the IT Disaster Recovery Plan with Recovery Team details and MAO for each application.</p> <p>The IT DRP should be updated once major system changes are implemented and the impact on the DRP are known.</p> <p>Consider opportunities for the use of flowcharts and checklists in future updates to the DRP.</p>	<p>The implementation of an ISMS (Information Security Management System) is currently being implemented and the ICT Disaster Recovery Plan has been amended with a Document Control section as requested including the date and version of the document.</p> <p>MAO at an application level will be completed <u>after the finalisation</u> of the organisational BCP (Business Continuity Plan) that currently being progressed.</p> <p>The BCP is to provide MAO at a functional level that will then inform an agreed MAO at an application level.</p> <p>In the interim while the BCP is being developed, ICT can indicatively set an MAO at the function level until an agreed position is adopted.</p> <p>Action: Set an indicative MAO at an application level in the ICT Disaster Recovery Plan. Responsibility: Manager Information Services Timing: July 2022</p>

3.3 ICT Governance- Revise ICT and IS Strategic Plan

Moderate

Finding	Recommendations	IT Management Response
<p>AHC issued an ICT and IS Strategic Plan covering the period 2017-2020.</p> <p>A draft IS Strategic Plan is being developed with the assistance of the new Information Services Strategic Reference Group.</p>	<p>Finalise the IS Strategic Plan.</p> <p>We understand that the draft IS Strategic Plan may be incorporated into the Corporate Services Plan (covering Finance / HR and ICT), which is acceptable. It should also be aligned to the Strategic Objectives with regards to Information Technology in the Council Strategic Plan and the budget in the Annual Business Plan.</p>	<p>Work has commenced on a Draft Information Services Strategic Plan; however, consideration is being undertaken in incorporating this activity into a Corporate Services Plan as indicated in the recommendations.</p> <p>Action: progress the development of strategic planning for the Information Services Department</p> <p>Responsibility: Manager Information Services</p> <p>Timing: September 2022</p>

3.4 ICT Risk Assessment

Moderate

Finding	Recommendations	IT Management Response
<p>There are three ICT related risks recorded in the AHC Strategic Risk Register in Skytrust.</p> <p>AHC has a number of improvement initiatives identified from the CyberCX security report. These initiatives should be rolled up and added to the AHC Corporate Risk Register as additional ICT Risks.</p> <p>It is understood that it is in the scope of the CyberCX engagement to identify and assess ICT risks. A Risk Assessment of ICT risks assists in prioritising ICT projects for AHC i.e. Extreme and then High Inherent Risks should be prioritised for the timing of ICT projects.</p>	<p>We support an ICT Risk Assessment being conducted, with CyberCX in accordance with the council's risk management framework, to identify additional ICT related risks to be added to the Corporate Risk Register.</p>	<p>Council is currently implementing an ISMS and a part of the program is the work associated with undertaking a ICT Risk Assessment.</p> <p>Action: Undertake an ICT Risk Assessment as a part of implementing the Council ISMS. Responsibility: Manager Information Services Timing: September 2022</p>

4. DISCLAIMERS

Inherent limitations

This report has been prepared for the information and internal use of the Adelaide Hills Council as part of our engagement to deliver external audit services. The scope of our external audit includes a high level review of IT controls for the purpose of informing our assessment of the risk of material misstatement in the financial report. Consequently, no express opinions or conclusions have been drawn or intended to convey assurance in relation to the overall adequacy of council's IT / cybersecurity environment or controls. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected.

Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to the effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures were on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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 by, and the information and documentation provided by, the Adelaide Hills Council's management and personnel. We have not sought to independently verify those sources. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the Adelaide Hills Council. The findings expressed in this report have been formed on the above basis.

Third party reliance

This report is solely for the purpose of communicating the results of our external audit activities related to the high level review of IT controls for the purpose of informing our assessment of the risk of material misstatement in the financial report, and for the Adelaide Hills Council's information, and is not to be used for any other purpose or distributed to any other party without Galpins' prior written consent. This report has been prepared at the request of the Adelaide Hills Council or its delegate in connection with our engagement to perform external audit services. Other than our responsibility to Adelaide Hills Council, neither Galpins nor any member or employee of Galpins undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Adelaide Hills Council's internal auditor, on this report. Any reliance placed is that party's sole responsibility.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 23 May 2022
AGENDA BUSINESS ITEM**

Item: 7.2

Responsible Officer: Mike Carey
Manager Financial Services
Corporate Services

Subject: Internal Financial Controls Update

For: Information

SUMMARY

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

This report presents an update to the Committee on the *Internal Control Framework* for the year ended 30 June 2022.

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 O.5 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.

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

➤ **Legal Implications**

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

➤ **Risk Management Implications**

The undertaking of an annual review of Internal Controls using the Internal Financial Control Model will assist in mitigating the risk of:

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

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

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

➤ **Financial and Resource Implications**

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

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

Not applicable.

➤ **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**

Council is responsible for implementing and maintaining an adequate system of internal controls in accordance with Section 125 (internal control policies) of the *Local Government Act 1999* (the Act) by ensuring that appropriate policies, practices and procedures of internal control are implemented and maintained.

In addition, Council audit committees are required to monitor the adequacy of all council's "accounting, internal control, reporting and other financial management systems and practices on a regular basis".

Council's external auditor also provides an opinion on the compliance with the requirements of Section 125 of the Act in relation to the internal controls established by the Council.

The auditor's responsibility is to express a conclusion on the Council's compliance with the Act in relation to the internal controls established by the Council for the relevant financial year to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law.

When forming an internal controls opinion auditors must refer to the Better Practice Model - Internal Financial Controls as updated from time to time and published by the Local Government Association.

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

3. ANALYSIS

An updated *Better Practice Model - Internal Controls* was approved by the Minister for Local Government to apply from July 2017.

That update provided a roadmap to a more risk based approach to ensuring a robust financial internal controls environment by allowing councils to document and assess the internal financial controls that relate to a particular financial risk and to the extent that they mitigate that risk to an acceptable level.

As such it refocused Council's internal financial control activities and monitoring systems largely on the extreme and high financial risks as identified by the Council's risk tolerance framework and reduced the number of controls that councils review and assess on an ongoing basis.

For 2021-22 there were 109 individual controls to be assessed and reviewed, grouped into the following categories:

- Strategic Financial Planning
- Revenue
- Liabilities
- External Services
- Expenses
- Assets

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

To assist in Council's review of internal controls, Adelaide Hills Council uses a product called Control Track to identify and document the control activities in place and to evaluate the appropriateness, design and effectiveness of these controls on a scale from 1 to 5.

Council uses the rating scale below to evaluate its controls.

Definitions of Control Effectiveness Ratings	
1. Ineffective	The control has not been implemented as described. Urgent management action is required to implement the described control processes.
2. Requires significant improvement	The control has been implemented as described, but with significant deficiencies in the consistency or effectiveness of implementation. Significant management action is required to implement processes to improve the effectiveness of the control.
3. Partially effective	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	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	The control as described has been fully implemented and has in all cases has been consistently and/or effectively applied.

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

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

Table 1

Control Category	May-22	May-21	May-20	May-19
Strategic Financial Planning	4.09	4.64	4.64	4.55
Revenue	4.60	4.87	4.80	4.80
Liabilities	4.93	4.79	4.71	4.71
External Services	4.17	4.00	4.50	4.00
Expenses	4.82	4.76	4.94	4.76
Assets	4.41	4.68	4.55	4.42

For the review period 2021-22, the overall result is an average rating of 4 or higher, although there has been some minor variations within categories across the four years.

This is relevant in the process category External Services (Contracting) with the development of a project management framework and Expenses (Payroll and Procurement) where improvement opportunities have been identified in terms of a payroll system upgrade and automating some of the manual processes including purchase orders.

Strategic Financial Planning (General Ledger) has identified improvements in the month end processes which have already been implemented, but further work remains in developing a new Business Continuity Plan (BCP) for Council, critical function plans and determining minimum acceptable outage limits if there was a significant business interruption event.

On the revenue side, COVID has impacted the timelines on the recovery of debt and debt collection processes due to the financial impacts being experienced by the community. With the recommencement of active debt recovery processes improvements should be realised.

Within the Assets category, asset management planning has been identified as an area for improvement and with some of these plans still outstanding this continues to be a focus for Council.

The good overall result in internal controls across years also reflects the information provided by our external auditors as part of the 2021-22 Interim Management Letter committee report which also forms part of this meeting's agenda.

The Control Track information for the current year is also shown diagrammatically below.



The full list of controls and the specific rating of each is provided at **Appendix 1**.

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

4. OPTIONS

Audit Committee is limited to receiving and noting this report.

5. APPENDIX

(1) 2021-22 Internal Financial Controls Update








Appendix 1

2021-22 Internal Financial Controls Update








2021-22 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>
<div> <div>Strategic Financial Planning</div> <div>General Ledger</div> </div>								
STR-GEN-0012	There is a process in place to review actual vs budget and significant variances investigated. Strategic Financial Planning - General Ledger	Liz Packer	3	Actuals vs Budget reports are produced for each Department by the Management Accountant each month. The reports are system generated and exported to Excel mapped reports and uploaded onto Sharepoint for Budget Owners review & analysis. Separate reporting is done at a Directorate level and a Monthly Financial Performance Report is produced for ELT and discussed at the ELT Perform meeting each month. Manager Financial Accounting will meet with key directorate personnel for some larger directorates to discuss budget matters but this is not consistent across all of council. Budget reports are often produced late in the month reducing the effectiveness of the information being presented.	Mike Carey	4	Process documented above. All significant variances are identified, investigated and reported. Improvements in timing of Actual Budget Variance analysis has occurred with the introduction of the Team Leader Financial Accounting, allowing month end close to occur much earlier than it has in the past.	0
STR-GEN-0011	Reconciliation of all balance sheet accounts is completed in accordance with a schedule of review and/or procedure. Strategic Financial Planning - General Ledger	Liz Packer	3	All balance sheet reconciliations are reviewed by an independent finance officer to the preparer. Reconciliations of high risk are done monthly, and low risk being done annually. Reconciliations are now retained on the P drive. Delays in rolling over the closing balances at the completion of EOFY creates issues with the preparation of these reconciliations due to inaccurate opening balances being reflected in the general ledger.	Mike Carey	4	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually	0
STR-GEN-0010	Journal entry access is restricted to appropriately authorised personnel.	Liz Packer	4	Journals should be reviewed/authorised and updated by a person independent from the preparer. Only Finance team members have the ability to perform a general journal entry. Journals are retained in Finance for inspection and all supporting documentation is kept on the P drive electronically. The system does allow for the preparer to also authorise and update the GL for their journal.	Mike Carey	4	No comment found	0
STR-GEN-0009	General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff.	Liz Packer	3	There is a scheduled review of Council policies at the Council level. Policies specific to the GL are the responsibility of the Management Accountant. Communication does not happen in a timely manner.	Mike Carey	4	All council financial policies are included in the Policy Register which is provided to Council regularly for consideration and review to obtain a consolidated picture of the schedule of policies and review timeframes. The majority of procedures relating to GL and associated reconciliations are reviewed and updated on the regularly basis. In addition, the recently appointed Team Leader Financial Accounting will allow greater backup of system administration currently undertaken by the Management Accountant where some areas of documentation could be expanded.	0




2021-22 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
STR-GEN-0008	Formal disaster recovery plan is in place and communicated to relevant staff.	 Lachlan Miller	2	The ICT Disaster Recovery Plan is in place and ensures that the GL data is appropriately backed-up and able to be recovered. The broader organisational Business Continuity Plan is dated and would not be a source of effective guidance in a business disruption event. LGRS have been contracted to develop a new BCP, functional owners have completed the first stage regarding calculating Maximum Acceptable Outages (MAO) and the next stage is preparing Critical Function Plans (CFP) for those functions which are deemed to be critical functions.	Liz Packer	2	The risk in relation to this control is that Data contained within the General Ledger is permanently lost. Whilst the Organisation BCP is outdated, the ICT Disaster Recovery Plan is somewhat appropriate to ensure that GL data loss would be minimal.	0
STR-GEN-0007	Financial data is backed up and stored offsite.	 James Sinden	5	The Councils ICT Business Continuity Plan has a fully functioning duplicate of physical technology, business software systems and backup copies of data located at another site located out of the Adelaide Hills Council District.	Liz Packer	5	ICT Business Continuity Plan documents backup processes. A backup site is located outside AHC district.	0
STR-GEN-0006	Finance system does not allow posting of unbalanced journals or if it does regular reviews are conducted on the suspense account and discrepancies investigated and actioned.	 Liz Packer	5	Open Office Finesse prevents unbalanced journals from being posted. Journal preparers must make sure their journal balances or is corrected prior to update.	Mike Carey	5	No comment found	0
STR-GEN-0005	Amendments to the structure of the General Ledger framework and accounts are reviewed and approved by appropriately authorised personnel.	 Liz Packer	3	Only administrators of Finesse (GL module) can access the General Ledger maintenance General Ledger Account codes can only be created and closed by administrators in Open Office Finesse. All amendments to the structure of the GL are undertaken by the Management Accountant after discussion with Budget Holders. There is no independent review or authorisation of GL amendments being undertaken.	Mike Carey	4	Whilst there is no formal process for review, the current management reporting process highlights new accounts in order to update reporting requirements via a manual process and as such there is more visibility by the Manager, Financial Services or changes undertaken	0
STR-GEN-0004	All major updates and changes to General Ledger finance system are authorised, tested and documented.	 Liz Packer	4	All updates and changes are documented in formal release notes for each module provided by the vendor. The release notes are made available prior to the upgrade of change being developed into a "test" environment. The vendor provides a comprehensive list of functions for customer testing. The update process is fully coordinated to ensure all changes are checked and authorised prior to roll over/upgrade. This process is the responsibility of the Management Accountant.	Mike Carey	4	No comment found	0
STR-GEN-0002	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually. Strategic Financial Planning - General Ledger	 Sonia Cooper	5	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually	Liz Packer	4	BS reconciliations are reviewed by independent person at least annually. However, delays in rolling over GL balances from prior years impacts on the opening balance for many of them. Improvement could be made.	0
STR-GEN-0001	Access to General Ledger maintenance is restricted to appropriately authorised personnel.	 Sonia Cooper	5	There are 6 administrators with access to General Ledger maintenance	Liz Packer	5	Administrators are reviewed for relevance. Any staff who leave are removed from the listing by IT.	0





2021-22 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>
Rates/Rate Rebates								
REV-RAT-0010	There is a rating policy in place that is reviewed annually that provides clear guidance on rating methodology and relevant rebates and remissions in line with legislation.	 Katrina Maher	5	Council has a rating policy in place that is reviewed annually that provides clear guidance on rating methodology and relevant rebates in line with legislation. Additional guidance has been added in relation to both mandatory & discretionary rebates. Concessions for Pensioners are no longer managed by Local Government.	Liz Packer	5	Rating Policy for 22-23 has been written and is due to be adopted by Council shortly subject to any changes or amendments the elected members may request. Proposals for rating methodology, and any special rebates provided are outlined in the rating policy.	0
REV-RAT-0009	Recorded changes to property master file data and any rate adjustments are compared to authorised source documents to ensure that they were input accurately. An audit trail is maintained for all changes.	 Katrina Maher	5	Written communication (email or letter) is used as a basis for changes to the rates master file. Such correspondence is recorded through our document management system. Master file is also updated using weekly reports from the Lands Title Office. Accuracy is double checked against the source documents before the final stage of the update is completed	Liz Packer	4	Current resourcing issues in the rates team may be impacting on the ability to update the weekly LTO information, change of ownership information etc to the masterfile.	0
REV-RAT-0008	Rates are generated and tested for accuracy of calculation methodology prior to the rates billing run.	 Katrina Maher	5	Rates officers sample test the rates that have been generated before the final calculation is run. The Rates Team reviews the validity of the sample. This review includes a comparison to an Excel based rates modelling spread sheet that mirrors the rates generation. This increases confidence that the rates generated is valid	Liz Packer	5	Correct	0
REV-RAT-0007	Rates are automatically generated by the rate system, including the calculation of rate rebates and other parameters as applicable.	 Katrina Maher	5	Rates are generated based on Valuer General's data. This is balanced with property.gov prior to generation. Rates and Rebates are automatically calculated within property.gov	Liz Packer	5	Correct.	0
REV-RAT-0006	There is a Process in place to ensure that rates are collected in a timely manner and overdue rates are followed up.	 Katrina Maher	5	Council has a Debt Recovery Policy which includes the application of Sect 184 recovery of rates when applicable. Rate arrears are forwarded for Debt Collection if an account is 2 Quarters in arrears and there is no payment plan in place.	Liz Packer	4	COVID has impacted the timelines on the recovery of debt and debt collection processes due to the financial impacts being experienced by ratepayers. Active debt collection to be recommenced including the option to engage S184.	0
REV-RAT-0005	Employees responsible for processing rate payments and rebates cannot process their own payments or rebates unless the transaction is approved by someone independent of the process	 Katrina Maher	5	Rates officers do not process any rates payments. Council's cashiers process rates receipts. Any new rate rebates are assessed with the Rates Team and the Manager Financial Services and are signed off by Manager Financial Services. Rebates are not granted to individuals under the proposed updated rates policy. New Discretionary Rebate applications are forwarded to Council for approval.	Liz Packer	5	Correct - segregation of duties.	0
REV-RAT-0004	Annual valuation update is balanced prior to the generation of rates; all mismatches resolved prior to finalising rate generation.	 Katrina Maher	5	Annual valuation update is balanced by the Senior Rates Officer prior to the generation of rates; with all discrepancies resolved prior to finalising rate. The file does not load without the errors being addressed.	Liz Packer	4	This is correct - however noting that the Senior Rates Officer role is currently vacant and council has lost three staff with significant rating knowledge from the team due to retirement in the past 12 months.	0









2021-22 Controls Assessment

Code	Description	Assessor	★	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
REV-RAT-0003	All software changes to rate modelling functionality fully tested and reviewed by relevant staff.	 Katrina Maher	5	Rates software are initially loaded into a test arena where the rates officers are able to perform testing. All upgrade of the rates system is systematically tested prior to upgrade in preparation for rates generation. This includes rate modelling. Rates generated are compared to an Excel based rate modelling spreadsheet for comparison.	Liz Packer	5	Correct	0
REV-RAT-0002	All rate rebates and adjustments including write offs are appropriately authorised, with reference to Delegations of Authority and source documents.	 Katrina Maher	5	Rate rebates have been in place for a number of years with no change. A review of all rebates and non rateable was conducted in 18/19 to ensure rebate is appropriate and correctly categorised. Council will now review all Discretionary rebates at the start of the new Council term. A rates fines and interest remittance procedure has been developed to ensure consistent treatment in relation the application of fines & interest with reference to Delegation of Authority. Due to rate debtor security, current policy is not to write-off rate debtors.	Liz Packer	4	Rebates to be reviewed in full in 2022 as part of the new Council term. Rates debtors will need to be reviewed as there are a number that are long term and will never be paid.	0
REV-RAT-0001	Access to the Property master file is restricted to appropriately designated personnel, with a process in place to ensure changes are in line with policies and procedures.	 Katrina Maher	5	Access to the Property master file is restricted to appropriately designated personnel, managed by IT. Rates officers can see and update the property master file, and other staff only have read access.	Liz Packer	5	Correct. Access is controlled by IT and only rating staff can make changes to the information. Staff are removed when they leave Council.	0
Receipting								




2021-22 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>
REV-REC-0010	There is a review process for the authorisation of the reversal of transactions.	 Rhys Elsegood	4	Considered increased risk relating to circumstances where cash overpayment occurs. Discussion with personnel involved in receipting indicates that there is no review process for the reversal of transactions which occurs occasionally if cashier for example realises they have incorrectly recorded the transaction ie as cash instead of EFTPOS etc and therefore reverses the transaction and corrects. The system does not require separate authorisation and we are not aware of any exception reports that records when this function is used. Cashiers have a Receipt Reversal procedure that ensures that all reversed receipts are clearly warranted and details are available for verification and can be reviewed by an independent person. In addition, the Finance Officer - Accounts Receivable & Treasury can process a "Receipt Adjustment" to reallocate a payment from say a rate debtor account to a sundry debtor account as a result of the debtor using the incorrect payment platform and/or debtor reference vs rate assessment. These receipt adjustments are reviewed by the appropriate area and approved by the Team Leader Finance. While supporting documentation is retained the system does not require separate authorisation and we are not aware of any exception reports that records when this function is used. It is proposed that officers will follow up with the Vendor (Open Office) to confirm whether there is an audit trail/exception report available to record when this functionality is used by either Cashiers/Accounts Receivable.	Liz Packer	4	Some improvement in this area is warranted however we work within the constraints of Open Office. In the absence of an audit report being available a review process is difficult to undertake.	0
REV-REC-0008	Receipts are deposited regularly at the bank by a person independent from the initial recording of the cash receipts.	 Rhys Elsegood	5	Cash is banked twice weekly (Tuesday/Thursday) at the most frequently visited locations (Stirling & Woodside) and generally weekly at other locations and is recorded and signed for when collected by SecureCash.	Liz Packer	5	Correct. Council use SecureCash as the third party to deposit the cash to the bank.	0
REV-REC-0007	Receipt transactions are reconciled to the daily takings and out-of-balance banking is corrected promptly.	 Rhys Elsegood	5	Receipts are issued for all transactions processed. Cash/cheques/eftpos receipts for each Cashlink Session are reconciled to the Council Bank Account by the Finance Officer-Accounts Receivable & Treasury. Any discrepancies are investigated and corrected promptly.	Liz Packer	5	Correct	0
REV-REC-0005	Prior to and during the banking process, cash is stored securely at all times.	 Rhys Elsegood	5	Cash is stored securely at all times including the duration of the cash management process. Cash is locked away when unattended. Cash is banked twice weekly (Tuesday & Thursday) at the most frequently used cashier locations and is recorded and signed for when collected by SecureCash. Cash awaiting collection is held in a dropdown safe.	Liz Packer	5	Correct noting that since COVID the amount of cash being held is declining. Council also has other electronic payment methods that customers can use to again reduce the amount of cash being held on premise.	0






2021-22 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
REV-REC-0003	Customers are provided with a system generated or pre-numbered (manual) sequential tax compliant receipt detailing payment made.	 Rhys Elsegood	4	System generated sequential receipts are produced internally in the system and provided to customers upon request.	Liz Packer	4	Correct	0
Liabilities								
Accounts Payable								
LIA-ACC-0016	There is a system generated report detailing supplier invoices due for payment at any one time.	 Katrina Maher	5	There is a Creditors Outstanding Report Detail which is produced on the last day of the month (after processing close) and reconciled to the GL. In addition, there is Pre Cheque Report in Release Date Order that is produced prior to each payment run (weekly) as well as at the end of month, forming part of the reconciliation process.	Liz Packer	5	Correct as per above.	0
LIA-ACC-0015	There is a process in place to ensure the supplier master file is periodically reviewed for ongoing pertinence.	 Katrina Maher	5	An annual review of the supplier master file is undertaken and any supplier that has not been used for 2 years has the status of the account made historical. It will not appear on simple searches but is still apparent on the Supplier List (greyed out to indicate it is historical).	Liz Packer	5	Masterfile is reviewed and suppliers not used for a period of 2 years will be switched to historical. Should they be required in the future they will be reinstated.	0
LIA-ACC-0014	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable subledger regularly and differences are investigated.	 Katrina Maher	5	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable sub-ledger monthly and differences are investigated and resolved where applicable. Supplier statements are retained in the Finance area for 12 months for inspection.	Liz Packer	5	Correct as provided above.	0
LIA-ACC-0013	Separation of Accounts Payable and Procurement duties.	 Katrina Maher	5	There is total separation of accounts payable and procurement duties.	Liz Packer	5	Correct. Accounts payable and Procurement are separate functions. The AP team cannot amend Procurement information and vice versa.	0
LIA-ACC-0012	Requested changes or additions to supplier masterfile are verified independently of source documentation.	 Katrina Maher	4	For bank account changes, Accounts Payable contacts the company from an alternative source than the supporting documentation received (by Phone) to confirm validity of the request. For all other changes, address etc information is obtained from source documentation only.	Liz Packer	4	Bank account changes are verbally verified to the supplier via a phone call. All other changes are verified to source documents only.	0
LIA-ACC-0011	Relevant staff to review aged payables listing on a predetermined basis and investigate where appropriate.	 Katrina Maher	5	Management Accountant reviews an aged creditors listing as part of the Financial Year end process.	Liz Packer	5	Correct.	0
LIA-ACC-0010	Records must be maintained of all payments with supporting documentation.	 Katrina Maher	5	All payment runs are filed with Payment Run Report and invoices (and other source documentation) appropriately authorised by relevant council officer saved in the Records Hub	Liz Packer	5	Correct as above.	0

2021-22 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
LIA-ACC-0009	Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately.	 Katrina Maher	5	"Access to the supplier master file is restricted to authorised officers and support for masterfile changes is retained in Financial Services. For bank account changes, Accounts Payable contacts the company from an alternative source than the supporting documentation received to confirm validity of the request (by phone). A Weekly Creditor Audit Report showing all the masterfile changes is printed and this is checked on a weekly basis by the Team Leader Finance.	Liz Packer	5	Correct. Team Leader Finance reviews these reports typically on a weekly basis and signs as evidence review has been completed.	0
LIA-ACC-0008	Predetermined variances between Purchase Orders and Invoices are assessed and payment released only after verification by the officer with delegation to do so.	 Katrina Maher	5	Whilst council officers with appropriate delegation sign off and verify an invoice for payment and normally provide purchase order details where relevant to match the invoice against, there is no predetermined limits set to reject an invoice if the invoice exceeds the purchase order amount and it will be processed at the amount the delegated officer signed off. If the purchase order is less than the invoice AP will email the approver highlighting that the invoice is for more than the purchase order and get a 2nd approval.	Liz Packer	5	Correct. System allows for invoices greater than the PO total to be paid. Team Leader investigating with Open Office for some further controls to be put into the system to prevent this being able to happen.	0
LIA-ACC-0007	Payments are verified to appropriate supporting documentation and are in line with Delegations of Authority.	 Katrina Maher	5	Payments are verified to appropriate supporting documentation and are authorised by a relevant and appropriately authorised council officer in line with Delegations of Authority. Whilst council officers with appropriate delegation sign off and verify an invoice for payment and normally provide purchase order details where relevant to match the invoice against, there is no predetermined limits set to reject an invoice if the invoice exceeds the purchase order amount. If the purchase order is less than the invoice AP will email the approver highlighting that the invoice is more than the purchase order and get a 2nd approval.	Liz Packer	5	Correct. The system allows for invoices greater than a PO total to be paid. As a manual control measure, AP staff will contact the PO initiator and advise that invoices are greater than the original PO total. The initiator will provide further approval to allow the invoice to be paid.	0






2021-22 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
LIA-ACC-0006	Payments are endorsed by relevant staff separate to the preparer, who ensures that they are paid to the correct payee.	 Katrina Maher	5	"Payments (B-Pay and EFT's) are endorsed by authorised officers separate to the preparer who ensures that they are paid to the specified payee. A Payment Input List for items input is printed for each batch of data entry and reviewed by the Team Leader Finance to confirm correct GST status and account allocation. A Pre Cheque Report is printed as part of the Payment Run preparation listing each Supplier invoice to be paid which is checked against invoices for correct supplier and amount. This is provided to the Team Leader Finance or delegate to review supporting documentation and authorise the payment run and Summary of Scheduled Payments printout. The NAB online banking system requires a Part A and a Part B before transmission of funds is completed. The officer who creates the batch for payment may be either Part A or Part B of the authorisation for transmission. Records of these transmissions are retained in Finance Records Hub for inspection of authorisers of the payment run who has reviewed the number of transactions and amount to be paid by EFT as well as confirming totals from the Payment Register."	Liz Packer	5	Statement provided is correct.	0
LIA-ACC-0004	Employee expenses claims must be approved by authorised staff and independently verified and include relevant substantiation.	 Katrina Maher	5	Employee expense claims must be approved by an authorised officer and independently verified and include relevant substantiation. Expense claims are paid by Accounts Payable.	Liz Packer	5	Employee manager/team leader will review and authorise the reimbursement in line with DOA.	0
LIA-ACC-0002	All invoices and payment requests are approved in accordance with relevant policies and/or Delegations of Authority.	 Katrina Maher	5	All invoices and payment requests are approved in accordance with relevant Delegations of Authority. Delegations are in the system and a warning will show if they are exceeded.	Liz Packer	5	Invoices and payments are approved in accordance w DOA. Accounts Payable will pick up approvals that are not within the limits of the approver and resubmit for approval.	0
LIA-ACC-0001	Access to the supplier masterfile is restricted to authorised staff	 Katrina Maher	5	Access to the supplier master file is restricted to authorised officers and support for masterfile changes is retained in Financial Services.	Liz Packer	5	Masterfile changes are retained in Finance, reviewed by Team Leader Finance. Only Accounts Payable staff have access to the masterfile to be able to make changes.	0
External Services								
Contracting								
EXT-CON-0007	There is an ongoing management in place that identifies and manages deliverables, key contact clauses, responsibilities, milestones and includes dispute resolution procedures.	 James Greenfield	3	Whilst a Project Manager has been allocated to the majority of Council Capital and Operating Projects, there are no formal contract management procedures that cover off on Council's management of deliverable's, key contact clauses, responsibilities, milestones and dispute resolution procedures. OD does have a procedure covering WHS responsibilities of Project Managers, Dispute resolution processes are built into a Standard Procurement Contracts. The responsibility for the management of contacts lies with the relevant department.	Mike Carey	4	Refer previous comments on the development of project management framework	0








2021-22 Controls Assessment

Code	Description	Assessor	★	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
EXT-CON-0006	There is a process in place to ensure that commitments are made with approval by Council or delegated staff.	James Greenfield	5	Commitments are raised by system generated purchase orders using an automated workflow set up in accordance with Council's Staff Procurement Delegations. The system prevents a purchase order being released if the authoriser does not have the appropriate financial delegation. The delegation allows a person to authorise purchase orders and authorise invoices within there delegated authority. The delegation to sign off on contracts is managed via the acquisition plan process, signing of contract is as per Staff Financial Delegations as authorised by the CEO.	Liz Packer	5	As above.	0
EXT-CON-0005	There is a contract management process in place throughout the term of the contract to ensure that supplier/contractor meet their obligations.	James Greenfield	3	Whilst a Project Manager has been allocated to the majority of Council Capital and Operating Projects, there are no formal contract management procedures that cover off on Council's management of deliverable's, key contact clauses, responsibilities, milestones and dispute resolution procedures. OD does have a procedure covering WHS responsibilities of Project Managers. The responsibility for the management of contacts lies with the relevant department. Civil services have written a Contract procedure but it is not utilised by all departments.	Mike Carey	4	A project was established to implement a project management framework and this has largely been completed to ensure that a consistent approach is undertaken across all major project delivery areas	0
EXT-CON-0004	There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement Policy.	James Greenfield	4	As part of the Acquisition plan process consideration is given to the evaluation process, weightings and criteria are developed before Tender is published.	Liz Packer	4	As above.	0
EXT-CON-0003	The selection panel is made up of appropriate personnel who have declared any relevant conflict of interest to ensure that informed and objective decision is made when selecting contractors.	James Greenfield	4	Specific documentation for Conflict of Interest has been developed. Conflict of interest is discussed at the start of all evaluation process. All person involved in the evaluation are required to complete a Conflict of Interest form.	Liz Packer	4	Conflict of Interest forms must be completed by anyone involved in a tender process. These forms are retained as part of the tender documentation.	0
EXT-CON-0001	Council maintains a current contract register.	James Greenfield	4	Contract Register is located in Skytrust. It has recently been moved over from Sharepoint. Currently it is still be implemented, eventually notification emails will be sent to the Contract owner. At the moment all notifications are sent to the Procurement Coordinator.	Liz Packer	4	SkyTrust is being used as an improved option to automate the follow up of contract expiry and insurances however email notifications are only going to the Procurement Coordinator who will then liaise with the contract owner.	0
Expenses								
Credit Cards								
EXP-CRE-0007	There is a process in place to ensure there are appropriate approvals prior to the issuing of Credit Cards and limits.	Sonia Cooper	5	A credit card will not be issued without written approval of card and limit by Manager or Director, this approval form is kept electronically in the 'purchase cards' folder in the Financial Management area of Pdrive.	Liz Packer	5	No cards are issued to any staff member without approval from Manager/Director in the first instance.	0






2021-22 Controls Assessment

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<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
EXP-CRE-0006	There is a process in place to ensure credit card limits and usage is reviewed for operational efficiency.	 Sonia Cooper	5	The relevant authorised officer approves the issue and limit of purchase cards and an electronic copy of this approval is kept in the 'purchase cards' folder in the Financial Management area of the Pdrive. Once a card has been authorised (and subject to detailed consideration), subsequent review is addressed by the updated Purchase card Procedure.	Liz Packer	5	Updated Purchase Card Procedures address any change in limit. The card holders manager will typically approve the credit limit and card request.	0
EXP-CRE-0005	There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	 Sonia Cooper	5	The card holder is required to reconcile their monthly statement to invoices and attach the supporting invoices to their transaction so that their line manager can review and approval those transactions/purchases and ensure compliance with procedures and policy and authorised /necessarily incurred on behalf of Council. Transactions will show as incomplete and reminder emails sent to the manager to view transactions from the Flexi purchase system until they are viewed and authorised.	Liz Packer	5	Emails are sent to cardholders that are late in processing their statements. Team Leader Finance undertakes a review of all transactions and does a check of a sample for accuracy.	0
EXP-CRE-0004	Credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released.	 Sonia Cooper	5	All new credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the credit card being ordered/released and an electronic copy is kept in the relevant folder in the Financial Management area of P drive.	Liz Packer	5	All new card holders are provided with a declaration and policy to review. Documentation retained in Finance.	0
Expenses								
Credit Cards								
EXP-CRE-0003	Cardholders must check their statement to ensure all transactions are correct and identify any transactions of a personal nature which must be reimbursed to Council.	 Sonia Cooper	5	Cardholders log in to Flexipurchase (NAB) to check their account regularly. Cardholders are required to check their statement at month end to process incomplete transactions , and ensure all transactions are authorised and allocated to the correct account number. The cardholders line manager is required to review the monthly statement and authorise each transaction acknowledging that the card holder has complied with policy. Per Purchase Card Policy, the cardholder is not to use the purchase card for anything other than official purposes. Personal purchases made in error are coded to a clearing account. Reimbursement is also made to this Clearing account 149027058	Liz Packer	5	Outstanding cardholders are chased up by Accounts Payable. Team Leader Finance does a random review of transactions each month to ensure correct receipts are attached, GST has been recorded correctly if applicable, incorrect purchases have not been made and to do a general sense check of what is being purchased.	0
Payroll								
EXP-PAY-0024	Where possible standard programmed formulae perform payroll calculations.	 Natasha Holmes	5	Payroll system - Open Office - standard programmed formulae perform payroll calculations. Tax tables are updated by Open Office each financial year. EDA calculations are updated using the payroll wizard through Open Office. Calculations are shown on individuals timesheets for TIL, Flexi and Overtime.	Megan Sutherland	4	Where available this is used.	0

2021-22 Controls Assessment

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EXP-PAY-0023	Time recording and attendance exceptions such as TOIL or flexitime are based on relevant policies/agreement are identified, monitored and corrected.	 Natasha Holmes	5	TIL and flexitime are executed in line with the Enterprise Development Agreement (EDA) and other industrial provisions and recorded on employee timesheets prepared by the employee and authorised by the People Leader. Leave reports including TIL and Flexi are provided fortnightly to relevant People Leaders for monitoring and action.	Megan Sutherland	5	A Reviewer also checks the more significant overtime payments against the timesheet for accuracy.	0
EXP-PAY-0021	There is a segregation of duties from those preparing the payroll to those responsible for preparation of source documents (e.g. timesheets, leave requests etc).	 Natasha Holmes	5	Source documents (including timesheets and leave forms) are generated by the employee and authorised by their People Leader. This documentation is used by the Payroll Officer to prepare the fortnightly payroll.	Megan Sutherland	5	This is correct.	0
EXP-PAY-0020	There is a process to ensure the total of payment summaries for the year is reconciled to the general ledger and payroll and is appropriately reviewed.	 Natasha Holmes	4	The Payroll Officer ensures that the payroll summaries balance. The Management Accountant is responsible for reconciling payroll with the general ledger as part of year end processes.	Megan Sutherland	5	This is correct.	0
EXP-PAY-0019	There is a process to ensure employees are made inactive in payroll records upon termination.	 Natasha Holmes	5	Upon processing an employees termination, the employee is made inactive in Open Office. There are two sections where this is required. Going forward using Community HR, employees are terminated within the system which flows through to payroll for acceptance, once this is accepted this employee can not be accessed or paid.	Megan Sutherland	5	Each payrun requires a commencement and termination report to be provided. This details all employees added or made inactive in the system since the last pay and can be checked at that time. OD has a role to play in confirming a termination date through the HR system.	0
EXP-PAY-0018	There is a process to ensure an independent review of proposed payroll payments by authorised staff.	 Natasha Holmes	5	There is an independent review of proposed payroll payments by 2 people (Reviewers) who authorise the payroll and sign off the Payroll Summary Checklist.	Megan Sutherland	5	this above is correct with update to reports used due to the updated payroll system	0
EXP-PAY-0017	There is a process to ensure all overtime is verified and approved by relevant appropriate staff.	 Natasha Holmes	5	Overtime hours are recorded on employees timesheets which is then authorised by their People Leader. An overtime report is generated each fortnight and forms part of the documentation reviewed during the Payroll Authorisation process. In addition an employee overtime report is provided to ELT fortnightly.	Megan Sutherland	5	All overtime is approved by a People Leader before it is paid.	0
EXP-PAY-0016	There is a process in place to ensure termination payments comply with relevant policies, procedures and legislation.	 Natasha Holmes	5	All terminations are executed in line with the Enterprise Development Agreement (EDA) and the relevant award or other industrial provisions. A termination checklist is used to manage consistency of the termination process. The termination calculations are done via spreadsheet and are included for signoff when the pay run is checked. A termination report for the pay period is also printed out and included with the pay run summary checklist.	Megan Sutherland	5	The termination calculations are checked by the Reviewers when authorising the payroll. Where necessary an external adviser can be used to ensure calculations are correct.	0







2021-22 Controls Assessment

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EXP-PAY-0015	There is a process in place to ensure employees are not added to the payroll masterfile, nor details amended or amounts paid without receipt of the appropriate forms which have been authorised by relevant staff.	 Natasha Holmes	4	A New Employee is entered by the Payroll Officer (it was previously entered by the OD Officer into the winHR system, being a person not involved in Payroll but the current integration between HR and Payroll is not working). The Payroll Officer is provided with the Contract, Employee Number, Position Description and Personnel Information from the OD Officer prior to entering a new employee. Employee deduction audit report is printed for each pay period which shows any changes to employees that have been made during that pay period. Supporting documentation for changes including bank account is presented with the audit reports along with the pay run summary checklist for sign off. In addition, every pay period a report entitled "Commencements with the beginning and end pay period dates" is included in the pay run summary checklist for sign off.	Megan Sutherland	5	The advice above is on the old systems. With the updated payroll and HR systems we have been able to reinstate segregation of duties. New employee details are added by OD staff in the HR system (a set of fixed 20 fields), from source documents. Payroll must then link the new employee to a payroll file, for additional pay related information to be added to the employee against source documents. As stated in other responses, some key information is checked as part of payroll authorisation by a Reviewer.	0
EXP-PAY-0013	The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll.	 Natasha Holmes	5	The Payroll Officer uploads the bank file and two separate authorised officers authorise the bank file. Authorisation takes places after the Payrun Summary Checklist has been sighted, showing the payroll has been reviewed (by the 2 Reviewers), and that the Entry Validation Report from Open Office showing the net amount matches the Bank Net amount. The 2 authorised officers email the Payroll Officer to advise that the bank file has been authorised, one authoriser provides a snip of the bank file and the other authoriser provides the Payment History from NAB . The authorisation of the bank file can not be performed by the same person who has uploaded the file.	Megan Sutherland	5	Payroll is authorised by employees not part of payroll preparation. Bank file authorisation is undertaken by employees not part of payroll preparation and they must see that the payroll has been authorised by Reviewer/s before they can authorise the bank file transfer. That is correct.	0
EXP-PAY-0012	The payment for the payroll must be reconciled to a system generated report detailing amount and employee prior to payment.	 Natasha Holmes	4	The payment for the payroll is checked to the system generated Entry Validation Report and Payroll Summary report detailing the total amount prior to payment. This forms a key component of the Payroll Authorisation process and is checked against another spreadsheet titled Payroll Journal Lines.	Megan Sutherland	5	This is correct. With the updated payroll system reports have changed so the Entry Validation Report meets the requirements in the Control Description.	0
EXP-PAY-0010	The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised staff.	 Natasha Holmes	5	The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised payroll staff (2 employees).	Megan Sutherland	5	There are a small number of authorised staff who can update payroll master files. With review of staffing and need for additional back up there are a couple more people that can do this work.	0
EXP-PAY-0009	Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the relevant supervisor.	 Natasha Holmes	5	Timesheets are required for all staff except those on Total Employment Cost Contracts. These are submitted by the employee and authorised by the relevant People Leader. Leave forms are required for pre-approval of annual and long service leave and flexitime greater than 2 days.	Megan Sutherland	5	All employees must account for their time, so leave forms are required for those on TEC's when not at work, otherwise their hours are standardised and packaged, therefore not requiring a timesheet. The updated payroll system has work patterns, so majority of employees have standardised hours and days of work set against them.	0







2021-22 Controls Assessment

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EXP-PAY-0008	Payroll system generates audit reports detailing all payroll changes and there is a process in place to ensure all changes are reviewed and verified against source documents.	Natasha Holmes	5	At the end of each pay period a payroll log entry report which reports on any changes made to the following employee attributes: deductions, pay distribution, position accounts, position allowances, position leave, position rates, position, superannuation, etc is created and forms part of the Payroll authorisation process, reviewed by 2 people (Reviewers). Documents seeking changes to bank accounts are provided as part of the fortnightly payroll review process.	Megan Sutherland	5	Payroll officers review and update information against source documents. Key information is verified by a Reviewer, like new employees, bank detail changes. Overall review across all employees pays is undertaken by Reviewer.	0
EXP-PAY-0007	Payroll is periodically reconciled to the General Ledger accounts.	Natasha Holmes	5	All Payroll suspense account reconciliations are completed by the Finance Officer and reviewed by the Management Accountant. These reconciliations are retained in Financial Services.	Megan Sutherland	5	These updates are happening on a regular basis.	0
EXP-PAY-0006	Managers periodically review listings of current employees within their departments and variances are investigated.	Natasha Holmes	5	Employee Listings are reviewed by the Reviewers authorising the payroll every fortnight. With approximately 220 employees Council is of a size that employees are known. Appropriately authorised timesheets are required for all employees except those on Total Employment Cost (TEC) contracts. New Employees are added to the system by the Organisational Development Officer and then completed by the Payroll Officer (contract, position description and personnel information provided by the OD Officer). Every pay period a report entitled "Commencements with the beginning and end pay period dates" is included in the pay run summary checklist for sign off. In addition, employee costs actual to budget variances form part of the monthly variance analysis for all departments.	Megan Sutherland	5	No changes are made to payroll information without supporting documented information. With Managers receiving the fortnightly leave report updates, this provides another opportunity for any discrepancy with employees in their department to be identified. Every year as part of budget preparation all Managers are provided with the people/positions within their department for review and any issues are investigated and rectified.	0
EXP-PAY-0005	Employee records to include employment details and/or contract terms and conditions, authorisations for payroll deductions and leave entitlements.	Natasha Holmes	5	Personnel files and some employees on Records Hub have hard copies of the following: Employee Personal Details, tax file number declaration form, employment contract, position description. Leave entitlements are accrued and recorded through Open Office. Leave forms are placed on the Personnel file on Records Hub. A Leave entitlement report is completed every fortnight and emailed to relevant Directors/Managers/PL's so we have up to date leave entitlements. Leave entitlements are also listed on an employees payslip.	Megan Sutherland	5	Correct.	0
EXP-PAY-0003	All payroll deductions must be approved by the relevant employee.	Natasha Holmes	5	The Employee Advice - Payroll Personnel Changes form is provided to payroll before any changes to a deduction can be made. Any changes to bank account details are double checked by the Payroll Officer by a phone call to the employee. Each pay period a pdf of the form is included in these variations which is checked by the 2 Reviewers.	Megan Sutherland	5	This process includes the requirement for AHC employees to use the Employee Advice - Payroll Personnel Changes form that only AHC staff have access to (and not just an email) and a check by phone with the employee directly as a measure to combat an fraudulent advice.	0





2021-22 Controls Assessment

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<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
EXP-PAY-0002	All calculations for generating payroll payments are verified for accuracy.	 Natasha Holmes	4	At the end of each pay period Audit reports are printed which report on any changes made to the following employee attributes: deductions, pay distribution, position accounts, position allowances, position leave, position rates, position, superannuation, etc and are reviewed by 2 people (Reviewers), generally the Executive Manager Organisational Development and the Team Leader Financial Accounting (or their delegate). Payroll system - Open Office - when installed pay calculations were checked. Tax tables are updated by Open Office each financial year. EDA calculations are updated using the payroll wizard through Open Office. In addition, the Payrun summary checklist requires manual checking for a sample employee by the Reviewers checking the payroll information each fortnight. All reports are retained in the Payrun folder for that pay period in P drive.	Megan Sutherland	4	As payroll is produced by a person applying EDA (as the system does not apply all the EDA requirements) there is always some risk of calculation being inaccurate. With the controls in place this is managed as best as possible.	0
EXP-PAY-0001	Access to the payroll deduction listing is restricted to authorised staff.	 Natasha Holmes	5	The Payroll deduction listing can only be accessed through the payroll module in Open Office. Only the Payroll Officer and the back up have access to this.	Megan Sutherland	5	Only payroll staff and any backup/s have access.	0
<div> <div> <div></div> <div>Purchasing and Procurement</div> </div> </div>								
EXP-PUR-0011	There is a process in place to review the supplier master file for ongoing pertinence and ensure all changes are checked against source documents to ensure they were input accurately.	 Katrina Maher	5	Monthly a Creditor Audit Report by Creditor showing all the master file changes is printed and this Report is checked by a Finance Officer who is independent of the Officer who input the changes. An annual purge of unused accounts is processed and all old accounts are change to inactive status.	Liz Packer	5	The Creditor Audit Report is checked by the Team Leader Financial Accounting. Details such as bank accounts are checked to source documentation. Any anomalies are raised with the Accounts Payable team and corrected in a timely manner.	0
EXP-PUR-0010	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers.	 James Greenfield	4	The Procurement Coordinator uses summarised payment information by supplier to review purchasing patterns on a yearly basis.	Liz Packer	4	Correct - as above.	0
EXP-PUR-0009	There is a process in place to follow up and action incomplete purchase orders.	 Katrina Maher	5	Outstanding purchase orders are reviewed by Accounts Payable as part of the month end process a report of outstanding orders by authorising officer is produced. The issuing officer is asked to confirm if any long outstanding orders or partly complete orders listed can be closed	Liz Packer	5	Team Leader Finance has implemented ongoing review that all PO's greater than 13 mths old are to be closed automatically. All other PO's are to be followed up if there has been no activity. Documentation from issuing officer is retained in Finance to verify the reason for the PO to be closed.	0
EXP-PUR-0008	There is a process in place to ensure all invoices for payment are matched to relevant source documents such as purchase orders where applicable and are in line with Procurement Policy guidelines.	 James Greenfield	5	OpenOffice ensures that purchase orders are in line with the staff financial delegations and the procurement policy. Invoices are matched to purchase orders. A training program was implemented to improve understanding of the Procurement process. all new employees whom procure Goods and Services have a procurement induction.	Liz Packer	4	Purchase order numbers should be provided to the supplier for referencing on the supplier invoices. This is not always the case and invoices are paid instead of being matched to the applicable PO. This could be due to oversight on the part of the AP officer, there is no PO quoted on the invoice - which should be picked up by the person authorising the invoice, or a PO was not raised in the first place.	0







2021-22 Controls Assessment

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EXP-PUR-0007	The organisation has a process in place to ensure use of preferred suppliers where relevant to maximise the best value for money to Council	 James Greenfield	4	The recently introduced Framework (October 2019) allows for the use of Preferred Suppliers. Currently the Contract register is used to identify preferred suppliers. Suppliers on the Contract register have been thru a competitive tender or quoting process to ensure they give value for money to council	Liz Packer	4	The use of preferred suppliers provides council with the ability to source suppliers that have been through a competitive tender process and have been decided (externally) to provide value for money. Allows council to source direct from those preferred suppliers.	0
EXP-PUR-0006	Purchase order numbers are either system generated and/or sequentially numbered.	 James Greenfield	5	Purchase Orders are system generated	Liz Packer	5	Correct - system generated.	0
EXP-PUR-0004	Employees must ensure all purchase orders are issued in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies	 James Greenfield	4	Procure has a system control such that the purchase order cannot be authorised above an officers' delegation. In addition, the system requires both a requisitioner and the approver to complete an authorised purchase order. It is noted that currently the Procurement Policy makes no reference to Purchase Orders. A Procurement Framework has been developed which provides greater guidance on the requirements of purchase orders and when they are required.	Liz Packer	4	Per comment above, it is deliberate that the Procurement Policy does not make reference to purchase orders as it is an administration decision and therefore covered in the Procurement Framework, as highlighted above. Purchase orders are not always raised for orders greater than \$2000, or the PO is not always quoted to the supplier to ensure the number is referenced on subsequent invoices.	0
EXP-PUR-0003	Council has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest.	 James Greenfield	5	Council has an endorsed Procurement policy adopted October 2019 which is publicly displayed on Council's Website. Council is currently reviewing Policy as it due for review in November.	Liz Packer	5	Council's Procurement Policy was adopted in October 2019. A new Policy is being prepared and will be endorsed by Council in November.	0
EXP-PUR-0001	Access to the supplier master file and ability to make changes is restricted to appropriately authorised staff.	 Katrina Maher	5	Access to the supplier master file is restricted to authorised officers and support for masterfile changes is retained in Financial Services	Liz Packer	5	Team Leader Finance checks the audit file for all changes and approves them. Any errors/anomalies are corrected in a timely manner by Accounts Payable.	0
Assets								
Banking								
ASS-BAN-0005	There is a process in place to ensure all cash, blank cheques and/or cheque signing machine are adequately safeguarded.	 Rhys Elsegood	5	Prior to the collection of cash by Secure Cash, completed bank deposit bags (containing cash/cheques) are held in a safe (to which a limited number of people have access - required due to part-time cashiers & rostered locations). Blank Council cheques are kept in a locked cupboard. The cupboard key is located in a locked drawer with Accounts Payable. There is no cheque signing machine.	Liz Packer	5	Council no longer use cheques but there remains some cheque stationery held on premise in case of emergency.	0






2021-22 Controls Assessment

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ASS-BAN-0004	There is a process in place to ensure all cash collected is adequately recorded and banked regularly.	 Rhys Elsegood	5	At end of day, after close-off & reconciliation by the cashier, bank deposit slips are completed and cash/cheques recorded on a Secure Cash form which is signed by the collection officer at pick-up. Prior to the pick-up and after balancing, completed bank deposit bags are held in a safe (to which a limited number of people have access - required due to part-time cashiers & rostered locations). Banking is checked daily to bank statement and cashier's Cashlink Session end of day report which details breakdown of cash/cheques and credit card payments. Receipted total also checked to General ledger.	Liz Packer	5	Correct	0
ASS-BAN-0003	Cash transfers between bank accounts and investment bodies are undertaken by appropriate staff. Assets - Banking	 Rhys Elsegood	5	Council has one trading bank account and multiple accounts with the Local Government Financing Authority (LGFA). LGFA has advised that without formal correspondence with Council, they will only transact entries between LGFA accounts and to and from the NAB. All cash transfers and journal entries between bank and investment accounts are prepared by the finance officer with Treasury responsibility. All transfers are subject to separate email confirmation from the LGFA to the Treasury Inbox (accessed by Manager Financial Services, Team Leader Finance, Management Accountant and Finance Officer Accounts Receivable & Treasury) advising that the transfer has occurred.	Liz Packer	5	Correct	0
ASS-BAN-0002	Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated. Assets - Banking	 Rhys Elsegood	5	Bank reconciliations are deemed to be "high risk" by the Assets Reconciliation Policy on Council's external website. A high risk account must be reconciled every month. The bank rec is high risk and a reconciliation is performed every month. All monthly reconciliations are reviewed and authorised for completeness and accuracy. The bank account is generally reconciled every day by the Finance Officer-Accounts Receivable.	Liz Packer	5	Bank recs are done daily by the Finance Officer. Team Leader checks the bank reconciliation usually on a monthly basis.	0
ASS-BAN-0001	Access to EFT Banking system is restricted to appropriately designated personnel.	 Rhys Elsegood	5	Access to Council's online banking system is restricted to Finance officers. There are generally 3 staff members involved in one transaction however when money is transferred internally between loan/investment accounts there are 2 staff members involved. The up-loader of the payment file or the creator of the payment can also authorise the transaction after the Team Leader Finance has provided approval then a second staff member does the second authorisation of the payment. The transmission requires a "part A and part B" authorisation for the transmission to proceed.	Liz Packer	5	Correct - Team Leader Finance approves the transaction to be processed. The previous process involved 3 persons which was considered not necessary in a small team. The first person can load any payment file into the banking system and first approve it. Only following the authorisation from the second person will the funds actually be transferred. The first person is unable to effect any payment without the second authoriser.	0







2021-22 Controls Assessment

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<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
ASS-DEB-0015	There is a process in place to review and approve all credit notes for sundry debtors in accordance with delegations of authority.	 Rhys Elsegood	5	Credit notes are sequential, and processed as a negative invoice. They are coordinated by the Finance Officer - Accounts Receivable & Treasury and require involvement from the operational area in either raising a credit note or confirmation of the appropriateness of such. The Process also requires operational line managers to approve credit notes.	Liz Packer	5	Correct - approval process is sufficient.	0
ASS-DEB-0014	There is a process in place to ensure changes to the debtors master file are compared to source documents to ensure they are inputted accurately	 Rhys Elsegood	4	Debtors master files are separated between sundry debtors and rates debtors. For sundry Debtors a written communication (usually email) is received by the finance officer who is capable of editing the debtors master file. Typically the changes requested are for change of addresses (or updated email address). Any modification to the debtors master file records the Date, time and officer's name within the Open Office system. The communication is retained in Finance by the Finance Officer - Accounts Receivable & Treasury. Changes to Rates Debtor masterfiles are initiated by a written communication from the ratepayer (eg drivers license or marriage certificate for change of name), Lands Titles office report or Broker reports for change of ownership. Each of these communications are retained in the Rates area and stored in Records Hub.	Liz Packer	4	Correct - but in the absence of an audit file being produced from Open Office reliance is placed on manual processes.	0
ASS-DEB-0013	The organisation maintains a Debt Collection Policy and/or procedure.	 Rhys Elsegood	5	Council has a Debt Recovery policy available on external website. It was originally adopted in December 2015 and subsequently reviewed with minor amendments in November 2017 and again in December 2020. A summary of the overdue amounts owed to Council per category are reported to Audit Committee biannually for review.	Liz Packer	5	Correct	0
ASS-DEB-0011	Relevant staff reviews sundry debtors ageing profile on a regular basis and investigates any outstanding items, and considers provision for doubtful debts at year end.	 Rhys Elsegood	5	Debtors are reconciled on a monthly basis. Aged debtors are investigated and followed up by operational areas coordinated by the Finance Officer Accounts Receivable & Treasury. Appropriate action is taken in line with the Debt Recovery Policy, based on the delinquency and amount outstanding, after an escalating series of statements have been sent. Additionally, the Audit Committee reviews a Debtors Report quarterly (biannually from 2020).	Liz Packer	5	Last update was provided to Audit Committee 14 February 2022. Debtors were reviewed by the Team Leader Finance. Two small balances were written off based on the fact costs of implementing debt recovery procedures would outweigh the amount owing.	0
ASS-DEB-0007	Debtors system provides audit trail to record changes made to master file.	 Rhys Elsegood	4	No audit trail report is produced to record master file changes for Sundry Debtors. The Vendor (Open Office) have advised that a quote can be provided depending on how many fields require auditing. The "Last Modified" field on the system's master debtor file is checked on an ad hoc basis.	Liz Packer	4	Correct - working with the constraints of Open Office	0
ASS-DEB-0005	Debtor's reconciliation is performed on a regular basis to the General Ledger and reviewed by appropriate staff, with consideration of segregation of duties.	 Rhys Elsegood	5	Debtors Reconciliation to General Ledger are performed on a monthly basis by the Finance Officer Accounts Receivable & Treasury and reviewed quarterly by the Team Leader Finance.	Liz Packer	5	Correct	0

2021-22 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
ASS-DEB-0003	Bad debt write-offs and movements in the provision for doubtful debts for Sundry Debtors are processed in accordance with delegations of authority and Local Government Act.	 Rhys Elsegood	5	Bad debt write-offs and movements in the provision for doubtful debts for Sundry Debtors are initiated by the Finance Officer - Accounts Receivable & Treasury & authorised in accordance with delegations of authority and Local Government Act. Any bad debt write-off is also reported to the Audit Committee bi-annually as part of Debtor Reporting.	Liz Packer	5	Any bad debt write-off is also reported to the Audit Committee as part of Debtor Reporting. This was done quarterly but has moved to Bi-annual	0
ASS-DEB-0001	Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by relevant staff for accuracy and on-going pertinence.	 Rhys Elsegood	5	Access to the debtors master files is restricted to appropriately designated personnel within the Financial Services function. The debtors masterfiles are not subject to independent review by a second management officer. However, Aged Monthly Debtors Reports are provided to each operational area for their information and follow up.	Liz Packer	4	Changes to the masterfile should be reviewed by an independent person to ensure that debtor balances are not being manipulated or changed. Need to consider if Open Office can produce an exception/audit file.	0
Fixed Assets								
ASS-FIX-0017	Where appropriate, identification details are recorded for portable and attractive assets such as IT and fleet assets, on acquisition to facilitate accurate identification.	 James Sinden	5	IT assets are assigned to authorised users and secured to the AHC Corporate Network where they are centrally managed.	Liz Packer	4	Consideration should be given to a portable and attractive assets register which is reviewed and updated where appropriate. The register should be available to Team Leaders/Managers to ensure that departing staff are returning all assets provided.	0
ASS-FIX-0016	Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users.	 James Sinden	5	For IT Assets, Council uses IT Help (Service Desk Plus) to manage assets. This system records all assets allocated to a specific employee including monitors, desktops, laptops, phones and docking stations including serial no's and asset description. Access to the network and systems is then controlled via Active Directory authentication.	Liz Packer	5	As per the comment provided.	0
ASS-FIX-0014	There is a process in place for the verification of fixed assets which is reconciled to the FAR.	 Liz Packer	4	We completed level 2 bridge inspections that will assess the condition of all the bridge components. We are testing the use of confirm to audit the condition of our bus shelters and validate assets. External auditor conditioned rated both our safety Barrier and Retaining Wall assets using ConfirmConnect. We are also condition auditing our kerb assets with internal resources using ConfirmConnect. We are building a condition audit in ConfirmConnect for footpaths and those condition audits will be commenced by internal staff during Mat 2021. Part of the transition of data from various sources into Confirm has been the coordination and alignment with our GIS system. The current major piece of alignment is occurring with our stormwater data. Confirm Data from our asset system is displayed for users on our Spectrum Spatial Analysis GIS system and is updated in real time. That is, a change made to the asset in Confirm is available for users within 10 minutes once the automated update scripts are run. Reconciliations between the GIS data and the asset register has been a part of the data validation of the Confirm Asset management implementation.	Mike Carey	4	No comment found	0


2021-22 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
ASS-FIX-0013	Relevant staff review useful lives, residuals, valuations, depreciation methodology and test for impairment as required by Accounting Standards and legislation to ensure that methods used are still appropriate and significant changes are incorporated into Asset Management Plans.	 Liz Packer	4	There is a combination of review methods – useful lives review is being undertaken by staff internally annually. Valuations rates are typically undertaken by an external party and typically every 5 years on average. Our Bridge Assets were revalued during 2020/21. Where an external revaluation is not undertaken a desktop revaluation using ABS indexation values occurs on an annual basis. The stormwater asset are being revalued in 2021/22.	Mike Carey	4	In addition to the assessors comments it is noted that given the large changes in asset base and valuation, Council conducted a high level external peer review of the asset management planning process, strategies and assumptions a couple of years ago to ensure that these projections and impacts are in line with current industry asset management practice. This included reviews of depreciation and valuation inputs associated with different asset strategies.	0
ASS-FIX-0012	Recorded changes to the FAR and/or masterfile are approved by appropriate staff compared to authorised source documents and General Ledger to ensure accurate input.	 Liz Packer	5	The staff in Strategic Assets team are the only staff with access and trained to be able to alter the asset register. As we move to field verification of condition and assets via the ConfirmConnect product, flags will be established within Confirm such that validation of changes are approved by a system administrator before the database is modified.	Mike Carey	5	Reconciliation of Fixed Asset accounts occurs annually after additions, disposals and depreciation updates have been completed	0
ASS-FIX-0011	Reconciliation of fixed assets to the General Ledger is performed in accordance with schedule of review or procedure.	 Liz Packer	4	There is a yearly process to reconcile the fixed assets in Confirm with the General Ledger	Mike Carey	4	No comment found	0
ASS-FIX-0010	Profit or loss on disposal calculations can be substantiated and verified with supporting documentation.	 Liz Packer	4	Fixed assets sold largely relate to Plant and Equipment, and occasionally land and buildings. A building sale would require Council's endorsement. Documentation will depend on type of asset sold ie settlement statement for Land and Buildings, and receipt information for plant & fleet via Pickle Auctions or supplier invoice for trade in.	Mike Carey	4	No comment found	0
Assets								
Fixed Assets								
ASS-FIX-0009	Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties.	 Liz Packer	5	The Confirm Asset System has many levels of security for users and only 3 users have access to be able to modify asset register data.	Mike Carey	5	No comment found	0
ASS-FIX-0008	Fixed assets are recorded on acquisition, creation or when provided free of charge to facilitate accurate identification of assets and recording of details with regards to the Asset Accounting Policy.	 Liz Packer	4	As part of our new and renewal programme we undertake an annual handover process. The Asset Management Team sit with the Project Managers and go through details of the work undertaken. This is under taken through several meetings and includes copies of tender specifications, drawings and prices either by % of cost or actual cost per type. At the time of the handover process the Project Managers will only provide an asset number where they are replacing an existing asset, where it is new the Asset Team will allocate a new number based on the Asset Management Systems numbering sequence. When allocating a useful life we use our standard lives. Actual cost from Finesse	Mike Carey	4	No comment found	0

2021-22 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
ASS-FIX-0007	Depreciation charges are calculated in accordance with the asset accounting policy and compliant with relevant accounting standards, including the useful life, depreciation method and residual values.	Liz Packer	5	Standard useful lives of categories of assets are reviewed by engineering and finance officers and where appropriate an independent engineering consultant prior to revaluation of asset categories. Individual assets' remaining lives are reviewed as part of the external revaluation process. Depreciation method used is "straight line" and management consider that this method is appropriate. The testing of useful lives is an ongoing process to ensure that the useful lives reflect reasonable assumptions as to the life cycle of these assets including appropriate breakdown of components.	Mike Carey	4	No comment found	0
ASS-FIX-0006	Council has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored to ensure adherence.	Liz Packer	4	Current procedure has been updated.	Mike Carey	4	No comment found	0
ASS-FIX-0005	Asset register calculations are reviewed for accuracy.	Liz Packer	4	Within our asset management system we can run a specific valuation report to update unit rates and run re-valuations where necessary. When this is undertaken specific asset type filters are used to control what is being updated and what isn't, once the process is undertaken and additional report is run to verify the new calculations are increased as expected. Should any anomalies been identified through our internal 'sense check', ie rate is too low further investigation into these assets is carried out and rectified - this is usually due to a missing quantity in the data which will need to be reviewed and updated before the report is re-run for the affected assets.	Mike Carey	4	Validation is also covered as part of completing Asset Management Plans for each asset category	0
ASS-FIX-0004	Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999.	Liz Packer	4	AMP for Roads, Footpaths and Kerb have been adopted by Council in Feb 2021. The current bridge inspection process will be the basis for Council completing an AMP for Bridge Assets during 2021/22. In addition, Council has an external consultant developing a AMP template for minor asset classes such as safety barriers and retaining walls to assist in documenting our current asset management plan for these asset classes.	Mike Carey	4	Some asset management plans still to be updated.	0
ASS-FIX-0003	Asset Management Plans are prepared and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors.	Liz Packer	4	AMP for Roads, Footpaths and Kerb has been adopted by Council in Feb 2021.	Mike Carey	4	Asset Management Plans for all significant asset categories need to be completed together with a Strategic Asset Management Plan document covering asset strategy and service levels	0
ASS-FIX-0002	Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans	Liz Packer	2	Council does not currently have documented asset maintenance plans.	Mike Carey	3	Movement of Asset Management Plan Updates in the last year.	0

2021-22 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason	
<input type="text"/>	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>		<input type="text"/>	
ASS-FIX-0001	All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies.	 Liz Packer	4	Asset handover forms are used by project managers in the civil area to identify disposed and new assets. These are provided to Strategic Assets to update the register.	Mike Carey	4	No comment found	0

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 23 May 2022
AGENDA BUSINESS ITEM**

Item: 7.3

Responsible Officer: Mike Carey
Manager Financial Services
Corporate Services

Subject: End of Financial Year Reporting Timetable

For: Information

SUMMARY

At the meeting on the 14 February 2022, the Audit Committee received the 2021-22 External Audit Plan from the external auditors Galpins which sets out their scope and responsibilities for the 2021-22 audit.

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

In consultation with Galpins, the date of the final external audit visit has been proposed for 22 September 2022 to 27 September 2022, to enable the administration to table the Annual General Purpose Financial Statements and associated documentation at the Audit Committee meeting on 17 October 2022.

RECOMMENDATION

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

1. BACKGROUND

Council's preparation of the Annual General Purpose Financial Statements is affected by, but not limited to:

- external audit timelines
- resourcing, both internal and external
- validation of infrastructure assets

Galpins' Audit Plan which was presented to the Audit Committee on 14 February 2022, communicates the approach to be taken by the auditors and their understanding of the scope of the work required in order to express an opinion on Council's Financial Statements and Internal Controls environment.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5 A Progressive Organisation.

Objective O.5 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.

➤ Legal Implications

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

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

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

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

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

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

➤ Risk Management Implications

Completing the year end reporting and audit processes within the legislative timeframes will assist in mitigating the risk of:

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

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

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

➤ **Financial and Resource Implications**

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

➤ **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.

Draft Timetable

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

The timetable reflects the requirement under Section 127 (2) of the Act for the financial statements and notes as well as other statements and documentation to be available by the second Friday in September in the financial year immediately following the end of the relevant financial year. For the 2021-22 financial year this date is Friday 9 September 2022.

While the timetable does allow for some flexibility in terms of the timing of key activities during September and October, it is intended that the Annual General Purpose Financial Reports will be completed for consideration at the Audit Committee meeting on 17 October 2022 and for adoption by Council at its meeting on 25 October 2022.

The statutory limit for adoption of the Annual General Purpose Financial Reports is 30 November 2022, but it is considered preferable to leave some time prior to this date in light of the 4 year Council elections as well as to allow for any potential delays and to facilitate the production of the Annual Report.

An End of Financial Year Update report is scheduled to be presented to Audit Committee at the meeting on 15 August 2022 to provide an update on the end of year progress and to ensure Council is on track in terms of completion of the annual financial statements.

3. OPTIONS

Audit Committee is limited to receiving and noting this report.

4. APPENDIX

- (1) 2021-22 End of Financial Year Reporting Timetable

Appendix 1

2021-22 End of Financial Year Reporting Timetable

ADELAIDE HILLS COUNCIL
2021-22 END OF YEAR FINANCIAL REPORTING TIMETABLE

Description	
Mon 2-May	External Interim Audit (2 - 4 May)
Mon 24-May	Audit Committee Meeting (24 May) 2021-22 End of Year Financial Reporting Timetable
Fri 24-Jun	Last pay run for 2021-22 Financial Year Period ending 17 June 2022 paid 22/23 June 2022
Thu 30-Jun	Statement of Financial Position Date for 30 June
Mon 11-Jul	Close June Creditors End of Week Friday 30th; Accrue Final Pay(s); Bank Reconciliation; High risk control account reconciliations Stock Take and Petty Cash counts
Mon 18-Jul	Accruals; Commence Capitalisation
Mon 1-Aug	Year end prepayments and grants reconciled Update provisions for remediation & employees Progress Fixed Asset Revaluation, Depreciation and Reconciliation Finalise remaining Statement of Financial Position Reconciliations
Thu 4-Aug	Audit Committee Report preparation for Audit Committee - End of Financial Year Update
Fri 5-Aug	ELT Perform Report (5 Aug) Discuss EOY Position - Preliminary and Carry Forwards
Thu 11-Aug	Report Preparation for Council - 2021-22 Preliminary End of Year Results and Carry Forwards
Mon 15-Aug	Audit Committee Meeting (15 Aug) End of Financial Year Update and Presentation of the External Audit interim letter
Mon 22-Aug	Review and finalise notes to Statutory Accounts; Update for subsidiary results
Tue 23-Aug	Council Meeting (23 August) Council Report 2021-22 Preliminary End of Year Results and Carry Forwards
Mon 29-Aug	Review subsidiaries (equity accounting) & reserves accounting (Revaluations and CWMS)
Mon 5-Sep	Analytical review and full year budget comparison of operating accounts
Fri 9-Sep	Prescribed Day for Finalisation of Annual Financial Statements to Auditors
Thu 22-Sep	External audit final visit currently proposed for 22 September through to 27 September 2022
Wed 5-Oct	Report preparation for Audit Committee Annual Financial Statements including Audit Completion Report End of Financial Year Results
Fri 14-Oct	Report preparation for Council Annual Financial Statements End of Year Financial Results
Mon 17-Oct	Audit Committee Meeting (17 Oct) Draft 2021-22 Annual Financial Statements including Audit Completion Report and Review of Auditor Independence and Legislative Compliance End of Year Financial Results Meeting attendance by External Auditors (in camera)
Tue 25-Oct	Council Meeting (25 Oct) 2021-22 Annual Financial Statements for adoption for Annual Report inclusion End of Year Financial Results
Wed 26-Oct	Report Preparation for Audit Committee Annual Report
Mon 7-Nov	Audit Committee Meeting (7 Nov) Draft 2021-22 Annual Report for Council adoption
Tue 22-Nov	Council Meeting (22 Nov or 29 Nov) 2021-22 Annual Report for adoption
Fri 25-Nov	Submit Financial Statements to Presiding Member of the SA Local Government Grants Commission (Due 30 Nov)

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 23 May 2022
AGENDA BUSINESS ITEM**

Item: 7.4

Responsible Officer: Mike Carey
Manager Financial Services
Corporate Services

Subject: 2021-22 Budget Review 3

For: Decision

SUMMARY

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

This report presents the third formal Budget Review (BR3) of the 2021-22 financial year to the Audit Committee for review. BR3 will be subsequently submitted to Council for consideration on 24 May 2022. Given the timing of the Council meeting being the next day, any feedback from the Audit Committee will be provided by the Presiding Member of the Audit Committee prior to the Council's consideration of that report.

The proposed budget changes, largely due to a small number of one off favourable revenue items, increase Council's Operating Surplus by \$61k from \$1.546m to \$1.607m.

BR3 also proposes a reduction of \$4.250m to capital income and a reduction of \$146k to capital expenditure with both adjustments largely relating to proposed carry forwards to 2022-23.

As a result of proposed operating and capital adjustments, Council's net position for the year changes from a Net Borrowing Result of \$2.572m to \$6.615m.

As the overall result from proposed BR3 budget changes improve Council's Operating Surplus, Council continues to meet all of Council's adopted financial indicator targets.

It is further noted that Council's underlying Operating Surplus, which is the Operating Surplus after adjusting for one off items, has been calculated at \$346k. Whilst this is below target, Council has considered the implementation of a number of savings strategies as part of the 2022-23 Annual Budget and Budget development to improve the underlying Operating Surplus and assist in the assessment of Council's ongoing financial sustainability and long term financial planning.

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 3 which result in:
 - a. An increase in the Operating Surplus from \$1.546m to \$1.607m for the 2021-22 financial year.
 - b. Changes to Capital Works, reducing capital income by \$4.250m and reducing capital expenditure by \$146k for the 2021-22 financial year resulting in a revised capital expenditure budget for 2021-22 of \$21.836m.
 - c. An increase in Council's current Net Borrowing Result from \$2.572m to \$6.615m for the 2021-22 financial year as a result of the proposed operating and capital adjustments.

1. 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 third Budget Review (BR3) of the 2021-22 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 has approved a number of the 2021-22 Budget changes as detailed in the budget reconciliation included as part of this report as **Appendix 5**.

The current budget (2021-22 BR2) was adopted at the Council meeting held on the 22 February 2022, with a Budgeted Operating Surplus before Capital Revenue of \$1.546m and an estimated Net Borrowing Result of \$2.572m.

Council's customary practice is to include Budget Reviews as an agenda item at Audit Committee meetings prior to consideration of Council. Due to the timing of the Audit Committee meeting on 23 May 2022 it will not be possible to include the Audit Committee resolution in the agenda of the Council. As such it is proposed that the Presiding Member of the Audit Committee provide details of the resolution and Audit Committee comments, if any, to the Council meeting prior to the consideration of the Budget Review 3 resolutions.

Budget Review Presentation

As a result of changes to the Regulations, the Budget Review information has been simplified for the First and Third Budget Review for the year whereby it is now required to produce under Section 9(1)(a):

“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”

In accordance with the Regulations the Uniform Presentation of Finances showing the movements in the current and proposed budgets is provided as **Appendix 1** to this report.

2. ANALYSIS

➤ 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

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.

➤ Legal Implications

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

➤ Risk Management Implications

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

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

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

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

➤ **Financial and Resource Implications**

In terms of the proposed BR3 operating changes, a number of the income and expenditure items offset each other, resulting in the Operating Surplus increasing from \$1.546m to \$1.607m largely as a result of some minor revenue adjustments in rates and statutory development income.

More specific details of these proposed budget adjustments have been provided under the Analysis section of this report.

In relation to capital it is proposed to reduce the capital budget expenditure by \$146k, largely to reflect some project budgets being carried forward to 2022-23.

Further, capital related income has been reduced by \$4.250m to reflect a carry forward of funding to 2022-23 of:

- the alignment of Fabrik grant income to expenditure changes adopted as part of BR2
- the revised timing of sale of the Bridgewater Retirement Village and
- proceeds resulting from the Old Woollen Mill divestment project.

As a result of the proposed operating and capital adjustments, Council's Net Borrowing Result for the year has therefore increased from \$2.572m to \$6.615m.

As the overall result from proposed BR3 budget changes improve Council's Operating Surplus, Council continues to meet all of Council's adopted financial indicator targets.

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**

There is a high expectation that Council has appropriate financial governance processes in place including the review of the budget periodically.

➤ **Sustainability Implications**

Not applicable.

➤ **Engagement/Consultation conducted in the development of the report**

<i>Council Committees:</i>	Not Applicable
<i>Council Workshops:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>Administration:</i>	The budget review was prepared in consultation with Directors and Managers to obtain detailed information for each budget area
<i>External Agencies:</i>	Not Applicable
<i>Community:</i>	Not Applicable

BR3 has been prepared in consultation with Directors and Managers who have provided information for each budget area.

Budget Review 3 Proposed Adjustments

\$000s	2021-22 Current Budget	Proposed BR3 Adjustments	Revised Budget after BR3
Operating Income	51,691	49	51,740
Operating Expenditure	50,145	(12)	50,133
Operating Surplus	1,546	61	1,607
Depreciation	10,122	-	10,122
Capital income	7,742	(4,250)	3,492
Capital Expenditure	(21,982)	146	(21,836)
Net (Borrowing)/Lending Position	(2,572)	(4,043)	(6,615)

Proposed Budget Adjustments

Operating:

Key operating variations included in this review are as follows, noting that many of the proposed income and expenditure adjustments directly offset each other:

Operating Income \$49k increase

- rates revenue has been increased by \$38k as a result of a better than budgeted result with objections and a reduction in the amount required for rebates
- Planning statutory income to be increased by \$24k reflecting an increase in development activity within the council area including the Cudlee Creek Bushfire area noting that this is offset by a small resource cost increase of \$4k to addressing the workload increase in applications
- A minor reduction in grant funding represented by a:
 - \$13k increase in Fabrik income relating to the receipt of a Regional Tourism and a Museum related grants offset by associated expenditure requirements
 - reduction of \$14k in immunisation grant income reflecting over budgeting of the amount in recent years as a result of a change in receipt timing
- A reduction in investment income of \$12k offset by a similar amount in interest expense due to lower interest rates

Operating Expenditure \$12k decrease

Details of the key operating expenditure proposed budget requests, resulting in an overall minor saving of \$12k are as follows:

- An increase in the arboriculture contractor budget of \$77k to cover the unexpected costs associated with urgent tree works along Croft and Mawson Roads near Lenswood from the clearance of Forestry SA land.
- A small increase of \$4k in planning resourcing costs to address the increase in applications and associated statutory income increase as discussed above

- A \$18k increase in Fabrik grant expenditure requirements associated with the receipt of Regional Tourism and Museum related grants discussed above
- Net vacancy savings from Civil Services of \$17k
- A saving of \$77k in the waste budget of which \$52k relates to a favourable result to budget in domestic waste collection and disposal for East Waste as well as a \$25k reduction in the AHRWMA Strategic Resource Recovery role
- A reduction in interest expense of \$12k offsetting the similar reduction in investment income discussed above
- A reduction of \$5k in economic grant contributions

Capital

\$000s	2021-22 Current Budget	Proposed BR3 Adjustments	Carry Forwards	Total BR3 Adjustments	Proposed BR3 Budget
Capital Grants	4,176	-	(1,600)	(1,600)	2,576
Capital Proceeds	3,566	-	(2,650)	(2,650)	916
Total Capital Income	7,742	-	(4,250)	(4,250)	3,492
Capital - Renewal Expenditure	(11,982)	2	-	2	(11,980)
Capital - New Capital Expenditure	(10,000)	(25)	169	144	(9,856)
Total Capital Expenditure	(21,982)	(23)	169	146	21,836
Net Capital Position	(14,240)	(23)	(4,081)	(4,102)	18,344

The net impact resulting from proposed changes in the Capital Works program decreases capital income by \$4.250m and reduces total capital expenditure by \$146k. The capital expenditure reduction relates to a proposed carry forward of \$169k to 2022-23 offset by a net increase of \$23k in capital expenditure.

Proposed Adjustments to Capital Expenditure \$23k

Specific details by project have been provided in **Appendix 2**. This includes a proposed increase in budget of \$23k for an engineering investigation relating to a culvert structural assessment at the Old Woollen Mill at Lobethal as part of a divestment process.

Capital Carry Forwards

In addition, Budget Review 3 identified proposed carry forwards consisting of:

- capital expenditure of \$169k
- capital grants of \$1.600m; and
- capital proceeds from sale of surplus assets of \$2.650m.

Details of the capital expenditure and capital grant carry forwards have been provided in **Appendix 3**.

All other capital projects will continue to be monitored in the lead up to the end of the financial year. Any additional carry forwards required will be considered by Council in August 2022.

Capital Proceeds Carry Forwards

The divestment of the Bridgewater Retirement Village has been delayed due to the Supreme Court trust variation process and it is now considered that this will occur in the 2022-23 financial year (subject to take up of the first right of refusal) and therefore will require a carry forward of budgeted sales proceeds of \$1.421m together with the related budgeted debenture payment offset of \$590k.

In addition, the Old Woollen Mill Divestment has been delayed as a result of a requirement to undertake a further and more detailed engineering investigation of the stormwater culvert located under the buildings on the property to determine remediation/rectification actions for an identified structural defect prior to sale. As such the budgeted amount of \$1.230m has been carried forward to 2022-23. The additional engineering investigation costs have been budgeted in BR3 under proposed capital expenditure changes.

The capital proceeds carry forwards have been detailed in **Appendix 4**.

Other points of note:

Financial Assistance Grant - timing

In April 2022 the Federal Government announced that it would bring forward the payment of three quarters of the 2022-23 Financial Assistance Grants as opposed to recent years where two quarters have been received in advance and an amount of \$1.488m was duly received. However, we have subsequently received advice by the SA Local Government Grants Commission that the amount received had been incorrectly calculated.

Currently, the 2021-22 Budget includes four quarters of Financial Assistance Grant funding in recognition of a normalised year of grant funding. As such, given that Council is unsure whether any further adjustments will be made or that the final 2021-22 payment will be paid no budget adjustment has been included for this item at this stage.

Landfill Remediation and Post Closure Provision

Council has set aside a provision for landfill remediation and post closure costs relating to closed landfills within the Council area which includes legal costs in relation to a court action, as previously reported to Council. Council has been unsuccessful in reaching a mediated outcome in terms of the court action and the matter is now expected to go to trial in October with the high probability of increased costs above the provision. In addition, there are likely to be additional costs pertaining to Council's responsibilities under a related site environmental audit. At this point in time these costs have not been fully quantified and as such no budget adjustment has been included for this item at this stage. This matter will be addressed as part of the finalisation of Council's statutory accounts for 2021-22.

Movements in Budgeted Borrowings

As a result of proposed BR2 changes, forecast borrowings had been revised downwards from \$19.2m to \$14.2m at 30 June 2022.

As a result of proposed Budget Review 3 changes and largely as a result of the capital income and proceeds carry forwards to next year, there will be an increase to borrowings in the order of \$4.1m resulting in a forecast of \$18.3m at 30 June 2022. The borrowing movements for the year are shown below.

Borrowings \$000s	Opening July 2021	New Borrowings	Repayments	Forecast June 2022
CAD (Short Term Drawdown)	5,200	(13)	-	5,187
Other Borrowings	-	8,100	-	8,100
Fixed Term Borrowings	5,000	-	-	5,000
Total Borrowings	\$10,200	8,087	-	18,287

This is reflected in the Financing transaction detail as shown at the bottom of Council's *Uniform Presentation of Finance* in **Appendix 1**.

The financing result for the financial year also includes budgeted payments relating to the landfill remediation provision.

For reference, where capital income or expenditure is carried forward to a future year, this will also move the borrowing impact for those projects to the same year and whilst adjusting the actual amount of borrowings for that year, the overall borrowing at the end will be the same.

Summary

The proposed operating variations of \$61k have increased Council's budgeted Operating Surplus from \$1.546m to \$1.607m.

BR3 also proposes a reduction of \$4.250m to capital income and a reduction of \$146k to capital expenditure with both adjustments largely relating to proposed carry forwards to 2022-23.

As a result of proposed operating and capital adjustments, Council's net position for the year changes from a Net Borrowing Result of \$2.572m to \$6.615m as shown below. This largely reverses the change from BR2 where Council's Net Borrowing Result for the year was reduced from \$7.348m to \$2.572m.

\$000s	\$
BR2 Adopted Budget Net Lending/(Borrowing) Position	(2,572)
Impact of Proposed Operating Budget Adjustments for BR3	61
Impact of Proposed Capital Expenditure Budget Adjustments for BR3	(23)
Impact of Proposed Capital Expenditure Carry Forwards to 2022-23	169
Impact of Proposed Capital Income Carry Forwards to 2022-23	(1,600)
Impact of Proposed Capital Proceeds Carry Forwards to 2022-23	(2,650)
BR3 Revised Net Lending/(Borrowing) Position	(6,615)
2021-22 Underlying Operating Surplus	\$330k

In recent 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 5, which shows the budget reconciliation of 2021-22 Budget changes Council's underlying Operating Surplus has increased from \$317k from Budget Review 2 to \$330k.

Given that Council's underlying Operating Surplus Ratio is below target, Council has considered the implementation of a number of savings strategies as part of the 2022-23 Annual Budget and Budget development to increase its underlying Operating Surplus to improve Council's ability to absorb the expenditure impacts from unexpected events and ensure that Council's long term financial sustainability is not significantly impacted.

3. 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 3 as prepared (Recommended).
- II. To make additional comments or suggestions to Administration to consider prior to finalising Budget Review 3.

4. APPENDICES

- (1) 2021-22 Budgeted Uniform Presentation of Finances
- (2) 2021-22 Capital Expenditure Budget Review 3 Proposed Changes
- (3) 2021-22 Capital Carry Forwards to 2022-23
- (4) 2021-22 Capital Proceeds from Sale of Surplus Assets Carry Forwards to 2022-23
- (5) 2021-22 Budget Adjustments Subsequent to Budget Adoption

Appendix 1

2021-22 Budgeted Uniform Presentation of Finances

Adelaide Hills Council

BUDGETED UNIFORM PRESENTATION OF FINANCES

2021-22 Budget

2020-21 Actuals		2021-22 Current Budget	BR3	2021-22 Revised Budget
\$'000		\$'000	\$'000	\$'000
INCOME				
40,110	Rates	41,457	38	41,495
1,489	Statutory charges	1,280	25	1,305
705	User charges	815	(1)	814
8,219	Grants, subsidies and contributions	7,360	(1)	7,359
22	Investment income	17	(12)	5
235	Reimbursements	210	-	210
637	Other income	452	-	452
764	Net gain - equity accounted Council businesses	100	-	100
52,181	Total Income	51,691	49	51,740
EXPENSES				
18,644	Employee costs	19,500	(42)	19,458
21,101	Materials, contracts & other expenses	20,186	42	20,228
9,451	Depreciation, amortisation & impairment	10,122	-	10,122
615	Finance costs	337	(12)	325
13	Net loss - equity accounted Council businesses	-	-	0
49,824	Total Expenses	50,145	(12)	50,133
2,357	NET BUDGETED SURPLUS / (DEFICIT) BEFORE CAPITAL AMOUNTS	1,546	61	1,607
Net Outlays on Existing Assets				
(7,823)	Capital Expenditure on Renewal and Replacement of Existing Assets	(11,982)	2	(11,980)
604	Proceeds from Sale of Replaced Assets	842	-	842
9,451	Depreciation	10,122	-	10,122
2,232	NET OUTLAYS ON EXISTING ASSETS	(1,018)	2	(1,016)
Net Outlays on New and Upgraded Assets				
(5,372)	Capital Expenditure on New and Upgraded Assets & Remediation costs	(10,000)	144	(9,856)
2,409	Capital Grants and Monetary Contributions for New and Upgraded Assets	4,176	(1,600)	2,576
17	Proceeds from Sale of Surplus Assets	2,724	(2,650)	74
(2,946)	NET OUTLAYS ON NEW AND UPGRADED ASSETS	(3,100)	(4,106)	(7,206)
1,643	NET LENDING/ (BORROWING) RESULT FOR FINANCIAL YEAR	(2,572)	(4,043)	(6,615)
(19,822)	Net Financial Liabilities at Beginning of Year	(20,311)	-	(20,311)
(1,381)	Decrease / (increase) in Other	-	(400)	(400)
(751)	Non Cash Equity Movement	(100)	-	(100)
(20,311)	Net Financial Liabilities at End of Year	(22,983)	(4,443)	(27,426)

In any one 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	4,000	4,100	8,100
3,081	Increase/(Decrease) in Short Term Draw Down	(24)	1	(23)
1,363	(Increase)/Decrease in Working Capital	-	(648)	(648)
(5,000)	Principal Repayments on Borrowings	-	-	-
(336)	Lease Liability payments	(400)	-	(400)
-	- Reinstatement/Restoration Provision Payment	(314)	-	(314)
-	- Debenture Payment	(590)	590	-
(751)	Non Cash Equity Movement	(100)	-	(100)
(1,643)		2,572	4,043	6,615

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.

Appendix 2

*2021-22 Capital Expenditure Budget Review 3 Proposed
Changes*

2021-22 CAPITAL BUDGET REVIEW 3								
Proj #	Project Name	Project Description	Suburb	Type	Current Budget	Change	Revised Budget	Comment
CAPITAL EXPENDITURE								
ROADS								
3403	Unsealed Roads			Renewal	\$908,000	25,000	\$883,000	Full program of planned resheet works has been completed with some savings identified.
			Total		\$908,000	25,000	\$883,000	
LRCIP 21/22								
3969	21/22 LRCIP Heathfield WRRC Upgrade	Construction of safety stairs, hard stand, and concrete pads at the Heathfield Resource Recovery Centre	Heathfield	New	\$155,000	(25,000)	\$180,000	Following market response, negotiation and scope refinement, some additional funds are still required to complete this project.
			Total		\$155,000	(25,000)	\$180,000	
Stormwater								
NEW	Old Woollen Mill Culvert	Culvert Structural Assessment		Renewal	\$0	(23,000)	\$23,000	Structural Integrity of the culvert identified as part of divestment process. Additional funding will be required for detailed design and costing to plan for remediation/ rectification of identified structural defects.
			Total		\$0	(23,000)	\$23,000	
Total Expenditure Change						(23,000)		
Capital Expenditure Changes								
Split as follows:								
Renewal					2,000			
New/Upgrade					(25,000)			
					(23,000)			

Appendix 3

Proposed 2021-22 Capital Carry Forwards to 2022-23

PROPOSED 2021-22 CAPITAL BUDGET

Proj #	Project Name	Project Description	Suburb	Type	21/22 Budget	Revised 21/22 Budget	Carry Forward to 22/23 Budget	Comment
CAPITAL EXPENDITURE								
Other								
3924	EV charging stations	Installation of charging stations at Heathfield Depot including an upgrade of the switchboard	Heathfield	New	\$35,000	\$7,718	\$27,282	Due to a recent workshop presentation Council will now progress to installing charging stations at Heathfield Depot. The amount carried forward will combine the budgets of two projects being #3924 and #4029.
4029	Installation of further EV charging stations	As above	Heathfield	New	\$35,000		\$35,000	Refer above.
Total					\$70,000	\$7,718	\$62,282	
ICT								
3755	CRM Integration	CRM Integration		New	\$22,000	\$4,000	\$18,000	This project is dependent on continued implementation of the Confirm Asset Management system.
Total					\$22,000	\$4,000	\$18,000	
Sports and Recreation								
3938	WRG Masterplan	Implement items from the Woodside recreation ground masterplan, particularly items related to vehicle movements.	Woodside	New	\$53,200	4,590	\$48,610	During 2021/22 a traffic management plan for the site was developed, however no contractor were available in Q4 to deliver the agreed scope of works.
4019	Woodside Rec Ground - Driveway & Carpark	Upgrade, including sealing, of car parking and driveways at Woodside recreation grounds.	Woodside	New	\$40,000	0	\$40,000	To be combined with project 3938 above.
Total					\$93,200	\$4,590	\$88,610	
Total Capital Expenditure Carry Forward Change			GRAND TOTAL		185,200	16,308	168,892	

Capital Expenditure
Split as follows:

Renewal
New

0
168,892

168,892

CAPITAL INCOME

120286164	FABRIK: Activation of Arts & Heritage Hub: Grant - Capital	FABRIK: Activation of Arts & Heritage Hub	Lobethal		\$2,000,000	400,000	\$1,600,000	Transfer of Capital Grant Income to 2022-23 to align with Expenditure budget previously carried forward in BR2 in accord with Accounting Standards. Note all 3 instalments already received (\$500k June 2021, \$1.25m August 2021 and \$1.25m February 2022)
Total Capital Income Carry Forward Change			TOTAL		2,000,000	400,000	1,600,000	

Appendix 4

*Proposed 2021-22 Capital Proceeds from Sale of Surplus
Assets Carry Forwards to 2022-23*

ADELAIDE HILLS COUNCIL**PROPOSED 2021-22 CAPITAL PROCEEDS CARRY FORWARDS**

Related Project Number & Description	Proposed Carry Forward
The divestment of the Bridgewater Retirement Village has been delayed due to the Supreme Court trust variation process and it is now considered that this will occur in the 2022-23 financial year (subject to take up of the first right of refusal). This therefore will require a carry forward of sales proceeds currently budgeted at \$1.421m together with the related debenture payment offset of \$590k	1,420,500
Balance of budgeted debenture payments relating to Bridgewater Retirement Village	(590,500)
The sale proceeds from the last stage of the Lobethal Old Woollen Mill (formerly AHBTC) Divestment has been delayed due to a requirement to undertake an engineering investigation of a culvert located on the property to determine remediation/ rectification actions for the identified structural defect prior to sale. The investigation costs are budgeted in BR3.	1,230,000
Proposed Net Proceeds Carry Forward Total	2,060,000

Allocated as follows:

Proceeds from Sale of Surplus Assets

2,650,500

Debenture Payment

(590,500)

Proposed Net Proceeds Carry Forward Total	2,060,000
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Appendix 5

2021-22 Budget Adjustments Subsequent to 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 Changes	Net Borrowing Result Impact	2021-22 Underlying Surplus
Original 2021-22 Budget	50,302	48,281	2,021	17,745	3,969		(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		677	(677)	5,529			(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	(30)	(7,348)	317
2021-22 Budget Review 2	356	(75)	431	(5,253)	(1,299)	390	4,775	13
AHC Adopted Budget at 22 February 2022 Council Meeting	51,690	50,145	1,546	21,982	7,742	360	(2,572)	330
2021-22 Budget Review 3	49	(12)	61	(146)	(4,250)	0	(4,043)	16
AHC Proposed Budget for 24 May 2022 Council Meeting	51,740	50,133	1,607	21,836	3,492	360	(6,615)	346

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 23 May 2022
AGENDA BUSINESS ITEM**

Item: 7.5

Responsible Officer: Kira-marie Lavery
Corporate Planning & Performance Coordinator
Office of the Chief Executive

Subject: Revised draft Annual Business Plan 2022-23

For: Decision

SUMMARY

The *Annual Business Plan 2021-22* (ABP) is a legislative requirement under s122 of the *Local Government Act 1999* (the Act). It is also a key element of Adelaide Hills Council's *Corporate Planning and Performance Framework*.

The draft ABP was first submitted to Audit Committee at the 20 April 2022 meeting for review, where it was resolved for the draft ABP to be brought back to the Audit Committee should any changes arise from the March CPI movements.

At the Special Council Meeting on 3 May 2022, it was resolved for the proposed rate increase to be adjusted to 4.9% instead of the previously proposed CPI plus 1%.

The purpose of this report is to provide the revised draft *Annual Business Plan 2022-23 – May 2022 (Appendix 1)* to the Audit Committee for review in its capacity as advisors to Council on the consistency and adequacy of the plan in the context of maintaining financial sustainability.

RECOMMENDATION

The Audit Committee resolves:

1. That the report be received and noted
 2. To advise Council that the Committee has reviewed the revised draft *Annual Business Plan 2022-23 – May 2022* (ABP), as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability and does not raise any significant concerns.
-

1. BACKGROUND

The draft ABP was first submitted to Audit Committee at the 20 May 2022 meeting for review, where it was resolved for the draft ABP to be brought back to the Audit Committee should any changes arise from the March CPI movements.

7.1. Annual Business Plan for Consultation

Moved Peter Brass
S/- David Moffatt

AC17/22

The Audit Committee resolves:

1. That the report be received and noted
2. To advise Council that the Committee has reviewed the draft *Annual Business Plan 2022-23* (ABP), as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability.
3. That, on the basis of the Committee's review, to recommend the draft ABP to Council for community consultation.
4. That a further update on the Draft ABP be provided to the May 2022 Audit Committee Meeting to consider Council's proposed adjustments (if any) to the latest movements in CPI.

Carried Unanimously

At the Special Council Meeting on 3 May 2022, it was resolved for the proposed rate increase to be adjusted to 4.9% instead of the previously proposed CPI plus 1%.

6.1 Draft 2022-23 Annual Business Plan for Consultation

Moved Cr Nathan Daniell
S/- Cr Pauline Gill

111/22

Council resolves:

1. That the report be received and noted.
2. To endorse the draft *2022-23 Annual Business Plan (ABP)*, as contained in *Appendix 1* for community consultation in accordance with Section 123 of the *Local Government Act 1999*, adjusted to include an average rate increase of 4.9%.
3. That, notwithstanding the terms of Council's *Public Consultation Policy*, Council determines that it will hold a public meeting as part of its consultation activities with respect to the draft *2022-23 Annual Business Plan*.

4. That the CEO be authorised to:
 - a. arrange for the holding of such a meeting;
 - b. provide notice to the public of the meeting in such manner and form as they see fit; and
 - c. cancel entirely or defer the holding of the meeting in the event it cannot be accommodated in line with relevant State Government public health/emergency directions, regulations or legislation related to COVID-19.
5. That the CEO be authorised to:
 - a. Make any formatting, nomenclature or other minor changes to the ABP prior to being released for public consultation and
 - b. Determine the consultation timings, media and processes while ensuring consistency and compliance with the provisions of applicable legislation and Council's Public Consultation Policy.

Carried Unanimously

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

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 ABP has been developed based on the financial projections and targets of the draft *2022-23 Long Term Financial Plan (LTFP)* and in alignment with the *Strategic Plan 2020-24 – A brighter future* and *Asset Management Plans*.

The LTFP went through community consultation during March with results shared with Council at the 1 April 2022 ABP workshop. The final draft is scheduled for adoption at the 26 April 2022 Council Meeting.

➤ Legal Implications

The preparation of an ABP is a requirement of Section 123 of the *Local Government Act 1999* (the Act), and the *Local Government (Financial Management) Regulations 2011* (the Regulations).

Section 123(3) of the Act states that before a council can adopt its ABP that it must prepare a draft ABP and follow the relevant steps set out in its public consultation policy (i.e. consultation for at least 21 calendar days).

As part of the legislative reform, changes will be made to the consultation requirements where Section 123(4) will be removed and instead the Act will reference at Section 123(3)(b) that Council will “undertake public consultation”. This change came into effect by 30 April 2022, however, our intention is to continue to apply Section 123(4) as guidelines for this year's public consultation. That is, the consultation activities will include:

1. Publishing a newspaper notification of the consultation period and how to provide feedback
2. Making the draft available in our libraries and online for written submissions and feedback
3. Scheduling one hour at the May Council Meeting for community members to provide verbal submissions on the draft ABP.

The Minister for Local Government has gazetted the *Public Health Emergency: Public Access and Public Consultation Notice (No 2) 2020* to remove the “public meeting” requirement from the Act. On 10 November 2021, the *Public Access and Public Consultation Notice (No 6)* confirmed these provisions are still in place. In February 2021, The LGA advised that while the direction remains in force, Council may resolve to hold a public meeting provided we adhere to all COVID-19 related State Government public health and emergency directions, regulations or legislation.

Section 123(7) of the Act requires that each budget of council must:

- a) Be considered in conjunction with the council’s ABP (and must be consistent with that plan); and
- b) Be adopted by the council after the council has adopted its ABP.

Part 2 of the Regulations sets out what financial information must be included as well as the required formats.

Section 126 of the Act sets out the role of the Audit Committee with subsection (4)(ab) being of specific relevance in that the Committee functions shall include ‘proposing, and providing information relevant to, a review of the council’s strategic management plans’. Council has further elaborated on this function in the Committee’s *Terms of Reference* as the Committee shall:

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

➤ **Risk Management Implications**

Preparing an ABP 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)	High (5E)	High (5E)

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

➤ **Financial and Resource Implications**

The ABP sets out the priorities and application of the Council's resources over the next financial year. The plan has been developed to be consistent with the *Strategic Plan 2020-24*, LTFP and Asset Management Plans.

The finalisation of the ABP document will be primarily produced internally using mainly existing staff resources. External costs will be associated with activities such as the design and printing of the final copy and any promotional costs related to the public consultation.

Financial sustainability implications are discussed in detail below.

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

The ABP provides transparency for the community regarding Council's plans for the next financial year. It highlights key goals and objectives and the strategies to achieve these objectives.

➤ **Sustainability Implications**

The Council's sustainability (financial, social and environmental) is a key consideration in the development of the ABP.

Following the resolution at the Special Council Meeting on 3 May 2022, the proposed rate increase was adjusted to 4.9% instead of the previously proposed CPI plus 1%. A 0.2% increase above the Adelaide March CPI figure of 4.7% is considered appropriate to maintain an Operating Surplus close to the financial sustainability indicator targets which allows Council to maintain existing services, and fund new initiatives for community facilities and trails development, whilst keeping the impact on Council ratepayers to a lower level.

The draft LTFP which was based on an increase of CPI + 1%, set the following key parameters and targets in relation to the development of the 2022-23 Budget:

- Operating Surplus of \$671k
- Renewals Capital Expenditure of \$11.347m
- New & Upgrade Capital Expenditure of \$11.381m
- Net Borrowings of \$9m, resulting in forecast Borrowings at June 2023 of \$22m.

Page 3 of Appendix 1 shows the following financial summary based on the general rate increase of 4.9%:

- Operating Surplus of \$424k
- Renewals Capital Expenditure of \$10.3m with some reallocation of project delivery and ICT capital to the New/Upgraded category to better reflect the capital work undertaken
- New & Upgrade Capital Expenditure of \$11.2m
- Net Borrowings of \$8.1m, resulting in forecast Borrowings at June 2023 of \$19.6m.

The financial sustainability ratios (**Appendix 1** – page 3) are:

- Operating surplus ratio **0.8%** which is slightly below Council's target of 1% to 5%
- Net financial liabilities ratio **53%** in line with Council's target of 25% to 75%
- Asset sustainability ratio **100%** in line with Council's target of 95% to 105%

It is noted that whilst the Operating Surplus Ratio is slightly below the target of 1%, Council considers that this can be managed by further review of expenditure strategies to ensure that Council's long term financial sustainability is not significantly impacted.

In aligning as closely as possible to the LTFP and the financial sustainability ratios, there is a level of certainty provided to the community that financial sustainability will be maintained.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

Council Committees: The draft ABP was presented to Audit Committee at their 20 April Meeting.

Council Workshops: Strategic initiatives included within the ABP were discussed in the Long Term Financial Plan workshop on 4 February 2022. An ABP and budget workshop was held on 1 April 2022 to discuss key budget elements and other related topics. A further workshop was held on 12 April and 28 April to further discuss the rating policy.

Advisory Groups: Advisory groups were invited to contribute to the LTFP consultation process which have informed the development of the ABP.

External Agencies: The service delivery and budget implications of each of the regional subsidiaries have been considered in the development of the ABP and budget.

Community: LTFP Community Consultation feedback was considered during the ABP development

The draft ABP was endorsed at the 3 May 2022 Council Meeting for public consultation with the adjustment to include an average rate increase of 4.9%.

3. OPTIONS

- I. To advise Council that the Committee has reviewed the revised draft *Annual Business Plan 2022-23* in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability and does not raise any concerns (Recommended)
- II. To identify and advise Council of any concerns arising from the revised draft *Annual Business Plan 2022-23*.

4. APPENDIX

- (1) Revised draft Annual Business Plan 2022-23, May 2022

Appendix 1

Revised draft Annual Business Plan 2022-23

May 2022

A photograph of three people, likely council members, standing at a playground. They are wearing high-visibility yellow vests over their clothing. The person on the left is wearing a wide-brimmed hat and a white shirt. The person in the middle is wearing a blue cap and a white shirt. The person on the right is wearing a tan hat, sunglasses, and a red shirt. They are standing in front of a large, modern playground structure with a white slide. The background shows trees and a blue sky with clouds. The bottom of the image features a colorful geometric pattern of triangles in shades of green, blue, and orange.

Annual Business Plan 2022-23

DRAFT for Consultation



Adelaide Hills
COUNCIL

Welcome


This is our Annual Business Plan for 2022-23 which outlines how we plan to achieve our goals over the next financial year. These goals are linked directly to our *Strategic Plan 2020-24 – A Brighter Future*, but also come from our other plans and strategies. Our priorities for this year have been refined through community consultation held over the period 11 May to 1 June 2022.

The Annual Business Plan meets the requirements of the *Local Government Act 1999*, and also provides relevant information for our community.

This publication is provided for our ratepayers, residents, business operators, visitors, government agencies and other interested people.

Contents

3	Overview
4	About us
5	Our Goals
6	Goal 1: A functional Built Environment
10	Goal 2: Community Wellbeing
14	Goal 3: A prosperous Economy
17	Goal 4: A valued Natural Environment
20	Goal 5: A progressive Organisation
23	Financial Overview
31	Capital Budget Overview
32	Rates Overview
	<i>Appendix 1: Budgeted Uniform Presentation of Finances</i>
	<i>Appendix 2: Statement of Expected Rate Revenue</i>
	<i>Appendix 3: Rating Policy</i>



Council acknowledges that we undertake our business 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.

Overview

The Annual Business Plan 2022-23 shows our services, programs and projects for the next financial year. It also shows how we will allocate our resources to achieve the goals we set out in our *Strategic Plan 2020-24 – A Brighter Future*, while ensuring Council's long term financial sustainability.

Our focus in 2022-23 is to continue to support and strengthen the Adelaide Hills community, environment and economy.

Some key projects and activities we will be undertaking include:

- Upgrades of the Gumeracha library
- Continued development of the Fabrik Arts and Heritage Hub
- Participation in the federally funded Local Roads and Community Infrastructure program to further invest in our region's assets
- Implementation of three key frameworks which will support Council to manage and improve assets in the Sport, Recreation and Facilities areas.
- Supporting the 2022 Local Government Election

The key elements of the Annual Business Plan are outlined in the table to the right, and explained in more detail throughout this document.

Planned Activities

- We have **73** strategic initiatives identified which contribute towards achieving our long term goals
- These include:
 - **36** capital initiatives (\$11.2m)
 - **37** operating initiatives (\$1.5m)

Capital Budget

- **\$11.2** million for capital expenditure on new or upgraded assets
- **\$10.3** million for capital renewal

Operating Budget

- Proposed Operating Surplus of **\$424k**
- Expenditure of **\$50.4** million
- Income of **\$50.8** million.

Borrowing

- Net Borrowings of **\$8.1m**, resulting in forecast Borrowings at June 2023 of **\$19.6m**

Rates

- Average increase in general rates of **4.9%** which will allow for continued financial sustainability, maintain our much needed services, and fund new initiatives for community facilities and trails development.

For an average value residential property this equates to an annual increase of approximately \$106.

Financial Sustainability

- Operating surplus ratio **0.8%** which is slightly below Council's target of 1% to 5%
- Net financial liabilities ratio **53%** in line with Council's target of 25% to 75%
- Asset sustainability ratio **100%** in line with Council's target of 95% to 105%

About us

Council and Committees

The Elected Council's role is to provide for the governance and stewardship of the Council area. It does this through representing the interests of the community; providing and coordinating public services and facilities; encouraging and developing initiatives to improve the community's quality of life; and exercising, undertaking its functions under legislation and its strategic management plans.

A number of committees have been established in accordance with legislation to assist the Council to discharge its responsibilities in specific areas. These are the Audit Committee, the Chief Executive Officer Performance Review Panel (CEOPRP), the Council Assessment Panel (CAP), the Building Fire Safety Committee and the Health & Safety Committee.

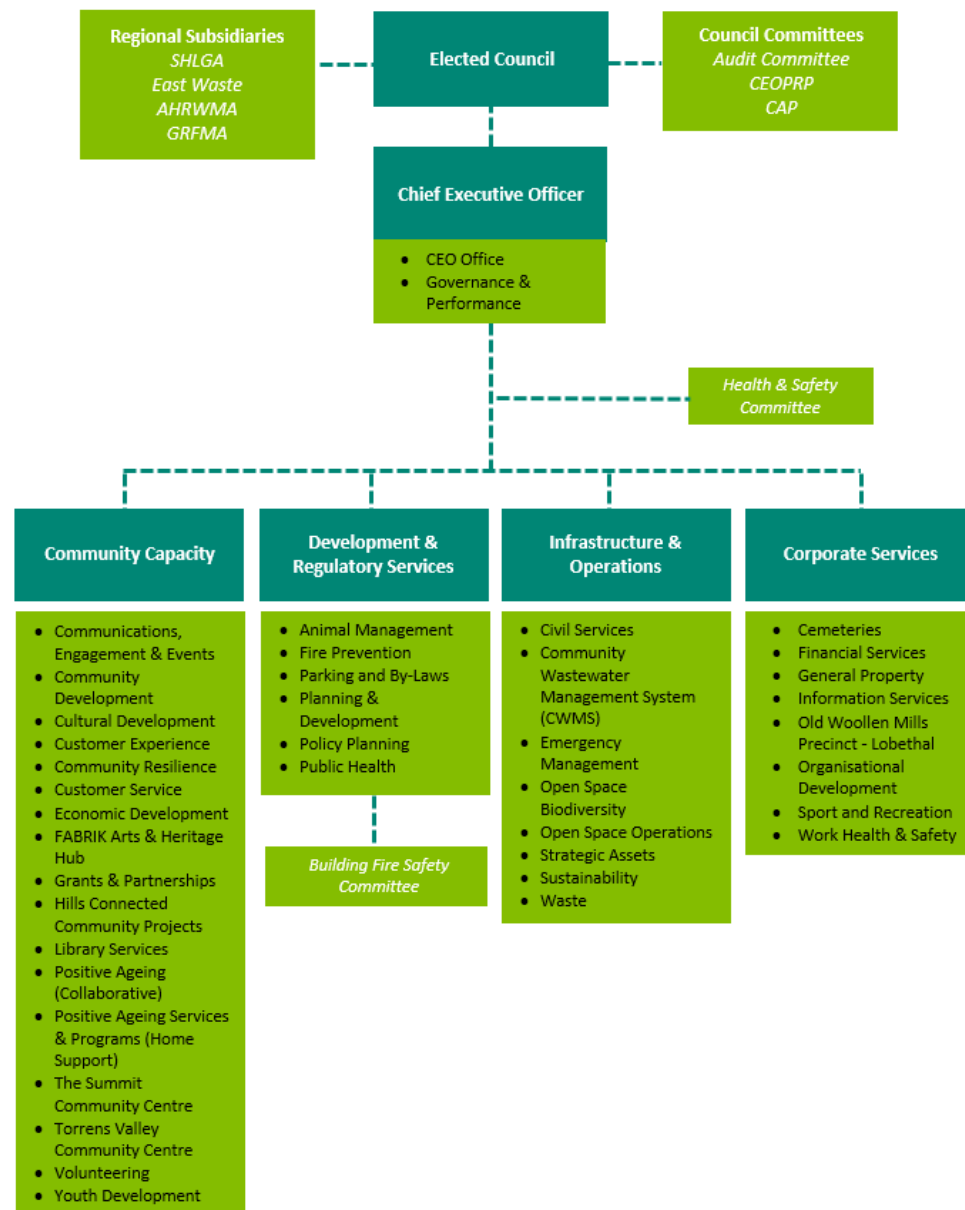
Regional Subsidiaries

Council is a member of four regional subsidiaries which assist in the strategic planning and service delivery activities. The subsidiaries are the Southern and Hills Local Government Association (SHLGA), the Eastern Waste Management Authority (East Waste), the Adelaide Hills Region Waste Management Authority (AHRWMA), and the Gawler River Floodplain Management Authority (GRFMA).

Administration

The Council's Administration is led by a Chief Executive Officer appointed by the Council.

The Chief Executive Officer appoints staff to carry out the functions and duties delegated to them and to implement Council decisions. The Administration is organised into directorates (see diagram), each with a specific area of focus and functional responsibilities. The arrangement of the directorates provides for the separation of the regulatory activities (into the Development & Regulatory Services Directorate) from the other activities of the Council.



Our Goals

The Annual Business Plan has been developed to align with our *Strategic Plan 2020-24 – A Brighter Future*, which was adopted by Council on 28 April 2020 and sets out what we wanted to achieve over the four year period. These goals and objectives are listed in the table below. Over the following pages we will show how our day to day activities, recovery efforts and strategic initiatives will help us to deliver each of these long term goals.

A functional Built Environment

B1 Our district is easily accessible for community, our businesses and visitors

B2 Preserve and enhance the unique character of the Hills for current and future generations

B3 Consider external influences in our long term asset management and adaptation planning

B4 Sustainable management of our built assets ensures a safe, functional and well serviced community

Community Wellbeing

C1 A community for everyone - that is inclusive, welcoming and accessible

C2 A connected, engaged and supported community

C3 A community that grows together

C4 An active, healthy, thriving and resilient community

C5 Respect for Aboriginal Culture and values

C6 Celebrate our community's unique culture through arts, heritage and events

A prosperous Economy

E1 Support and grow our region's existing and emerging industries

E2 Provide local infrastructure to drive growth and productivity

E3 Encourage, attract and retain a creative, talented and skilled workforce in our region

E4 Cultivate a clear, unique and consistent regional identity that can be leveraged to attract national and international attention

A valued Natural Environment

N1 Conserve and enhance the regional natural landscape character and amenity values of our region

N2 Recognise the benefits of ecosystem services and improve environmental resilience by reducing environmental impacts

N3 Nurture valuable partnerships and collaborations and engage the local community in the management of our natural environment

N4 Reduce the impact of waste to landfill by maintaining a robust waste and resource management framework

N5 Assist our community to reduce the impact of waste to landfill on the environment

A progressive Organisation

O1 We have the right people with the right knowledge and skills in the right jobs and they are supported and developed

O2 Our customers find it easier to interact and do business with Council and have an improved customer experience

O3 Our organisation is financially sustainable for both current and future generations

O4 We actively represent our community

O5 We are accountable, informed, and make decisions in the best interests of the whole community

O6 Technology and innovation is utilised to better meet our community's expectations and deliver value for money



A functional Built Environment



Our Aspiration

Ensure that all decisions regarding the built environment recognise our unique character and natural environment to maintain and enhance liveability for our community.

Some of the key highlights we have planned for 2022-23 include:

- Delivery of three key road safety activities under the federally funded black spot program
- Implementation of the Community and Recreation Facilities Framework
- Implementation of the Trails and Cycling Routes Framework

Local Roads and Community Infrastructure Program (LRCIP) 2022-23

Council is applying for Federal funding for local road and community infrastructure projects that involve the construction, maintenance and/or improvements to council-owned assets (including natural assets) that are generally accessible to the public.

Council have identified preferred priority projects which will deliver benefits to the community and region, such as improved accessibility, visual amenity and safety benefits. Amendments to the 2022-23 delivery program may be made once the priority projects have been determined.

How we will measure our success

Our success will be demonstrated through service based performance measures and customer feedback in delivering what our community needs and what we aspire to achieve under our Capital Works Program, Civil Zone Maintenance Program, Asset Management Plans, and energy usage targets.

We are currently reviewing our suite of Corporate Performance Indicators which will be used in our reporting to Council each quarter, and in our Annual report for 2022-23. These will be included in the final Annual Business Plan.

Our Services

- **Planning & Development** – Assessment of development applications and activities within the region. Inspection of approved buildings and swimming pools and taking compliance action where required. Reviewing safety of publicly accessible buildings.
- **Policy Planning** – undertaking policy and project work such as amendments to the new Planning and Design Code, and preparation of urban design guidelines.
- **Customer Service** – frontline customer service including processing of development applications.
- **Property Services** - Ongoing maintenance and management of Council's real estate assets including some 380+ parcels of land and 180+ buildings.
- **Cemeteries** – Ongoing maintenance and management of 16 Council owned cemeteries within the region.
- **Strategic Assets** – Develops and refines the Asset Management Plans and the future renewal Capital Works Programs. Manages Council's Geographic Information Systems and associated corporate data.
- **Open Space Operations** – Carries out Capital Works upgrades for projects such as playgrounds.
- **Civil Services** – Ongoing management, maintenance and replacement planning of public infrastructure including roads, bridges, signage, stormwater, kerbs and footpaths.
- **Community Wastewater Management Systems (CWMS)** – Management of CWMS and associated infrastructure e.g. septic tanks, treatment ponds.

Our Objectives and Priorities

Objectives

Priorities

B1 Our district is easily accessible for community, our businesses and visitors

B1.1 Increase accessibility to our district through the development and delivery of high priority trails and routes for all cyclists (on-road, off road, commuters, recreational) and pedestrians

B1.2 Improve outcomes for the elderly by incorporating Council's Age Friendly Strategic Plan into built environment design and delivery

B1.3 Progress state-wide and inter-regional connectivity of cyclist routes by partnering with neighbouring councils

B1.4 Ensure that the key road network is accessible for heavy vehicles used by the primary production, tourism and construction sectors through engagement with industry and Government

B1.5 Provide accessibility for the full range of users by ensuring Council's road, footpath and trails network is adequately maintained and service levels for all users are developed and considered

B2 Preserve and enhance the unique character of the Hills for current and future generations

B2.1 Continue to embrace and support community led public place revitalisation across our district

B2.2 Incorporate Water Sensitive Urban Design principles within Council developments and projects and advocate for other developments within the region to do the same

B2.3 Proactively work with developers to ensure that built form complements or enhances existing local character whilst preserving the character and amenity of our towns, historic buildings and scenic environment

B2.4 Ensure our planning framework, council policies and guidelines support privately owned local heritage places

B2.5 Continue to collaborate with other councils and stakeholders in pursuing our World Heritage Bid to protect the landscapes, sites and facilities that represent the State's aboriginal and early colonial history

B2.6 Support communities recovering from natural disasters with expedited development assessment services

B3 Consider external influences in our long term asset management and adaptation planning

B3.1 Improve water security by maximising water reuse opportunities, reducing reliance on ground water and improving water efficiencies for open space irrigation and building facilities

B3.2 Aim to achieve 100% renewable energy use for our corporate operations and strive towards carbon neutrality

B3.3 Investigate and source recyclable materials for asset renewal projects wherever practical and in doing so promote the circular economy

B3.4 Proactively adapt our built environment to changes in social and environmental factors to minimise the impact from natural hazards such as fire and flood

B4 Sustainable management of our built assets ensures a safe, functional and well serviced community

B4.1 Ensure the long term management of the built form and public spaces occurs in consideration of the relevant financial, social and environmental management matters

B4.2 Embrace innovative and new technology solutions to proactively maintain our built assets that further enhance the provision of efficient services to the community

B4.3 Ensure Council owned or managed assets, including staff accommodation, are functional and adaptive to meet service requirements. Also, where appropriate and endorsed by Council, equitably assist community owned site (halls and recreation sites) to ensure their facilities are functional and meet service standards

B4.4 Improve road safety through a safe system approach to road design, construction and maintenance including on-going applications to the State and Federal Road Blackspot program

B4.5 Explore and provide the infrastructure to support Electric Vehicles (EV) and investigate infrastructure requirements for emerging technological transport such as Connected and Automated Vehicles (CAV)

Built Environment - Strategic Initiatives

Strategic Initiatives are specially funded and prioritised activities, projects and programs of work that are planned over the next 3 years. “Capital” initiatives are generally related to new physical assets and infrastructure investment, while “Operating” initiatives are related to administrative projects, community programs and other activities and tasks.

Project ID	Strategic initiatives (Operating and Capital)	Area	Objective and/or Priority	Type	Budget 2022-23 (\$'000)	Long term financial plan (\$'000)	
						2023-24	2024-25
B1001	Recreation Trails & Cycling Route Upgrades	Corporate Services	B1.1	Capital	75	75	79
B1003	New Bus Shelter Installation Program	Infrastructure & Operations	B1.3	Capital	15	15	15
B1004	New and upgraded footpaths	Infrastructure & Operations	B1.5	Capital	250	250	263
NEW-3	Recreation Trails & Cycling Routes Framework Implementation	Corporate Services	B1.1	Operating	60	67	73
				Capital	67	69	71
NEW-14	Amy Gillett Bikeway Contribution	Infrastructure & Operations	B1.1	Operating	100	-	-
NEW-11	DDA Upgrades Minor access upgrades region wide (compliance)	Infrastructure & Operations	B1.5	Capital	20	21	21
B2001	Federation Park and Oval masterplan implementation	Infrastructure & Operations	B2	Capital	50	50	-
NEW-2	Local Heritage (Privately Owned) Planning and Design Code Amendment	Development & Regulatory Services	B2	Operating	-	30	-
B3002	Implement irrigation systems (renewal / upgrades) (G)	Infrastructure & Operations	B3.1	Capital	300	100	-
B3003	Investigate and Implement central irrigation control system (region wide) (G)	Infrastructure & Operations	B3	Capital	225	-	-
B3004	Prepare turf and irrigation design/management plans for key bore water use areas	Infrastructure & Operations	B3	Operating	20	20	-
B3005	CMP - Energy Upgrades, Battery & Efficiency Actions	Infrastructure & Operations	B3.2	Capital	50	50	50
B3008	Sustainable building guidelines and policy	Infrastructure & Operations	B3	Operating	10	-	-
B3011	Carbon Offsets Policy	Infrastructure & Operations	B3	Operating	-	8	-
B4006	Asset management - Confirm Web and Connect Licenses and Field Devices	Corporate Services	B4	Capital	59	40	-

Legend: **LRCIP** Potential Local Roads & Community Infrastructure Project **G** Grant funding



Built Environment - Strategic Initiatives *continued...*



Project ID	Strategic initiatives (Operating and Capital)	Area	Objective and/or Priority	Type	Budget 2022-23 (\$'000)	Long term financial plan (\$'000)	
						2023-24	2024-25
B4009	Building Upgrades - minor	Corporate Services	B4	Capital	100	133	158
B4010	Cemeteries Upgrades	Corporate Services	B4	Capital	39	40	41
B4011	CWMS Capacity Upgrades (Birdwood & Woodside gravity mains)	Infrastructure & Operations	B4	Capital	100	308	315
B4014	Road Safety Program including co-contribution to Road Blackspot (G)	Infrastructure & Operations	B4	Capital	1,884	200	158
B4015	Installation of further Electric Vehicle charging stations	Infrastructure & Operations	B4.5	Capital	-	TBC	TBC
B4016	Purchase of Electric Vehicles cars for fleet	Infrastructure & Operations	B4	Capital	40	100	140
B4020	Reporting on embodied energy of materials used in Council activities	Infrastructure & Operations	B4	Operating	-	30	-
B4029	Park Furniture Audit	Infrastructure & Operations	B4.1	Operating	-	20	-
NEW-1	Community and Recreation Facilities Framework Implementation	Corporate Services	B4.1	Operating	-60	126	131
				Capital	70	72	158
NEW-4	Operational worksite review including forward planning	Corporate Services	B4.3	Capital	1,030	800	-1,000
NEW-6	Hamilton Hill, Dunfield Estate & Crest Maintenance	Infrastructure & Operations	B4	Operating	131	131	131
NEW-10	Feasibility Studies for future projects	Corporate Services	B4	Capital	100	100	100
NEW-13	Stormwater projects	Infrastructure & Operations	B4.1	Capital	LRCIP	300	420
NEW-16	Mt Torrens Coach House Reserve Toilet Facilities	Corporate Services	B4	Capital	TBC	-	-

Legend: **LRCIP** Potential Local Roads & Community Infrastructure Project

G Grant funding

TBC To be confirmed



Our Aspiration

An inclusive and prosperous community with the capacity to flourish and fulfil their potential through opportunities to engage, connect, participate and enhance wellbeing.

Some of the key highlights we have planned for 2022-23 include:

- Upgrade the Gumeracha Library to make a more welcoming and functional space for the local community
- Explore the potential for a skate/BMX facility in Stirling
- Implement the Federal Government funded Community Ready Program to help communities develop resilience to natural disasters
- Take the initial steps in identifying opportunities to recognise traditional Aboriginal names for places
- Redevelop the old Lobethal Woollen Mills to establish a contemporary facility for Fabrik, the Council's arts and heritage hub, with the support of State and Federal Government funding
- Look for opportunities to sponsor and/or collaborate on, significant new event/s for the district
- Collaborate with community on the commissioning of public art
- Engage with the Commonwealth on reforms to aged services and review the Council's place in the provision of same
- Implementing our *Libraries Strategy*

How we will measure our success

We demonstrate our success by:

- The achievement of targets for our service standards
- Surveying participants in our community programs to ascertain whether they are better off as a result of participation
- Seeking feedback about our customers' experiences through online and mobile surveys
- Reporting on library visitation, usage and borrowings

We are currently reviewing our suite of Corporate Performance Indicators which will be used in our reporting to Council each quarter, and in our Annual report for 2022-23. These will be included in the final Annual Business Plan.



Our Services

- **Fabrik Arts and Heritage Hub** – Providing community exhibitions, workshops and events. Supporting community with creative recovery after the Cudlee Creek Bushfire and COVID-19 pandemic.
- **Libraries** - Providing access to information resources for learning or leisure. Providing opportunities for community to engage, learn and connect.
- **Customer Services** – Providing ready access to Council services and responding to customer enquiries through three physical service centres, a phone contact centre and an online request portal.
- **Volunteering** – Encouraging voluntary participation across the Adelaide Hills through provision of opportunities, training and support for volunteer involving groups.
- **Property Services** – Management and maintenance of Council's community facilities.
- **Public Health** – Inspections of food businesses, waste water and public swimming pools to provide safe public environments.
- **Parking and By-law Enforcement** – Monitoring and regulating parking and particular public activities to ensure safe and accessible environments.
- **Sport & Recreation Planning** – Management and utilisation of Council's sport, recreation and open space assets; and support of clubs and the community's recreational activities throughout the region.
- **Youth Development** – Providing a range of programs and activities to support and develop youth in our community.
- **Positive Ageing** – Providing home and social support, particularly under the Commonwealth funded Commonwealth Home Support Program. Developing and implementing targeted strategies and programs in our region.
- **Community Centres** – Providing opportunities to improve health and wellbeing, participate in lifelong learning and sharing skills with others.
- **Communications, Engagement and Events** – Ensuring communication between the Council and community is accurate, relevant, valuable and engaging. Promoting and supporting community events.
- **Community Development** – Overseeing community wellbeing and disability access and inclusion programs, as well as a number of regional support programs, including provision of funding to The Hut Community Centre and the Adelaide Hills Community Passenger Transport Network.
- **Cultural Development** – Focusing on cultural diversity, Aboriginal respect and recognition, and the arts in all its forms.
- **Grants & Partnerships** – Grant giving programs supporting community based initiatives. Partnerships with other stakeholders to deliver local and regional outcomes.

Our Objectives and Priorities

Objectives	<i>C1 - A community for everyone that is inclusive, welcoming and accessible</i>	<i>C2 - A connected, engaged and supported community</i>	<i>C3 - A community that grows together</i>	<i>C4 - An active, healthy, thriving and resilient community</i>	<i>C5 - Respect for Aboriginal Culture & values</i>	<i>C6 - Celebrate our community's unique culture through arts, heritage & events</i>
Priorities	<p>C1.1 Provide welcoming spaces and places for the community through our libraries, community centres, and Council and community facilities</p> <p>C1.2 Support and promote opportunities for social inclusion and celebration of our cultural diversity</p> <p>C1.3 Make the district more accessible and welcoming for all with a focus on youth participation, positive ageing, disability inclusion and multiculturalism</p> <p>C1.4 Advocate and Seek opportunities to improve transport options for those who need it most</p> <p>C1.5 - Encourage more housing opportunities where provided for in the Development Plan</p>	<p>C2.1 - Work with community to provide a range of programs and opportunities to connect and engage around shared interests</p> <p>C2.2 - Support our ageing community to access services and continue to participate and contribute to community life</p> <p>C2.3 - Facilitate opportunities for our youth to develop skills, build resilience and be actively involved in and connected to their community.</p> <p>C2.4 - Increase participation from the broadest range of our community and engage with them to shape policies, places and decisions that affect them</p> <p>C2.5 - Continue to work with government agencies and non-governmental organisations to support the community recovery from natural disasters and the COVID-19 pandemic.</p>	<p>C3.1 - Provide and support programs and services that encourage and enhance personal growth, lifelong learning and professional development</p> <p>C3.2 - Support volunteering both organisationally and in the community as an essential element in delivering community outcomes and building wellbeing</p> <p>C3.3 - Empower our community groups and leaders to shape and determine change in their community through the provision of training opportunities, grants that meet strategic priorities, building relationships and supporting communities to be cohesive in progressing local projects.</p> <p>C3.4 - Build partnerships with community and other stakeholders to enhance our capacity to provide and support opportunities for them to thrive</p>	<p>C4.1 - Support community wellbeing through our contribution to public health planning, disaster recovery activities and the implementation of strategies that aim to measure and enhance wellbeing.</p> <p>C4.2 - Support the provision of formal and informal sport, recreation and play spaces for the community to enjoy</p> <p>C4.3 - Recognise that trails are a destination in their own right and support both commuter and recreational trail opportunities</p> <p>C4.4 - Support clubs and groups to continue to provide sport and recreation activities to the community</p> <p>C4.5 - Take an all hazards approach to emergency management so we can support the emergency services and the community before, during and after disaster events.</p>	<p>C5.1 - Partner with the Aboriginal and Torres Strait Islander community to develop our second Reconciliation Action Plan (Innovate) and actively participate in Reconciliation Week</p> <p>C5.2 - Celebrate and recognise Aboriginal culture and heritage through participation in and the delivery of programs and activities that engage our community in cultural experience and learning</p>	<p>C6.1 - Develop Fabrik as a vibrant cultural hub for the Adelaide Hills, fostering community connections and creativity and presenting the significant history of the Woollen Mill site</p> <p>C6.2 - Develop, support or bring events to our district that have social, cultural, environmental or economic benefits</p> <p>C6.3 - Recognise, encourage and support artists, emerging artists, writers and performers through promotion of the Arts and supporting opportunities to exhibit and perform</p> <p>C6.4 - Foster the development of Public Art that adds value to public spaces and supports place making in our community</p>

Community Wellbeing - Strategic Initiatives

Strategic Initiatives are specially funded and prioritised activities, projects and programs of work that are planned over the next 3 years. “Capital” initiatives are generally related to new physical assets and infrastructure investment, while “Operating” initiatives are related to administrative projects, community programs and other activities and tasks.

Project ID	Strategic initiatives (Operating and Capital)	Area	Objective and/or Priority	Type	Budget 2022-23 (\$'000)	Long term financial plan (\$'000)	
						2023-24	2024-25
C1004	Gumeracha Library upgrades	Community Capacity	C1.1	Capital	LRCIP	-	-
C1005	Stirling Region Skate Park	Corporate Services	C1	Capital	15	-	-
C2002	Develop the next age friendly community plan	Community Capacity	C2	Operating	-	20	-
C4006	Play Space Framework Implementation	Corporate Services	C4	Capital	260	267	273
C4012	Climate Change Adaption Plan Projects-All hazards emergency management	Infrastructure & Operations	C4.5	Capital	20	30	-
B3013	Community Carbon Management Plan	Infrastructure & Operations	C4	Operating	20	-	-
NEW-12	Sport and Recreation Upgrades	Corporate Services	C4	Capital	-	-	100
NEW-15	Community Resilience - Grant Funded Community Property Upgrades (G)	Community Capacity	C4.5	Capital	250	-	-
C5002	Aboriginal Cultural Development	Community Capacity	C5	Operating	10	10	10
NEW-9	Actions from adoption of Aboriginal Place naming Action Plan	Community Capacity	C5	Capital	8	5	5
C6001	Fabrik Activation Capital (G)	Corporate Services	C6	Capital	3,275	500	-
C6003	Capital Divestment - Capital Cost	Corporate Services	C6	Capital	1,821	-	-
C6004	Activation Arts & Heritage Hub - Operating (Income)	Community Capacity	C6	Operating	-14	-345	-361
C6005	Activation Arts & Heritage Hub - Operating (Expenditure)	Community Capacity	C6	Operating	324	635	652
C6006	Tour Down Under	Community Capacity	C6.2	Operating	88	91	93
C6008	Support for high profile regional event	Community Capacity	C6	Operating	20	20	20
C6009	Public Art (including acquisition)	Community Capacity	C6.4	Operating	15	15	15

Legend: **LRCIP** Potential Local Roads & Community Infrastructure Project **G** Grant funding



A prosperous Economy



Our Aspiration

Our region's economy is diverse and sustainable with a reputation for quality, niche products, services and experiences underpinned by a culture of creativity and innovation.

Some of the key highlights we have planned for 2022-23 include:

- Partner in the return of the Tour Down Under in 2023 following a two year absence due to the COVID-19 pandemic
- Look for opportunities to sponsor and/or collaborate on significant new event/s for the district
- Supporting a international tourism 'restart' in the district with the reintroduction of overseas travel following the COVID-19 pandemic
- Supporting a focus on wellbeing tourism
- Continue to establish a Home Based Business Network and support the group to access support
- Establish free camping in the district in partnership with selected community and/or commercial entities

How we will measure our success

Council plays a limited but crucial role in the success of the local economy. We monitor broader indicators like local employment levels, indices of socio-economic advantage and disadvantage, gross regional product and visitor numbers.

Our particular initiatives seek to address areas where local government can support broader economic outcomes and we measure the effectiveness of these by the local business sector biennially, and surveying participants in our initiatives to find out if they are better off as a result.

We are currently reviewing our suite of Corporate Performance Indicators which will be used in our reporting to Council each quarter, and in our Annual report for 2022-23. These will be included in the final Annual Business Plan.

Our Services

- **Economic Development** - Undertaking activities in line with the Economic Development Plan including:
 - Promoting tourism and supporting operators, through funding the work of Adelaide Hills Tourism,
 - Identifying and promoting local regional development opportunities through providing core funding to the local Regional Development Australia board,
 - Responding to the needs of established or potential local business operators,
 - Identifying and promoting opportunities for government investment in key local infrastructure developments, and
 - Undertaking niche projects to address particular economic development needs.
- **Property Services** – Facilitating appropriate events, outdoor dining, roadside trading and mobile food vans on Council managed land and roads.
- **Fabrik Arts and Heritage** – Establishing a thriving arts and heritage hub to support creative industries and the broader local economy through increased tourism.
- **Public Health** – Monitoring and addressing food safety and public health to ensure a safe environment and food businesses. Providing clinics to enable the community to access vaccinations easily.
- **Communications, Engagement and Events** – Managing, promoting and supporting events which have social and economic benefits to the district.
- **Development Advice & Approvals** – Assisting businesses and landowners when wishing to develop their properties.

Our Objectives and Priorities

Objectives

Priorities

E1 - Support and grow our region's existing and emerging industries

E1.1 - Support and encourage local and international tourists to visit the Adelaide Hills

E1.2 - Take advantage of the full potential of our region's primary production and associated value adding activities

E1.3 - Support and encourage the growth and development of our region's creative industry micro businesses

E1.4 – Promote, support and encourage our existing and emerging businesses to respond to economic changes by being creative, innovative, productive and resilient to unexpected impacts.

E1.5 - Engage and assist our region's key business and industry groups to be resilient, proactive and successful

E1.6 - Encourage and facilitate local supplier participation in all level of Government tendering processes

E2 - Provide local infrastructure to drive growth and productivity

E2.1 - Work with all levels of Government to ensure the region's infrastructure needs are understood and prioritised

E2.2 - Explore and advocate for the opportunities that new technologies could bring to our region

E2.3 - Support changes to planning and development that leverages and encourages sustainable economic development

E2.4 - Manage and maintain Council assets to maximise their utilisation and benefit to the community

E3 - Encourage, attract and retain a creative, talented and skilled workforce in our region

E3.1 - Attract and encourage professional and business development and networking activities

E3.2 - Understand the nature of skills our region's businesses will require to prosper into the future

E3.3 - Work with our local communities and businesses to create active, attractive and vibrant places

E3.4 - Enable start-ups and home based business through services, information and networking opportunities

E4 - Cultivate a clear, unique and consistent regional identity that can be leveraged to attract national and international attention

E4.1 - Work with key stakeholders to develop a realistic, yet inspiring, collective vision to connect the region and its industries

E4.2 - Work with our communities and businesses to encourage co-ordinated and strategic regional projects that enhance and support the regional identity

E4.3 - Support and encourage events that supports the region's identity and generates social, cultural and economic benefits

E4.4 - Support the continued development and community engagement for the World Heritage nomination of the region

Economy - Strategic Initiatives

Strategic Initiatives are specially funded and prioritised activities, projects and programs of work that are planned over the next 3 years. “Capital” initiatives are generally related to new physical assets and infrastructure investment, while “Operating” initiatives are related to administrative projects, community programs and other activities and tasks.

Project ID	Strategic initiatives (Operating and Capital)	Area	Objective and/or Priority	Type	Budget 2022-23 (\$'000)	Long term financial plan (\$'000)	
						2023-24	2024-25
E1003	Free Camping Initiative	Community Capacity	E2.4	Capital	30	-	-
E2001	Review and upgrade Council signage and branding	Community Capacity	E2	Capital	15	15	5
E4001	Additional Tree safety work required to support the Tour Down Under	Infrastructure & Operations	E4	Operating	30	30	30

Legend: **LRCIP** Potential Local Roads & Community Infrastructure Project **G** Grant funding





Our Aspiration

The natural environment of the Adelaide Hills contributes significantly to the character of the region and is greatly valued by our local community and visitors.

Some of the key highlights we have planned for 2022-23 include:

- Exploring options for a new dog and cat facility
- Undertaking high level studies of introducing a fee incentive for use of the kerbside bin service and the benefits of providing a weekly green organic bin collection and voluntary fortnightly waste collection. These studies will identify areas for Council to further focus on that provide the best environmental and financial outcomes for Council and the community.
- Investing in resilient community facilities and open spaces

How we will measure our success

The services we provide and the influence we have in the community will demonstrate our success in maintaining a healthy and resilient region. In particular this will be shown through community education outcomes, achieving biodiversity targets, and service driven performance in managing animals, waste and resources, and our natural spaces.

We are currently reviewing our suite of Corporate Performance Indicators which will be used in our reporting to Council each quarter, and in our Annual report for 2022-23. These will be included in the final Annual Business Plan.

Our Services

- **Sustainability** – Including climate change considerations into Council decision making, providing strategies for carbon neutrality, water management and renewable energy in response to climate change impacts.
- **Open Space Biodiversity** – Undertaking activities such as weed management, habitat conservation and expansion, research and knowledge development, and supporting community in their related activities.
- **Animal Management** - Promoting responsible dog and cat ownership, responding to nuisance and hazards caused by other animals including livestock, eradicating European wasp nests and conducting a Feral Cat Study.
- **Open Space Operations** – Maintaining parks and reserves, biodiversity activities, and fire breaks/tracks.
- **Fire Prevention** – Legislative function of ensuring identified properties are prepared for the bushfire season. Assessing the extent of bushfire hazards within the Council area and providing advice to land owners in respect of bushfire prevention and management.
- **Wastewater Systems Compliance** – Working with landowners to ensure their on-site wastewater systems are compliant and operating correctly to minimise impact on the water catchment.
- **Waste** - Providing waste collections and recycling services to 16,500 properties, green waste organics kerbside collections in townships, 'at call' hard waste collection, and operates the Heathfield Resource Recovery Centre for community use.

Our Objectives and Priorities

Objectives

Priorities

N1 - Conserve and enhance the regional natural landscape character and amenity values of our region

N1.1 - Enhance and manage horticultural amenity, including succession planning for street trees that contribute to and reinforce our distinctive streetscapes and villages

N1.2 - Manage reserves and open space to support the community, whilst balancing biodiversity conservation, resource use and environmental impacts

N2 - Recognise the benefits of ecosystem services and improve environmental resilience by reducing environmental impacts

N2.1 - Monitor and manage areas of high biodiversity or habitat value on Council reserves and Native Vegetation Marker Scheme (NVMS) sites using best practice methodologies

N2.2 - Explore opportunities and take appropriate actions to monitor current and emerging threats to biodiversity including feral cats and Phytophthora

N2.3 - Mitigate bushfire risks across the landscape by undertaking fuel reduction activities including woody weed control, maintenance of asset protection zones and educate & enforcement to reduce fuels on private property

N2.4 - Work with supporting organisations and agencies to foster the restoration of native flora and fauna habitat following the 2019-20 bushfire

N3 - Nurture valuable partnerships and collaborations and engage the local community in the management of our natural environment

N3.1 - Increase knowledge and environmental awareness within the community through engagement and education

N3.2 - Collaborate and engage with public and private organisations, schools and community members (including the Aboriginal community as the first nation peoples), to improve biodiversity outcomes and land management practices.

N3.3 - Continue to work in partnership with the Resilient Hills and Coasts region to build Council and community resilience to the impacts of climate change

N4 - Reduce the impact of waste to landfill by maintaining a robust waste and resource management framework

N4.1 - We will work with partners to analyse the benefits and feasibility of introducing a fee incentive to property owners to produce less waste in relation to the kerbside bin service

N4.2 - We will explore more Green Organics options to achieve improved environmental and financial outcomes.

N4.3 - We will provide specific education to the community to increase their level of food scrap recycling

N4.4 - Implement new or improved waste service opportunities whilst continuing to provide ongoing resource recovery and waste service to our community

N5 - Assist our community to reduce the impact of waste to landfill on the environment

N5.1 - Encourage and educate the community to help minimise the generation of household waste by advocating the principles of the Waste Management Hierarchy to avoid, reduce and reuse

N5.2 - Support and assist the community to prevent valuable resources going to landfill and reduce contamination in kerbside recycling bins

Natural Environment - Strategic Initiatives

Strategic Initiatives are specially funded and priority activities, projects and programs of work that are planned over the next 3 years. “Capital” initiatives are generally related to new physical assets and infrastructure investment, while “Operating” initiatives are related to administrative projects, community programs and other activities and tasks.

Project ID	Strategic initiatives (Operating and Capital)	Area	Objective and/or Priority	Type	Budget 2022-23 (\$'000)	Long term financial plan (\$'000)	
						2023-24	2024-25
N1003	Long Term Strategic Tree Planting Program	Infrastructure & Operations	N1.1	Operating	20	20	20
N2003	Native Vegetation Marker Program to protect and manage roadside vegetation	Infrastructure & Operations	N2	Operating	47	49	50
N2004	Review Unformed Public Roads to ascertain connectivity potential & habitat value	Infrastructure & Operations	N2.1	Operating	64	-	-
N2005	Develop Council Encroachment Policy	Infrastructure & Operations	N2.2	Operating	6	-	-
N2006	Develop and review Council Management Plans for high value reserves	Infrastructure & Operations	N2.1	Operating	3	3	3
N2008	Develop informative and attractive signage in Council reserves/playgrounds	Corporate Services	N2	Capital	10	10	5
N2010	Post prescribed burn weed management	Infrastructure & Operations	N2.3	Operating	60	20	20
NEW-5	New Dog and Cat facility	Development & Regulatory Services	N2	Capital	-	461	-
N3001	Local Climate Adaptations for landscape conservation	Infrastructure & Operations	N3	Operating	10	10	10
N3002	Resilient community facilities and open space including water fountains	Infrastructure & Operations	N3	Capital	30	30	31
N4001	Explore feasibility and benefits of a user pays kerbside bin service	Infrastructure & Operations	N4.1	Operating	25	-	-
N5001	Undertake Kerbside Waste Audits	Infrastructure & Operations	N5	Operating	10	-	-

Legend: **LRCIP** Potential Local Roads & Community Infrastructure Project **G** Grant funding



A progressive Organisation



Our Aspiration

Council is recognised for its skilled and agile workforce, for its representative and accountable governance, its commitment to cost effectiveness and efficient service delivery.

Some of the key highlights we have planned for 2022-23 include:

- Assisting the Electoral Commission of SA in conducting the 2022 Local Government Election. Council's role will include conducting information sessions for potential candidates; promoting the election in conjunction with the LGA; providing advice and assistance for candidates and voters; and equipping & inducting the new Council Members.
- Further developing the Council's new website to provide more streamlined customer services and access to information commonly sought by the community.
- Undertaking a community perception survey to drive further improvement in the range and delivery of services provided to the community.
- Improving our IT systems in areas of HR, Payroll and Finance

How we will measure our success

As an organisation, our measures of success include service-driven performance measures, achievement of financial targets, evidence of our corporate governance, implementation of innovative processes and technology, and organisational development achievements.

We are currently reviewing our suite of Corporate Performance Indicators which will be used in our reporting to Council each quarter, and in our Annual report for 2022-23. These will be included in the final Annual Business Plan.

Our Services

- **Customer Experience** – Driving organisational improvement and innovation to improve the customer experience.
- **Information, Communication and Technology** – Providing support for over 1300 devices, 250 system users and 100 public access devices for libraries and community centres. Manages system security, asset maintenance and renewal.
- **Financial services** – Providing accounting and financial activities including procurement support, payments, collection of rates and debt recovery, treasury management and support to Council in financial decision making.
- **Organisational Development and Work Health & Safety** – Providing support to our people covering organisational development, human resource management, work health and safety and payroll.
- **Governance** – Supporting the Mayor, Councillors, CEO, the Administration and community with their legislated roles and responsibilities including coordination of Council & Committee meetings, elections, risk management, audit and review activities, and corporate planning and reporting activities.
- **Property Services** – Ongoing maintenance and management of Council's service centres and operational sites.
- **Information Systems** – Systems for the capture, dissemination, storage, security, accessibility and management of information received and generated by Council.
- **Emergency Management** – Working collaboratively to prevent, prepare, respond and recover from natural disasters and other hazards.

Our Objectives and Priorities

Objectives	Priorities					
	<i>O1 - We have the right people with the right knowledge and skills in the right jobs and they are supported and developed</i>	<i>O2 - Our customers find it easier to interact and do business with Council and have an improved customer experience</i>	<i>O3 - Our organisation is financially sustainable for both current and future generations</i>	<i>O4 - We actively represent our community</i>	<i>O5 - We are accountable, informed, and make decisions in the best interests of the whole community</i>	<i>O6 - Technology and innovation is utilised to better meet our community's expectations and deliver value for money</i>
Priorities	O1.1 - Progressively enhance our safe systems of work to maintain emotional and physical safety of our people	O2.1 - Develop our digital channels to better meet customers' current and future needs	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	O4.1 - Optimise opportunities for the community to access and provide input into the decision-making processes	O5.1 - Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations	O6.1 - Progressively strengthen Council's systems security to minimise the impact of cyber attack
	O1.2 - Continue to develop a positive culture through supporting an equitable, diverse and continuously improving work environment	O2.2 - Modernise our services and enhance the customer experience by making service delivery faster, more convenient and more proactive	O3.2 - Ensure that renewal of assets and the associated maintenance is based on current asset management plans which consider reviewed service levels and whole of life costing	O4.2 - Attract and develop a diverse and capable elected body that represents, promotes and reflects the composition of the community	O5.2 - Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action.	O6.2 - Utilise technology to enable more evidence based and efficient delivery of services to the community
	O1.3 - Support our people leaders in further developing the skills necessary to lead engaged and productive teams	O2.3 - Build the capabilities of our people through a focus on two-way communication, cooperation and placing customers at the centre of everything we do	O3.3 - Actively pursue alternative funding opportunities to reduce reliance on rates income	O4.3 - Advocate to, and exert influence with, our stakeholders on behalf of our community to promote the needs and ambitions of the region	O5.3 - Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community	O6.3 - Provide more resilient business systems by utilising cloud technologies where appropriate
	O1.4 - Continue to support all staff through training, mentoring, coaching and development to enable the achievement of organisational and community goals	O2.4 - Continuously strive to measure and improve performance and service delivery across all functions	O3.4 - Assess the range and level of services undertaken to ensure they fulfil Council's legislative and strategic intent	O4.4 - Explore council boundary reform options that best serve the community		O6.4 - Utilise our online engagement tools to reach a wider range of community members to obtain their views and input.
						O6.5 - Support the delivery of services to the community through improved utilisation and connectivity of existing business systems
						O6.6 - Ensure the way in which we provide our digital services delivers an enhanced experience for our community

Organisation - Strategic Initiatives

Strategic Initiatives are specially funded and priority activities, projects and programs of work that are planned over the next 3 years. “Capital” initiatives are generally related to new physical assets and infrastructure investment, while “Operating” initiatives are related to administrative projects, community programs and other activities and tasks.

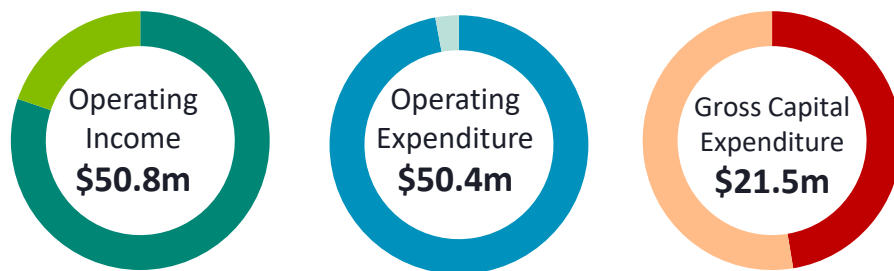
Project ID	Strategic initiatives (Operating and Capital)	Area	Objective and/or Priority	Type	Budget 2022-23 (\$'000)	Long term financial plan (\$'000)	
						2023-24	2024-25
O1001	Resource to manage ongoing Skytrust (WHS system) implementation	Corporate Services	O1.1	Operating	36	37	38
O1002	Update of Business Continuity Plan and implementation	CEOs Office	O1	Capital	5	5	5
O2001	New council website and e-services	Corporate Services	O2	Capital	110	-	-
O2002	Annual Council website license subscription	Corporate Services	O2	Operating	45	CO	CO
O5002	Equipment to broadcast Council Meetings	CEOs Office	O2	Capital	29	-	-
O4001	Local Government Election Support	CEOs Office	O4.2	Operating	183	-	-
O4002	Council Member Induction Training	CEOs Office	O4.2	Operating	10	-	-
O5004	Maintenance of LG performance benchmarking program (Councils in Focus)	CEOs Office	O5.3	Operating	10	10	10
O5005	Resource to manage building & swimming pool compliance inspections	Development & Regulatory Services	O5	Operating	81	84	88
O6002	Cyber & Systems Security - Program Management	Corporate Services	O6	Operating	26	CO	CO
O6005	Records Management software	Corporate Services	O6.3	Operating	70	CO	CO
O6007	Community perception survey	Community Capacity	O6	Operating	10	-	11
NEW-8	Information Systems - ERP Systems (Payroll, HR, Finance)	Corporate Services	O6.3	Capital	100	-	-

Legend: **LRCIP** Potential Local Roads & Community Infrastructure Project **G** Grant funding



Financial Overview

Key financial information for 2022-23 is summarised below:



Budget Summary		\$'000
● General Rates Income		40,795
● All Other Operating Income (including initiatives)		9,994
Total Operating Income		50,789
Core Operating Expenses (excluding Initiatives)		48,890
● Operating Initiatives		1,475
● Total Operating Expenditure		50,365
Operating Surplus		424
● Gross Capital Renewal Program Expenditure		10,320
● Gross capital expenditure on new /upgraded assets		11,217
Total Gross Capital Expenditure		21,537
Estimated New Borrowings		8,100

Council's projected operating income is sufficient to meet projected operating expenses and means Council is financially sustainable.

Long Term Financial Plan

The *Local Government Act 1999* requires the Council to prepare and maintain a *Long Term Financial Plan* (LTFP) as part of its suite of strategic management plans.

Prior to the development of the *Annual Business Plan* a detailed review of the LTFP was undertaken in consultation with the community. The revised LTFP was adopted at Council's 26 April 2022 meeting and can be found at ahc.sa.gov.au.

The key objective of our LTFP is to demonstrate that the Council is financially sustainable over the 10 year term of the LTFP, while 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.

The LTFP has been used to set the context and targets for the development of the 2022-23 Budget

Elements of the Budget: Income and Expenses

Income

Rate revenue accounts for approximately 80% of Council's operating income, while grants, fees and charges make up the majority of the other operating income. We continue to pursue grant income and partnerships with external funders where possible to minimise the requirement for revenue via rates.

Fees and Charges

Section 188 of the *Local Government Act 1999* sets out how fees and charges are managed in Council. Council reviews its fees and charges each year, in conjunction with the development of the annual budget to ensure that the fees proposed:

- reflect (or move progressively toward) the cost of the services' provision
- are comparable with market rates, where appropriate
- take into account benefit derived by users of community facilities
- are consistent with Council directions articulated through existing policy or plans
- are consistent with Council's LTFP assumptions

Generally, this has resulted in proposed fee increases that are in line with CPI, insofar as this is practicable.

Expenses

40% of the Council's operating expenditure is attributable to the payment of salaries and wages and around 38% is applied to materials, contracts and other expenses.

Key financial targets and financial sustainability

Financial sustainability is considered with reference to Council's agreed target ranges in three key ratios:

Indicator	Adopted Target	2022-23 Budget
Operating Surplus Ratio	1 - 5%	0.8%
Net Financial Liabilities Ratio	25 - 75%	53%
Asset Renewal Funding Ratio	95– 105%	100%

It is noted that whilst the Operating Surplus Ratio is slightly below target, Council considers that this can be managed by further review of expenditure strategies to ensure that Council's long term financial sustainability is not significantly impacted.

Council's Operating Surplus is important to financial sustainability as it improves Council's ability to absorb the expenditure impacts from unexpected events such as bushfires, floods, or pandemics. It also provides capacity to reduce our liabilities (borrowings) by funding a proportion of capital upgrade expenditure.

Impact on ratepayers

The overall amount existing ratepayers will pay in general rates will increase on average by 4.9%. For a residential property of average value, this equates to an increase of approximately \$106 for the 2022-23 year. Rate increases may vary from the average where there has been new development, capital improvements or other significant change to the value of the property.

To reduce the impact of significant valuation changes for 2022-23 Council proposes:

- Applying a rate rebate to limit the maximum general rate increase to 15% across all land use categories excluding vacant land
- Make the rebate automatic (similar to the 2021-22 financial year) but also retaining an application process
- Retaining the exclusion of the cap for changes in land use and rateability
- Adjusting the exclusion of change of ownership properties to those properties sold after 30 June 2021

Significant influences for the 2022-23 budget

Further, a number of factors have influenced the preparation of Council's 2022-23 *Annual Business Plan*. These include:

- The ongoing impact of recent events including the COVID-19 pandemic and Cudlee Creek and Cherry Gardens fires on our community
- Local Government Price Index increases on relevant goods and services, which in recent years has tracked above CPI and is at historic high levels
- Consideration of waste costs and volumes relating to recyclables, hard and green waste, including an increase in free green organic drop off days and anticipated movements in the solid waste levy imposed by the State Government
- Provision for Enterprise Development Agreements for staff which determines conditions of employment and provide for annual salary and wages increases, largely based on CPI and a separate increase of 0.5% in the Superannuation Guarantee levy
- Maintaining asset management (renewal) expenditure at a sufficient level to ensure long term maintenance of Council infrastructure, property and IT assets
- Increased maintenance requirements due to an increase in capital works and construction of new assets over recent years
- Ensuring key strategies from Council's *Strategic Plan* and Functional Strategies are costed appropriately
- The cessation of some of the Arts and Heritage Hub activities as a result of a significant upgrade of the site impacting on both revenue and expenditure
- A hardening insurance market resulting in premiums increasing significantly in excess of CPI

In addition, the Campbelltown City Council's Woodforde/Rostrevor boundary reform proposal, if successful, has the potential to materially impact Council's financial sustainability. The proposal is currently being assessed by the Boundaries Commission of SA and therefore no financial or resource implications have been built into the 2022-23 budget at this stage.





Additional costs included in the 2022-23 budget

A number of additional costs have impacted on Council's Operating Surplus including:

- Bridge maintenance as per draft *Asset Management Plan* adopted by Council in February 2022
- Cloud transition / cyber security / licencing changes
- Insurance premium increases & distribution reductions
- Cost recovery by State Government agencies associated with the Local Government Reform Program initiatives and Elections.

These costs have been included in the 2022-23 *Annual Business Plan* 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 requirements as a result of implementing the new cat registration bylaws

Other Service changes undertaken in recent years impacting on costs

Over the years Council has increased its services and related service levels in many areas including:

- Tree Management / Horticultural program
- Playground/park furniture/cemeteries resourcing
- Sport & Recreation Planning
- Waste including impact of recyclables due to China Sword
- 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

These have resulted in offsetting savings implemented over a number of years to ensure that Council has maintained an Operating Surplus in line with the adopted LTFP and financial sustainability indicators.

For the 2022-23 financial year Council has implemented specific saving strategies in the order of \$650k to assist in keeping rate increases to the minimum possible whilst also implementing agreed new strategies.

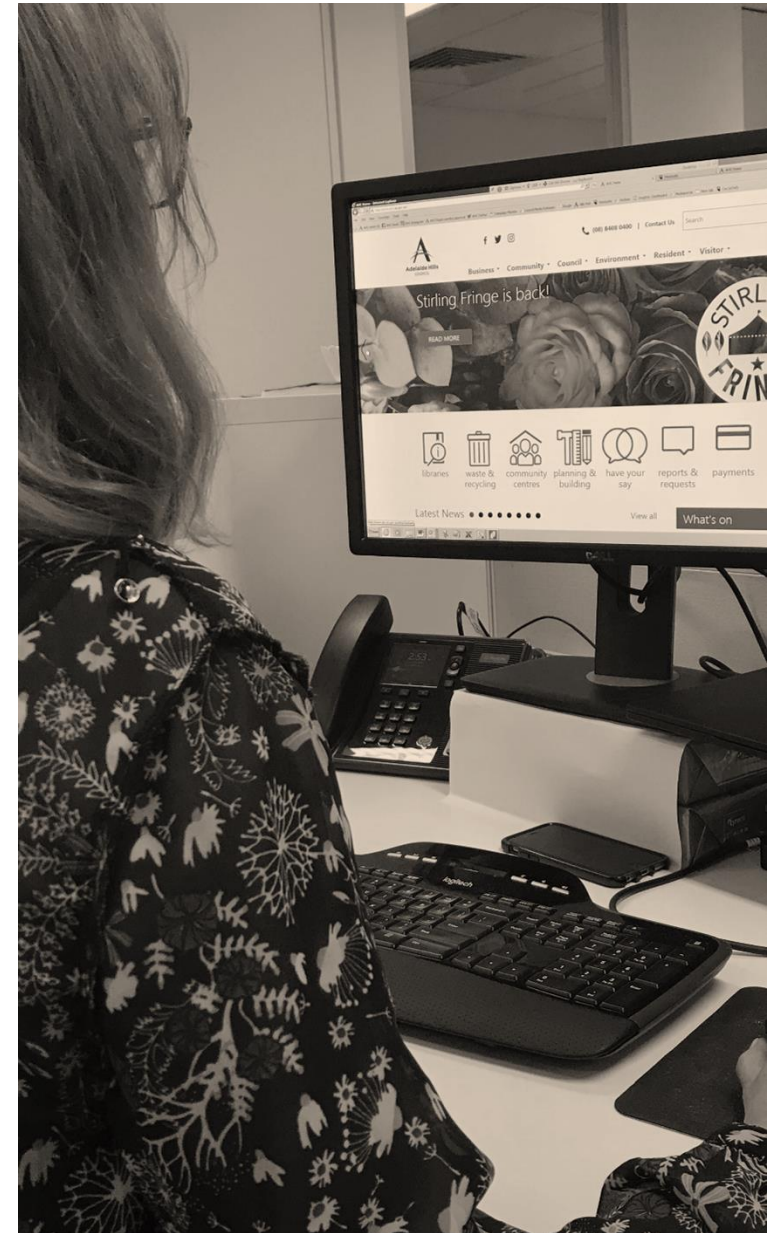
Savings Strategies included in the 2022-23 budget

To help address 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.

Items included under the saving & efficiency strategy include:

- 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 the use of electronic rate notices by residents including opt out options
- Changes to the payment options available to residents and the implementation 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 of approximately \$650k have been factored into the draft *2022-23 Annual Business Plan*.





Borrowings

Borrowing is an important funding source, especially for expenditure relating to new Capital and is undertaken in accordance with Council's *Treasury Policy*. The key objective of the Policy is to manage the finances of the Council holistically in accordance with the overall financial sustainability strategies and targets.

An independent local government report on financial sustainability encourages the increased use of borrowings to promote intergenerational equity. This involves spreading costs in relation to significant capital expenditure based on the pattern of benefits over time so that one generation is not excessively subsidising another.

Where there is a persuasive argument relating to intergenerational equity, Council will consider the appropriate use of borrowings. This will be managed within financial targets with the intention that future cash flows are sufficient to recoup borrowings with minimal impact on general operations over the medium term.

Estimated New Fixed Term Borrowing as shown in the following table for 2022-23 is \$8.1m and together with a minor decrease in Council's Cash Advance Debenture results in an estimated borrowings at 30 June 2023 of \$19.6m.

Borrowing	\$'000
Forecast Opening Balance of Borrowings July 2022	11,524
Estimated New Borrowing for 2022-23	8,100
Estimated movement in Cash Advance Debenture for 2022-23	(2)
Forecast Closing Balance of Borrowings June 2023	19,622
Split as follows:	
Cash Advance Debenture (Short Term Borrowings)	5,174
Fixed Term Borrowings	13,700
Lease Liabilities	748
Forecast Closing Balance of all Borrowings June 2023	19,622

Operating Budget by Directorate and Function

Directorate	Function	Revenue			Expenditure			Net Cost / (Revenue)	Staff FTE
		2022-23 LTFP Target \$'000	2022-23 Budget \$'000	Variance Fav/(Unfav) \$'000	2022-23 LTFP Target \$'000	2022-23 Budget \$'000	Variance Fav/(Unfav) \$'000	2022-23 Budget \$'000	2022-23 Budget
CEO	CEO Office	0	0	0	222	231	(9)	231	1.0
	Governance and Performance	40	34	(6)	2,151	2,181	(30)	2,146	4.0
	CEO Total	40	34	(6)	2,373	2,411	(38)	2,377	5.0
Community Capacity	Communications, Engagement & Events	0	0	0	706	729	(23)	729	3.6
	Community Development (M&P)	0	0	0	390	399	(9)	399	2.3
	Cultural Development	0	0	0	185	188	(3)	188	1.0
	Customer Experience	0	0	0	159	152	7	152	1.0
	Community Resilience	0	0	0	0	0	0	0	0.0
	Customer Service	0	0	0	853	892	(38)	892	8.8
	Director's Office Community Capacity	0	0	0	316	324	(8)	324	1.7
	Economic Development	95	95	0	560	573	(13)	478	2.0
	FABRIK Arts & Heritage Hub	25	14	(11)	323	324	(1)	310	2.0
	Grants & Partnerships	0	0	0	237	237	0	237	0.0
	Hills Connected Communities Projects	67	67	0	72	71	1	4	0.6
	Library Services	338	338	0	1,970	2,018	(48)	1,679	15.9
	Positive Ageing (Collaborative)	90	86	(4)	90	88	2	2	0.6
	Positive Ageing (Home Support)	1,085	1,068	(17)	1,119	1,120	(1)	52	5.8
	The Summit Community Centre	15	15	0	184	192	(8)	177	1.6
	Torrens Valley Community Centre	38	38	0	186	194	(8)	156	1.6
	Volunteering	0	0	0	89	86	3	86	0.7
	Youth Development	2	2	0	166	169	(3)	167	1.0
	Community Capacity Total	1,754	1,723	(32)	7,604	7,754	(150)	6,031	50.3
Corporate Services	Cemeteries	311	311	0	155	161	(6)	(150)	1.0
	Director's Office Corporate Services	3	3	0	344	347	(3)	343	1.8
	Financial Services	43,066	43,321	255	136	1,197	(1,060)	(42,124)	8.6
	General Property	111	111	0	1,657	1,705	(48)	1,594	6.7
	Information Services	0	0	0	2,625	2,690	(65)	2,690	12.0
	Old Woollen Mills Precinct - Lobethal	349	318	(31)	253	230	23	(88)	1.0
	Organisational Development & WHS	1	1	0	746	785	(39)	785	6.3
	Sport and Recreation	11	11	0	777	694	83	684	2.4
	Corporate Services Total	43,851	44,201	224	6,693	7,808	(1,115)	(36,267)	39.8

Operating Budget by Directorate and Function

Directorate	Function	Revenue			Expenditure			Net Cost / (Revenue) 2022-23 Budget \$'000	Staff FTE 2022-23 Budget
		2022-23 LTFP Target \$'000	2022-23 Budget \$'000	Variance Fav/(Unfav) \$'000	2022-23 LTFP Target \$'000	2022-23 Budget \$'000	Variance Fav/(Unfav) \$'000		
Development & Regulatory Services	Animal Management	452	486	34	426	440	(14)	(47)	3.1
	Director's Office DRS	0	0	0	345	353	(8)	353	2.0
	Fire Prevention	15	14	(1)	85	87	(2)	72	0.9
	Parking and By-Laws	48	43	(5)	208	213	(5)	170	1.3
	Planning & Development	609	613	4	2,052	2,115	(64)	1,503	15.8
	Policy Planning	0	0	0	131	134	(3)	134	1.0
	Public Health	185	161	(24)	517	537	(20)	376	3.8
	Development & Regulatory Services Total	1,309	1,317	8	3,762	3,878	(116)	2,561	27.9
Infrastructure & Operations	Civil Services	1,836	1,836	0	5,764	5,125	639	3,289	44.2
	CWMS	1,679	1,679	0	1,063	1,027	36	(652)	1.2
	Director's Office Infrastructure & Operations	0	0	0	346	409	(64)	409	2.0
	Emergency Management	0	0	0	115	84	30	84	0.2
	Open Space - Operations	0	0	0	5,132	5,199	(66)	5,199	26.8
	Open Space - Biodiversity	5	5	0	725	736	(12)	731	3.6
	Strategic Assets	0	0	0	10,883	10,427	456	10,427	3.8
	Sustainability	0	0	0	260	292	(33)	292	1.4
	Waste	164	120	(44)	5,273	5,214	59	5,094	1.4
	Infrastructure & Operations Total	3,684	3,640	(44)	29,560	28,514	1,046	24,874	84.6
ORGANISATION TOTAL		50,638	50,789	151	49,992	50,365	(373)	(424)	207.6

Capital Budget Overview

The 2022-23 Capital Budget continues to focus on the renewal of infrastructure. The Council has in excess of \$600m (Current Replacement Values) of infrastructure assets that it manages, to ensure that our current and future communities have access to the ongoing services these assets provide.

This year our capital works program will include:



- **\$10.320m** Capital renewal detailed in the Capital Expenditure Renewal Summary Table (to the right)
- **\$11.217m** in capital expenditure on new or upgraded assets, detailed in the strategic initiative pages

The total of \$21.537m for the capital works program is less than the Long Term Financial Plan target of \$22.737m and is considered to be the appropriate level of sustainable investment to meet the Council strategic goal to have a proactive long term view regarding the renewal and maintenance of its infrastructure.

As in previous years, a significant portion of the program is applied to road works, with buildings, footpaths, stormwater and plant accounting for a large proportion of the remaining allocation.

To see a detailed listing of our Capital projects, refer to the *Capital Works Program 2022-23* published on our website.

Capital Expenditure Renewal Summary

Asset Category	2022-23 Allocation \$'000	LTFP Target Renewal \$'000	Variance to LTFP \$'000
Bridges	70	90	-20
Buildings	1,100	900	200
CWMS	290	160	130
Footpaths	393	395	-2
Kerb & Water	78	259	-181
Other*	219	181	38
Road Pavement	1,913	1,804	109
Road Seal	1,787	1,902	-115
Shoulders	259	259	0
Sport and Recreation (including Playgrounds)	555	555	0
Stormwater	140	100	40
Unsealed Roads	864	1,035	-171
Plant and Fleet	1,719	1,719	0
Information, Communication & Technology	227	525	-298
Minor Plant & Equipment (including Library)	60	60	0
Project Delivery Costs	646	1,403	-757
NET RENEWALS	10,320	11,347	-1,027

*Other includes Guardrail, Retaining Walls, Cemeteries, Street Furniture, and Traffic Control

Rates Overview

In setting the rates for 2022-23 Council proposes to continue with its current method of rating, which is two differential rates with a fixed charge, applied against the capital value of properties. Council considers this to be a fair and equitable method of rating for the Adelaide Hills Council.

Rates are used to deliver the services. Rates are a form of property taxation, and property values determine how much each property contributes. This system of taxation means that the rates paid may not directly relate to the services used by each ratepayer.

The 2022-23 budget was initially developed from Council's LTFP which had a rate revenue target that incorporated a general rates increase of CPI plus 1% and estimated new development of 0.8%. Based on the latest CPI (March 2022) and review of updated expenditure requirements and increased savings initiatives, a 0.2% increase above the March CPI figure of 4.7% is considered appropriate to maintain an Operating Surplus close to financial sustainability indicator targets whilst keeping the impact on Council ratepayers to an acceptable level.

New development (primarily related to the Woodforde, Mount Torrens and Inverbrackie developments) is defined as capital improvements to existing properties and changes to value as a result of land divisions and will be confirmed by the Valuer-General as part of completing the valuation of the Council area.

As a result of a significant increase in valuations due to market conditions across the whole state undertaken by the Valuer-General, Council has seen increased variability in valuation increases within the Council area across all land uses. As such, Council is proposing to reduce the impact of significant valuation changes for 2022-23 by:

- Setting the maximum rate increase at 15%
- Applying this rate rebate to all land use categories except vacant land
- Make the rebate automatic (similar to the 2021-22 financial year) but also retaining an application process
- Still excluding any change of rateability, land use or change in ownership of properties sold after 30 June 2021

The table below provides a summary of the average rate increases that have been applied in recent years as well as the proposed increase for 2022-23 as discussed above.

Description	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
To meet inflation (CPI)	1.25%	2.3%	1.8%	2.4%	1.5%	4.7%
To fund increased capital renewal	1.0%	1.0%	1.0%	0.55%	1.0%	0.2%
Solid Waste Levy	-	-	\$10 (0.5%)	-	-	-
TOTAL INCREASE	2.25%	3.3%	3.3%	2.95%	2.5%	4.9%



Summary Basis of Rating (*Rating Policy*)

Key elements of the Policy include:

Rating Structure

- A fixed charge rating structure that includes a fixed charge applying to all properties. This charge is to increase from \$699 to \$733 which represents a 4.9% increase in line with the average increase previously highlighted.
- The same rate in the dollar, based on capital value, being applied to all categories of ratepayer, except commercial and industrial ratepayers who pay a 15% premium.

Stirling Separate Rate

- A separate rate for businesses in Stirling that generates \$95k that is distributed to the Stirling Business Association (SBA) to promote Stirling as a destination, the "Gateway to the Hills" through a three year funding agreement to June 2023. Council also sets a maximum amount ('top') and a minimum amount ('tail') per property each financial year for this separate rate.
- Council also proposes in accord with Council's taxation principles to increase the top and tail of the separate rate in line with CPI to better maintain an even distribution across all separate ratepayers.

Other Rates and Levies

A separate rate to provide for the sealing in 2014-15 of the northern end of Verrall Road, Upper Hermitage. This rate is levied on those properties that actually adjoin this section of road.

Help when you need it

An empathetic and individually tailored approach is provided to ratepayers who are experiencing financial difficulties through the provision of a number of alternative arrangements made available to ratepayers including:

- smaller, more regular payment options
- acceptance of reduced payments toward Council Rates arrangement
- Deferment or postponement of payment of rates in whole or in part for an agreed period
- consideration of the waiving of fines & interest where appropriate

The *Rating Policy* also includes a number of options to address financial hardship specifically targeted to those ratepayers that have been significantly and permanently impacted by events such as COVID and bushfires.



Impact of Office of Valuer-General Valuation Changes

Council's valuations used for rating purposes are undertaken by the Office of the Valuer-General.

As highlighted for 2022-23, the Valuer-General has advised that there have been unprecedented changes in valuation due to a significant strengthening of the property market across the majority of Councils within South Australia. Data received recently from the Valuer-General indicates that this has also resulted in increased variability in valuation increases within the Council area across all land uses.

This is likely to result in many rate assessments experiencing a change in rates payable much higher or lower than the average rate increase proposed.

As a response to the impact of these market adjusted valuation changes from the Valuer-General, Council's proposed rating policy position for the 2022-23 Annual Business Plan consultation is to apply a rebate to reduce the impact of significant valuation changes for 2022-23.

It is proposed to effectively cap the maximum rate increase at 15%.

The table below summarises key details of the rebate.

Rebate to limit the maximum general rate increase to 15%
Applied automatically but also retaining an application process
Maximum rate increase 15%
Applied to all land use categories <u>except vacant land</u>
Does not apply to properties sold after 30 June 2021
Does not apply to properties with a change in land use or rateability from 2021-22
Does not apply to properties with new development since the 2021-22 valuation

Rate Statistics

Council has just over **19,000** assessments split by land use as follows:



13 500
Residential



700
Commercial
and Industrial
differential rate



3,000 +
Primary
production



700 +
Vacant



800 +
Non-rateable



200
Other

Rates Modelling

The valuation of the Council area by the Valuer-General is ongoing and information provided to date reflects an average increase of over 20% in valuation for existing properties. This valuation information is still being updated as well as being subject to Valuer-General and internal quality assurance processes and revisits.

Analysis indicates that:

- Residential properties, representing over 70% of the overall valuation, has an average valuation **increase** of just over **22%**
- Primary production properties, being 17% of total assessments, have an average valuation **increase** of just under **17%**
- Commercial and Industrial properties have had an average valuation **increase** of just under **14%**
- Vacant land valuations have **increased** on average by **23%**.

The Budget has been formulated on the basis of retaining differential rates for all categories of ratepayer, including commercial and industrial ratepayers at the appropriate rate in the dollar to provide an overall increase in general rate revenue of 4.9% excluding new development.

Allocation of Rates Burden

The Council uses the capital value method of valuing properties. This method values the land and all improvements on the land. It is the most widely-used method across South Australian councils.

Council considers this valuation method the most equitable method to spread the rates burden across the measure of wealth within the Adelaide Hills Council area. It equates to the taxation principle that people should contribute to community, social and physical infrastructure in accordance with their capacity to pay as measured by property wealth.

Further, in determining how rates are applied, and the rate in the dollar, Council has also made specific policy choices in relation to the use of two differential rating categories and a fixed charge rather than a minimum rate to allocate the rates burden across the community.

Differential Rates

Section 153 of *Local Government Act 1999* (the Act) allows councils to 'differentiate' rates based on the use of the land, the locality of the land, the use and locality of the land or on some other basis determined by the council. The application of a Differential General Rate is generally intended to alter the amount payable by particular land uses.

Council has determined to apply the same rate in the dollar, based on capital value, to all categories of ratepayer, except commercial and industrial ratepayers who pay a differential rate in the dollar that is 15% higher than the rate in the dollar charged for other categories of ratepayer.

Council has considered the higher amount payable by the Commercial & Industrial sector with reference to the Economic Development function as well as the services and activities that the sector does not regularly use.

Council has considered the principle of rate stability when assessing the rates burden across the above categories. Other considerations were given to the change in capital value across the land use categories and the rates income provided by each.

It is estimated that the Commercial & Industrial Differential General Rates will raise net rate revenue in the order of \$1.5m in 2022-23.

It is estimated that the Residential & Non Commercial and Industrial Differential General Rate will raise net general rate revenue in the order of \$39.3m in 2022-23.

Fixed Charge

Under the Act, Council has some mechanisms available to enable all ratepayers to contribute more equitably to the administration of Council's services and the development and maintenance of the community's infrastructure. Council considers a fixed charge (applying equally to all rateable properties) to be the most fair and equitable means of achieving this.

For the 2022-23 year, it is proposed to increase the fixed charge from \$699 to \$733, representing a 4.9% increase in line with the overall average increase in rates.

Community Wastewater Management System

The Council provides Community Wastewater Management System (CWMS) to some areas within the Council district. To fund the provision of this service Council imposes an annual service charge to recover the cost to the Council of establishing, operating, maintaining, improving and replacing infrastructure (taking into account depreciation of any assets and including future capital works).

Council is currently undertaking its annual detailed assessment of the cost of providing CWMS services, in accordance with the guidelines set by the Essential Services Commission of South Australia (ESCOSA). This will identify whether current charges are at the levels necessary to achieve full cost recovery. For the 2022-23 financial year, as a result of preliminary analysis, CWMS revenue has been set at the same rate as the 2021-22 financial year to achieve the full cost recovery.



Appendix 1: Budgeted Uniform Presentation of Finances

Adelaide Hills Council

BUDGETED UNIFORM PRESENTATION OF FINANCES 2022-23 Budget

2021-22 Budget		2022-23 Proposed Budget
\$'000		\$'000
INCOME		
41,457	Rates	43,918
1,280	Statutory charges	1,318
815	User charges	837
7,360	Grants, subsidies and contributions	4,224
17	Investment income	5
210	Reimbursements	185
452	Other income	202
100	Net gain - equity accounted Council businesses	100
<u>51,691</u>	Total Income	<u>50,789</u>
EXPENSES		
19,500	Employee costs	20,421
20,186	Materials, contracts & other expenses	19,048
10,122	Depreciation, amortisation & impairment	10,502
337	Finance costs	394
0	Net loss - equity accounted Council businesses	0
<u>50,145</u>	Total Expenses	<u>50,365</u>
<u>1,546</u>	NET BUDGETED SURPLUS / (DEFICIT) BEFORE CAPITAL AMOUNTS	<u>424</u>
Net Outlays on Existing Assets		
(11,982)	Capital Expenditure on Renewal and Replacement of Existing Assets	(10,320)
842	Proceeds from Sale of Replaced Assets	636
10,122	Depreciation	10,502
<u>(1,018)</u>	NET OUTLAYS ON EXISTING ASSETS	<u>818</u>
Net Outlays on New and Upgraded Assets		
(7,000)	Capital Expenditure on New and Upgraded Assets & Remediation costs	(11,217)
4,176	Capital Grants and Monetary Contributions for New and Upgraded Assets	3,359
2,724	Proceeds from Sale of Surplus Assets	79
<u>(100)</u>	NET OUTLAYS ON NEW AND UPGRADED ASSETS	<u>(7,779)</u>
<u>428</u>	NET LENDING/ (BORROWING) RESULT FOR FINANCIAL YEAR	<u>(6,537)</u>
(20,311)	Net Financial Liabilities at Beginning of Year	(19,983)
-	- Decrease / (increase) in Other	-
(100)	Non Cash Equity Movement	(100)
<u>(19,983)</u>	Net Financial Liabilities at End of Year	<u>(26,620)</u>

In any one 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

1,000	New Borrowings	8,100
(24)	Increase/(Decrease) in Short Term Draw Down	(2)
(400)	Repayment of Lease Liabilities	(429)
(314)	Reinstatement/Restoration Provision Payment	(1,032)
(590)	Debenture Payment	-
(100)	Non Cash Equity Movement	(100)
<u>(428)</u>		<u>6,537</u>

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.



Appendix 2: Statement of Expected Rate Revenue

Statement of Expected Rate Revenue

Please note: These figures represent a considered estimate of Expected Rate Revenue based on the most current information available at the time of going out to consultation on the DRAFT Annual Business Plan and Budget (ABP&B). This information is updated regularly and therefore these figures may be subject to confirmation at the time of actual adoption of the ABP&B.

Expected Rates Revenue				
	2021/22 (as adopted)	2022/23 (estimated)	Change	Comments
General Rates Revenue				
General Rates (existing properties)		\$40,965,569 (a)		The proposed rates increase for 2022/23 is 4.9% on average.
General Rates (new properties)		\$312,431 (b)		
General Rates (GROSS)	\$39,093,900	\$41,278,000 (c)		
Less: Mandatory Rebates	(\$300,000)	(\$314,700) (d)		
General Rates (NET)	\$38,793,900	\$40,963,300 (e)	5.6%	
(e)=(c)+(d)				
Other Rates (inc. service charges)				
Regional Landscape Levy	\$968,260	\$1,117,410 (f)		The Regional Landscape Levy is a state tax collected on behalf of the Hills & Fleurieu Regional Landscape Board by the Dept of Environment, Water & Natural Resources. It is not retained by council.
CWMS	\$1,819,764	\$1,652,900 (g)		(\$415) for each vacant land property and (\$827) for each occupied property.
Stirling Business Separate Rate	\$95,000	\$95,000 (h)		A separate rate for businesses in Stirling will be applied to carry out the activity of promoting and enhancing business viability, profitability, trade & commerce within the zone.
Verrall Road Separate Rate	\$5,148	\$5,148 (i)		\$858 per property.
	\$41,682,072	\$43,833,758		
Less: Discretionary Rebates	(\$221,300)	(\$168,300) (j)		
Total Council Rate Revenue	\$40,492,512	\$42,548,048 (k)	5.1%	Excluding the Regional Landscape Levy
(k)=(e)+(g)+(h)+(i)+(j)				

Estimated growth in number of rateable properties				
Number of rateable properties	18,061	18,205	(l)	0.8%
	<i>Actual</i>	<i>Estimate</i>		
'Growth' is defined in the regulations as where new properties have been created which has added rateable properties to council's ratepayer base. Growth can also increase the need and expenditure related to infrastructure, services and programs which support these properties and residents.				Growth is expected to account for around 0.8% of the estimated increase in general rates to be collected.

Estimated average General Rates per rateable property				
Average per rateable property	\$2,165	\$2,267	(m)	4.8%
	(o)=(c)/(n)			
Councils use property valuations to calculate each rateable property's contribution to the required rate revenue total. Councils do not automatically receive more money because property values increase but this may alter how rates are apportioned (or divided) across each ratepayer (ie. some people may pay more or less rates, this is dependent on the change in value of their property relative to the overall valuation changes across the council area). The total General Rates paid by all rateable properties will equal the amount adopted in the budget.				These 'averages' are based on the total of all rateable properties and are therefore not necessarily indicative of either the rate or change in rates that all ratepayers will experience.

Notes

(d) Councils are required under the Local Government Act to provide a rebate to qualifying properties under a number of categories:		
Health Services - 100 per cent	Religious purposes - 100 per cent	Royal Zoological Society of SA - 100 per cent
Community Services - 75 per cent	Public Cemeteries - 100 per cent	Educational purposes - 75 per cent
The rates which are foregone via Mandatory Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).		
(e) Presented as required by the <i>Local Government (Financial Management) Regulations 2011</i> reg 6(1)(ea)		
Please Note: The percentage figure in (e) relates to the change in the total amount of General Rates revenue to be collected from <u>all</u> rateable properties, not from <u>individual</u> rateable properties (ie. individual rates will not necessarily change by this figure).		
(f) Councils are required under the <i>Landscape South Australia Act 2019</i> to collect the levy on all rateable properties on behalf of the State Government. The levy helps to fund the operations of regional landscape boards who have responsibility for the management of the State's natural resources.		
(g) Community Wastewater Management Systems are provided by council to some areas within the council district. To fund the provision of this service, Council imposes an annual service charge to recover the cost of establishing, maintaining, improving and replacing infrastructure.		
(j) A council may grant a rebate of rates or service charges in a number of circumstances. The rates which are foregone via Discretionary Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).		
(k) Expected Total Council Rate Revenue excludes other charges such as penalties for late payment and legal and other costs recovered.		
(l) 'Growth' as defined in the <i>Local Government (Financial Management) Regulations 2011</i> reg 6(2)		

Statement on Expected Rate Revenue

Please note: These figures represent a considered estimate of Expected Rate Revenue based on the most current information available at the time of going out to consultation on the DRAFT Annual Business Plan and Budget (ABP&B). This information is updated regularly and therefore these figures may be subject to confirmation at the time of actual adoption of the ABP&B.

Expected Rates Revenue

	Total expected revenue			No. of rateable properties		Average per rateable property		
	2021/22	2022/23	Change	2021/22	2022/23	2021/22	2022/23	Change
Land Use (General Rates - GROSS)								
Residential	\$29,222,634	\$31,095,566	6%	13,530	13,611	\$2,160	\$2,285	(p) \$125
Commercial - Shop	\$556,927	\$563,106	1%	257	258	\$2,167	\$2,183	(p) \$16
Commercial - Office	\$95,563	\$98,523	3%	61	63	\$1,567	\$1,564	(p) -\$3
Commercial - Other	\$657,013	\$669,447	2%	300	303	\$2,190	\$2,209	(p) \$19
Industry - Light	\$49,726	\$50,751	2%	33	33	\$1,507	\$1,538	(p) \$31
Industry - Other	\$143,263	\$144,605	1%	45	47	\$3,184	\$3,077	(p) -\$107
Primary Production	\$7,096,143	\$7,308,060	3%	3,030	3,054	\$2,342	\$2,393	(p) \$51
Vacant Land	\$871,267	\$946,069	9%	627	655	\$1,390	\$1,444	(p) \$55
Other	\$401,363	\$401,873	0%	178	181	\$2,255	\$2,220	(p) -\$35
Total Land Use	\$39,093,900	\$41,278,000	5.6%	18,061	18,205	\$2,165	\$2,267	(p) \$103
GRAND TOTAL (GROSS)	\$39,093,900	\$41,278,000	5.6%	18,061	18,205	\$2,165	\$2,267	(p) \$103

Council uses a differential rating system, using Land Use Codes as the factor to apply such differential rates.

In applying differential general rates, council has considered and is satisfied that the rating system addresses the issue of consistency and comparability across all council areas, particularly as it relates to the various sectors of the business and wider community.

Fixed Charge

	Total expected revenue			Charge		
	2021/22	2022/23	Change	2021/22	2022/23	Change
Fixed Charge	\$12,354,340	\$13,035,900	5.5%	\$699	\$733	(q) \$34

A fixed charge ensures all rateable properties pay a base amount towards the cost of administering council activities and maintaining the services and infrastructure that supports each property.

Rates based on capital values are then applied in addition to the fixed charge.

Council cannot raise more than 50% of its general rate revenue from the fixed charge component.

In 2022/23 council proposes to raise 32% of its general rate revenue by way of the fixed charge.

This revenue amount is **included** in the General Rates GROSS figure at (c).

Adopted valuation method

Capital Value

Council has the option of adopting one of three valuation methodologies to assess the properties in its area for rating purposes:

Capital Value – the value of the land and all improvements on the land;

Site Value – the value of the land and any improvements which predominantly affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements (Note: Site Value will cease to be an option from 1 Sept 2023); or

Annual Value – a valuation of the rental potential of the property.

Council continues to use **Capital Value** as the basis for valuing land within the council area. Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers on the following basis:

- The equity principle of taxation requires that taxpayers of greater wealth pay more tax than those of lesser wealth.
- Property value is a relatively good indicator of wealth and capital value, which closely approximates the market value of a property and provides the best indicator of overall property value.

Notes

(p) Average per rateable property calculated as General Rates for category, including any fixed charge but excluding any separate rates, *divided* by number of rateable properties within that category in the relevant financial year.

(q) A fixed charge can be levied against the whole of an allotment (including land under a separate lease or licence) and only one fixed charge can be levied against two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the same occupier.

If two or more pieces of rateable land within the area of the council constitute a single farm enterprise, only one fixed charge may be imposed against the whole of the land.



Appendix 3: Rating Policy

COUNCIL POLICY

 <p>Adelaide Hills COUNCIL</p>	<p>RATING</p>
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Policy Number:	FIN-02
Responsible Department(s):	Financial Services
Other Relevant Policies:	None
Relevant Procedure(s):	None
Relevant Legislation:	<i>Local Government Act 1999</i> <i>Valuation of Land Act 1971</i> <i>Landscape South Australia Act 2019</i> <i>Aged Care Act 1997 (Commonwealth)</i> <i>Community Housing Providers (National Law) (South Australia) Act 2013</i> <i>Community Titles Act 1996</i> <i>Education and Childrens Act 2019</i> <i>Health Care Act 2008</i>
Policies and Procedures Superseded by this policy on its Adoption:	Rating, 28 June 2016, Item 14.9, 1.11, 122 Rating, 27 June 2017, Item 14.3, 1.11, 130/17 Rating, 26 June 2018, Item 12.3, 1.11 , 138/18 Rating, 25 June 2019, Item 12.2, 1.11, 156/19 Rating, 30 June 2020, Item 7.1, 1.11, 124/20 Rating, 22 June 2021, Item 12.6, 1.11, 123/21
Adoption Authority:	Council
Date of Adoption:	
Effective From:	1 July 2022
Minute Reference for Adoption:	
Next Review:	June 2023

Version Control

Version No.	Date of Effect	Description of Change(s)	Approval
1.1	25/2/2020	Amendments to clause 3.10 to provide consistency with changes to Council Petitions Policy	Council - Res 47/20

RATING POLICY

1. INTRODUCTION

Delivering services and facilities relies on the rates collected from ratepayers within a council's boundaries. Council rates are a form of property taxation, and as the main source of funding for councils, rates are essential in enabling council to deliver all the services and facilities that the community relies on.

Rates are administered by each council in line with the *Local Government Act 1999* (the Act) which allows council some flexibility to make decisions that suit its local community.

2. PURPOSE

The purpose of this policy is to outline Council's approach towards rating its community in line with the requirements of the *Local Government Act 1999* (SA) (the Act).

Section 123 of the Act requires Council to have a rating policy that must be prepared and adopted as part of the Annual Business Plan each financial year in conjunction with the declaration of rates.

3. DEFINITIONS

Act refers to the *Local Government Act 1999* (SA).

CADR refers to the cash advance debenture rate for that financial year.

Capital value refers to the value of the land including improvements.

Community need refers to those services and activities that are aligned to the achievement of one or more of Council's strategies resulting in a direct benefit to the residents of Adelaide Hills Council and a significant proportion of users are Adelaide Hills residents.

Council refers to the elected Council body.

CWMS refers to the Community Wastewater Management System within the Council area.

Disadvantaged persons refers to persons who are disadvantaged by reason of poverty, illness, frailty, or mental, intellectual or physical disability.

Differential rate refers to a rate that may be applied to a category of land that is different to the rate applied to other land categories.

Disadvantaged persons refers to persons who are disadvantaged by reason of poverty, illness, frailty, or mental, intellectual or physical disability.

Exemption refers to free from an obligation or liability to which others are subject to.

Fixed charge refers to a charge that must apply equally to each separate piece of rateable land in the area under Section 152(1) of the Act.

General rate refers to a rate that applies to rateable land.

Prescribed percentage (P) is calculated as $P = \frac{\text{CADR} + 3\%}{12}$

Rebate refers to an amount paid by way of reduction, return or refund on what has already been paid or contributed.

Separate rate refers to a charge levied on ratepayers in addition to general rates and used to fund specific activities.

4. POLICY STATEMENT

Council's powers to raise rates are found in Chapter 10 of the Act which provides the framework within which the Council must operate, but also leaves room for the Council to make a range of policy choices.

At all times, the rating policy should be fair and equitable, recognising that all ratepayers have access to core goods and services and should contribute towards the costs.

This Council's policy directions are guided by the theme "A brighter future" and is central to achieving our vision for:

- A prosperous economy
- A functional built environment
- A valued natural environment
- Community wellbeing
- A progressive organisation

5. PRINCIPLES OF TAXATION

Rates are not fees for services. They constitute a system of taxation on the community for Local Government purposes.

This Policy represents the Council's commitment to balancing the five main principles of taxation with the need to raise revenue for the purpose of providing the goods and services the community requires.

Benefits received – ratepayers who receive more benefits (services provided, or resources consumed) should pay a higher share of tax.

Capacity to Pay – a ratepayer who has less capacity to pay should pay less, and ratepayers of similar means should pay similar amounts.

Administrative simplicity – minimal costs are involved in applying and collecting the tax and the tax is difficult to avoid.

Economic efficiency – whether or not the tax distorts economic behaviour.

Policy consistency – the tax should be internally consistent, and based on transparent, predictable rules that are easily understood and accepted by ratepayers.

In applying these principles, any decision with respect to rating should consider:

- the financial effects of the decisions made today on the future generations of tomorrow.
- the achievement of Councils policy outcomes as referenced in Council's adopted policies.

A Council operating deficit implies that today's ratepayers are paying less than the cost of the services they are consuming, and this is inequitable to the ratepayers of the future.

6. VALUATION OF LAND

Council is permitted to adopt one of three valuation methodologies to value the properties in its area (Section 151 of the Act):

- **Capital Value** – the value of land, buildings and other improvements.
- **Site Value** – the value of the land excluding structural improvements.
- **Annual Value** – the value of the rental potential of the property.

The Council has adopted the use of capital value as the basis for valuing land. Council considers that this method provides the fairest way to distribute the rates burden across all ratepayers on the following basis:

- the 'capacity to pay' principle of taxation requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth;
- the 'property value' is a relatively good indicator of wealth (when lifetime incomes, including incomes from capital gains, are taken into account). Capital value approximates the market value of a property and provides the best indicator of overall property value.

Council does not determine property valuations but chooses to exercise the right under Section 167 of the Act to adopt the capital valuations as assessed by the Valuer-General through the State Valuation Office.

7. OBJECTIONS TO VALUATION

Ratepayers who wish to dispute the valuation of their property may lodge an objection in writing to the Valuer-General within 60 days after the date of service of the first rates notice.

The Valuer-General may extend the 60 day objection period where it can be shown there is reasonable cause to do so by the person making the objection.

Council plays no role in the objection process. It is important to note that the lodgement of an objection to the valuation does not change the due date for the payment of rates.

8. EXEMPTIONS

Council's practice is to identify and value all land in the council area. Once identified, each separate piece of land is assessed for rateability. Section 147 of the Act specifies those types of property which will be exempt from council rates.

- Crown Land – public properties used or held by the Crown for a public purpose,
- University Land – properties occupied by a University,
- Recreation Grounds – properties satisfying the criteria set out in the *Recreation Grounds Rates and Taxes Exemption Act 1981*,
- Council Land – public properties occupied or held by the Council,
- Emergency Services – properties satisfying the criteria set out in the *Fire and Emergency Services Act 2005*,
- Another Act – properties specifically exempt from council rates by virtue of another Act (either Commonwealth or State).

Council is mindful that wherever properties become exempt from paying council rates, or where a rebate is applied, those rates foregone must be contributed by the rest of the ratepayer community.

The principles of equity dictate that Council remains diligent in only awarding exemptions where they are warranted.

It is Council's practice to adopt valuations for all exempt properties. Where an exempt property becomes rateable part way through the financial year, rates will be calculated and recovered.

9. COMPONENTS OF RATES

Fixed Charge or Minimum Rate

Council has discretion to apply either (but not both):

- a fixed charge (applying equally to all rateable properties); or
- a minimum rate (to lower-value properties)

Adelaide Hills Council will apply a fixed charge this financial year as in previous years.

Council considers a fixed charge to be the most fair and equitable means of ensuring that all ratepayers contribute equally to the administration of council's services and the development and maintenance of the community's infrastructure.

In addition, the fixed charge provides a mechanism to adjust the rates contributions across high and low valued properties. This redresses the balance and equity of the rates system.

Council is unable to raise more than 50% of total rate revenue by the imposition of a fixed charge component of general rates as per Section 151(10) of the Act.

Differential Rating

The largest component of rates levied is calculated by reference to the value of property. Property values reflect, among other things, the relative availability of, and access to council services. This applies to all types of land use, and to land in all locations.

The Act allows Council to 'differentiate' rates based on the use of the land, locality of the land, the use and locality of the land or on some other basis determined by Council.

The Council has determined that differential rates will be applied to all rateable properties based on their predominant land use.

In formulating the rating structure, Council has considered issues of consistency and comparability across council areas in the imposition of rates on various sectors of the business and wider community.

Definitions of the use of the land are prescribed by regulation and are categorised as:

- Residential
- Commercial – Shop
- Commercial – Office
- Commercial - Other
- Industrial – Light
- Industrial - Other
- Primary Production
- Vacant Land
- Other

In accordance with Section 148 of the Act, Council assesses any piece or section of land subject to separate ownership or separate occupation.

If a ratepayer believes that a particular property has been wrongly classified as to its land use, then an objection may be made with the Council.

Commercial and Industrial Differential Rate

Those properties categorised as commercial or industrial will pay a differential rate in the dollar that is 15% higher than the rate in the dollar charged for other categories of land use.

Council has considered the higher amount payable by the commercial and industrial sector with reference to the commercial differential rates of other councils, costs of the economic development function as well as the services and activities that the sector does not regularly use.

Separate Rate

Under Section 154 of the Act, a Council may declare a separate rate on rateable land within a part of the area of the council for the purpose of planning, carrying out, making available, supporting, maintaining or improving an activity that is, or is intended to be, of particular benefit to the land, or the occupiers of the land, within that part of the area, or to visitors to that part of the area.

Council has determined that the use of the separate rate provisions of the Act will be limited to the use of a separate rate for:

- Marketing and promoting the Stirling Business Area
- Sealing of Verrall Road, Upper Hermitage
- Recovery of the funding requirements of the Hills Fleurieu Regional Landscape Board

Stirling Business Separate Rate

A separate rate for businesses in Stirling will be applied to carry out the activity of promoting and enhancing business viability, profitability, trade and commerce within the zone.

This rate is levied on all properties within the precinct known as the District Centre (Stirling) Zone and businesses fronting both sides of Mt Barker Road east of the District Centre (Stirling) Zone to Pine Street, excluding land attributed a land use category (residential) and government owned land.

Council also sets a maximum amount ('top') and a minimum amount ('tail') per property each financial year for this separate rate with the top and tail adjusted each year with reference to the Consumer Price Index.

The amount raised is distributed to the Stirling Business Association to promote Stirling as a destination, the 'Gateway to the Hills'.

Verrall Road Separate Rate

A separate rate for Verrall Road, Upper Hermitage at a value of \$858 will be applied for a period of 10 years to 2023-24.

This rate provides for the sealing of the northern end of the road in 2014-15 and is levied on all properties that use that section of road.

Regional Landscape Levy

On 1 July 2020, the *Landscape South Australia Act 2019* came into effect replacing the former *Natural Resources Management Act 2004*. Natural Resource Management (NRM) levies have been replaced with Regional Landscape (RL) levies.

The levy helps to fund the operations of regional landscape boards that have responsibility for the management of the State's natural resources. These responsibilities include regional landscape planning, water allocation planning, community capacity building, education and compliance activities.

The Regional Landscape (RL) Levy is a state tax paid by all ratepayers and is collected on behalf of the Hills and Fleurieu Regional Landscape Board by the Department of Environment, Water and Natural Resources who will invoice council quarterly for the respective share of the levy.

The levy applies to all rateable land in the council area and is fixed and calculated to raise exactly the same amount as the council's share to be contributed.

Community Wastewater Management System

Council provides Community Wastewater Management Systems (CWMS) to some areas within the council district. Under Section 155 of the Act, the treatment or provision of water, is a prescribed service.

To fund the provision of this service Council imposes a service charge to recover the cost to the council of establishing, operating, maintaining, improving and replacing the infrastructure in its area (including future capital works and depreciation of any assets).

Annually, an independent consultant is engaged to provide a review of:

- Council's compliance with the Essential Services Commission' (ESCOSA) Minor to Intermediate Retailers Price Determination and the National Water Initiative (NWI) Pricing Principles,
- The pricing model for future CWMS price setting.

This review includes the annual service charge for both occupied and vacant properties.

10. MAXIMUM INCREASE IN GENERAL RATES CHARGES

Council's valuations used for rating purposes are undertaken by the Office of the Valuer-General.

In terms of legislation, Section 153(3) of the Act requires a council to decide each year whether to apply a maximum rate increase to a ratepayers principal place of residence.

As Council considers that rate relief is required across a number of land uses and therefore more than a ratepayers principal place of residence, Council will not apply a maximum under Section 153(3) but rather implement a discretionary rate rebate under Section 166 (1) (I) as referenced below.

11. RATE REBATES

The Act provides for ratepayers to apply for a mandatory and/or discretionary rebate on council rates as follows:

Mandatory rebates

A rebate of rates will be granted to ratepayers who satisfy the eligibility criteria for a mandatory rebate under Section 159 to Section 165 of the Act.

A 100% rebate must be applied to land used for:

- Health services

- Religious purposes
- Public cemeteries
- The Royal Zoological Society.

A 75% rebate must be applied to land used by:

- Community services
- Educational purposes.

Where a “community services organisation” is eligible for the mandatory rebate, and Council has declared a distinct residential rate, then the residential rate must be applied to the land to which the rebate applies in accordance with Section 161(2) of the Act.

Where the Council is satisfied from its own records, or from other sources, that a person or body meets the necessary criteria for a mandatory rate rebate, the Council will grant the rebate accordingly.

Where the Council is not satisfied based upon the information in its possession or otherwise does not hold relevant information it will require the person or body to lodge an application form with such information as stipulated and any other information that the Council may reasonably require.

Applicants who satisfy the criteria for a mandatory rebate will be granted the rebate at any time provided the application is lodged prior to 30 June of the rating year and entitlement to the rebate existed at 1 July of the rating year.

Council will confirm the continuation of a person or body’s eligibility for a mandatory rebate on a regular basis (at least biennially) to ensure that rebates are only granted where they are warranted.

This will require the relevant person or body to lodge another application form with such information as stipulated and any other information that the Council may reasonably require to confirm the continuation of eligibility.

Where applications do not meet the eligibility criteria for a mandatory rebate, an applicant may apply for a rebate of rates under the discretionary rebate criteria.

Discretionary rebates

As identified in Section 166 of the Act, Council may grant a discretionary rebate of rates up to and including 100% of the relevant rates under a number of criteria and for a period not exceeding the timeframes.

Having considered this, Council is of the view that except in very specific circumstances outlined below, the maximum discretionary rebate should be 75% to ensure ratepayers contribute an amount towards basic service provision.

Section 166 covers a large number of different rebate categories, referred to as cases in the Act. Council in determining its rates structure has considered the following cases are relevant in setting its policy position.

Assisting or supporting a business in its area.

Council has determined pursuant to Section 166(1)(b) that those primary production properties genuinely in the business of primary production but not benefitting from a notional capital value for their property can apply for a 10% rebate on the differential rate.

Council considers this primary production rebate as part of its Annual Business Plan and Budget process.

As this rebate was implemented in 2008-09 to address the removal of a primary production differential rate, it is considered that this rebate should continue to be made to those ratepayers in the business of primary production who do not have a notional capital value assessment of their property and who have applied for and been granted this rebate in the previous year.

Community Service or Need or Disadvantaged Persons

Section 166(1) identifies a number of discretionary rebates of rates made under Section 166(1)(d) to (j) covering activities linked to community services, need or assistance or relief to disadvantaged persons.

Council has determined that applications in relation to those rebates identified under Section 166(1) should be brought to Council for decision and also that Council would receive a listing of these discretionary rate rebates for the next rating period annually.

Council in accordance with Section 166(1) will take the following matters into account in deciding whether to grant a discretionary rebate for land uses covered by Section 166 (1) (d to j):

- (a) the nature and extent of Council services provided in respect of the land for which the rebate is sought in comparison to similar services provided elsewhere in the Council's area; and
- (b) the community need that is being met by activities carried out on the land for which the rebate is sought; and
- (c) the extent to which activities carried out on the land for which the rebate is sought provides assistance or relief to disadvantaged persons and
- (d) specific policy positions considered relevant by Council.

Council's specific policy positions to meet discretionary rate rebates eligibility are as follows:

- An organisation needs to meet one of the criteria listed under Section 166 d) to j).
- An organisation needs to be not-for-profit.
- A rebate of 100% will only be granted where a community organisation seeking a rebate provides a service that would be required to be provided by Council if not undertaken by the organisation.

- A rebate of 75% will be granted if the organisation provides a community service that supports the disadvantaged or sections of the community that require assistance, as defined,
- Where an organisation does not meet the above criteria, it is still eligible for a 75% rebate where it meets all of the following criteria:
 - limited capacity to raise funds;
 - meets a “community need”, as defined; and
 - undertakes services and activities that are not primarily the responsibility of Federal or State Government.

Special Discretionary Rebate

Council can use a discretionary rate rebate to address properties with substantial valuation increases under Section 166 (1)(l) of the Act where the rebate is considered by the Council to be appropriate to provide relief against what would otherwise amount to a substantial change in rates payable by a ratepayer due to:

- (i) a redistribution of the rates burden within the community arising from a change to the basis or structure of the council's rates; or
- (ii) a change to the basis on which land is valued for the purpose of rating, rapid changes in valuations, or anomalies in valuations.

Council has determined that a rebate will be applied to cap any increase in the general rates payable at 15% subject to specific criteria:

- The rebate applies to all land use categories except for vacant land.
- The rebate will be automatically applied to eligible assessments in order to minimise the administrative effort required.
- Adjusting the exclusion of change of ownership properties (excluding family transfers) to those properties sold after 30 June 2021 (previously from 1 January 2020).

The rebate will not apply where the increase in rates payable is the result of an increase in valuation that recognises a capital improvement on the property (regardless of when the development was undertaken) or where there has been a change in land use, ownership or licence to occupy during the previous financial year.

A capital improvement includes any addition, alteration or new development on the property.

As per the Act, a rebate may be granted for a period exceeding one year, but not exceeding three years. After three years, the rebate will be removed and the rates payable will reset to levels that would ordinarily apply in the absence of the rebate.

All Discretionary Rate Rebates

Persons who, or bodies which, seek a discretionary rebate will be required to submit an application form to the Council and provide the necessary supporting documentation.

All persons who or bodies which wish to apply to the council for a discretionary rebate of rates must do so on or before 30 April prior to the rating year unless the application is a result of a change in eligibility for a mandatory rebate or rate exemption.

In those circumstances where an application relates to a change in rebate/rate exemption in a relevant rating year, then the application will be applied for the full rating year if received within 2 months of the change in rebate/exemption being advised. The Council reserves the right to refuse to consider applications received after the specified date.

Persons or bodies who previously received a discretionary rebate greater than 75% may apply for a phasing in period (up to 2 years) in circumstances where the above change impacts significantly on the persons or bodies' financial capacity. In these circumstances, an application will be considered if received within 2 months of the change in rebate being advised. The Council reserves the right to refuse to consider applications received after the specified date.

Where there is no maximum timeframe specified for a rebate provided under Section 166, Council will grant a discretionary rebate to the last rating period commencing within a Council term to allow for a regular review of discretionary rate rebates.

A summary of all discretionary rebates applied for under Section 166 (1) (d) to (j), including whether they have been successful or not and the associated reasons will be reported to Council on an annual basis.

Each rebate that is granted either reduces the Council's revenue and hence its capacity to provide services, or else it effectively increases the amount that must be collected from other ratepayers. The principles of equity dictate that Council remains diligent in only awarding rebates and exemptions where they are warranted.

If a ratepayer wishes to apply for a discretionary rate rebate, they may apply by contacting the Council's Rate Administrator.

All rebates

As Council's CWMS service charges are set to recover the cost to the council of establishing, operating, maintaining, improving and replacing infrastructure (taking into account depreciation of any assets and including future capital works) no rebates are provided by Council.

If an entitlement to a rebate ceases or no longer applies during the course of a financial year, council will recover rates proportionate to the remaining part of the financial year.

If a person or body has the benefit of a rebate of rates and the grounds on which the rebate has been granted cease to exist, the person or body must immediately inform the Council of that fact and (whether or not the Council is so informed) the entitlement to a rebate ceases. If a person or body fails to do so that person or body is guilty of an offence.

The Council will, in writing, advise an applicant for the rebate of its determination of that application. The advice will state:

- if the application has been granted, the amount of the rebate; or
- if the application has not been granted, the reasons why.

Any person or body who is aggrieved by a determination of the delegated officer in respect of an application for a rebate may seek a review of that decision in accordance with Council's Internal Review of Council Decisions Policy.

Single Farming Enterprise

The Local Government Act 1999 provides that "if two or more pieces of rateable land within the area of the Council constitute a single farm enterprise, only one fixed charge may be imposed against the whole of the land".

A Single Farm Enterprise is defined in the Local Government Act -

"A reference to a single farm enterprise is a reference to two or more pieces of rateable land

(a) which –

- (i) are farm land; and*
- (ii) are farmed as a single enterprise; and*
- (iii) are occupied by the same person or persons,*

whether or not the pieces of land are contiguous; or

(b) which –

- (i) as to all the pieces except one, are farm land farmed as a single enterprise occupied by the same person or persons; and*
- (ii) as to one piece contiguous with at least one of the other pieces, is the principal place of residence of that person or one of those persons."*

In effect, this means that land can be recognised as a "single farming enterprise" and not attract a fixed charge to each of the assessments, provided:

- that if the occupier of all the land concerned is the same person, (this means that if there is a house being occupied that is not the principal place of residence, it cannot be part of the single farm enterprise)
- all of the land is used to carry on the business of primary production, and
- managed as a single unit for that purpose,

Primary producers can apply to the Council for the 'single farming enterprise' provisions of the Local Government Act.

Ratepayers should also be aware that if the grounds on which they have applied for a single farm enterprise cease to exist, the person or body who have the benefit of the provisions must immediately inform the Council of the fact.

12. RATE RELIEF

Council applies rate remissions and postponement in accordance with the Act.

Senior Postponement

In accordance with Section 182A of the Act, eligible Seniors Card holders can apply to postpone any part or all of their annual council rates in excess of \$500 on a long-term basis. The deferred amount is subject to a monthly interest charge, with the accrued debt being payable on the transfer or sale of the property.

Postponement is similar to a reverse mortgage by relying on the equity in the property. A ratepayer who has a Seniors Card may apply for a postponement on the property they own if it is their principal place of residence and if no other person, other than their spouse/partner has an interest as owner of the property and there is sufficient equity available.

Where an application for postponement under Section 182A is granted, a presumption of on-going annual postponement will be assumed.

However, some, or all of the debt outstanding may be paid at any time at owners discretion.

Financial Hardship

Ratepayers who are suffering financial hardship should contact Council's Rates Administrator to discuss the matter. All enquiries are treated confidentially and any application will be considered on its merits. Options to address financial hardship can include:

Flexible payment options

In addition to quarterly instalments, ratepayers can arrange with Council to pay their rates weekly, fortnightly or monthly to provide for a smaller, more regular payment option via BPAY, phone or internet.

Waiving of Fines and Interest

When a ratepayer has committed to a payment plan and adheres to a regular payment, Council may consider the waiving of fines and interest.

Discretionary Postponement of Rates

A ratepayer may apply to council to postpone the payment of rates in whole, or in part for a period of time. Any such application must be made in writing and outline the reasons why postponement is requested.

Postponement enables ratepayers to defer payment of rates until such time as the property is sold or their circumstances change. Discretionary postponements are only intended to provide temporary, flexible support to those experiencing hardship.

If a postponement is granted, council may consider the waiving of fines and interest for the same period.

As postponement may only delay financial hardship for a period of time, options involving a regular payment plan are more likely to be beneficial for ratepayers to assist in reducing rates balances outstanding over time.

Remission of rates

Council has the discretion to partially or wholly remit (i.e. waive) rates on the basis of hardship.

Council has a charge over the land under Section 177 of the Act and therefore is likely to be able to recover rates outstanding upon sale. The granting of a remission forgoes this right and therefore is only considered as an option in circumstances where the ratepayer has

demonstrated serious and long term hardship and where there is no chance of improvement in the ratepayers' financial circumstances.

Consideration must also be given to the tax burden redistribution effect on other rate payers of any remission.

For these reasons, and given the importance of ensuring fairness to other ratepayers, remission will only be considered as a last resort and only where there is no chance of improvement in the ratepayer's financial circumstances. As such, it is likely that postponement of payment of rates due to hardship has been occurred for some period to confirm the permanency of the ratepayer's situation.

13. PAYMENT OF RATES

Rates are declared annually, and may be paid, at your discretion, either in one lump sum, or in quarterly instalments that fall due in September, December, March and June.

14. LATE PAYMENT OF RATES

Council has determined that penalties for late payments will be imposed in accordance with the provisions of S181(8) of the Act.

Fines and interest for late payment are levied in accordance with the provisions of S181(8) and S181(17) of the Act.

If an instalment of rates is not paid on or before the date on which it falls due:

- the instalment will be regarded as being in arrears
- a fine of 2% of the amount of the instalment is payable
- on the expiration of each full month from that date, interest of the prescribed percentage of the amount in arrears (including the amount of any previous unpaid fine and interest from any previous month) accrues.

Council may take legal action to recover any overdue amounts, fines and interest.

If an amount payable by way of rates in respect of land has been in arrears for three or more years, Council may sell the land in accordance with Section 184 of the Act.

When Council receives a payment in respect of overdue rates Council applies the money received in accordance with the Act as follows:

- First – to satisfy any costs awarded in connection with court proceedings;
- Second – to satisfy any interest costs;
- Third – in payment of any fines imposed;
- Fourth – in payment of rates, in chronological order (starting with the oldest account first).

15. NON- PAYMENT OF RATES

A separate Debt Recovery Policy has been adopted by Council and is available for review on the Adelaide Hills Council website.

It should be noted that under Section 184(1) of the Act, if an amount payable by way of rates has been in arrears for three years or more the council may sell the property.

16. CONTACTING COUNCIL'S RATES ADMINISTRATOR

If you believe that Council has failed to properly apply this policy, you should contact the Council's Rates Administrator to discuss the matter.

If you are still dissatisfied then you should write to the Council's Chief Executive Officer at PO Box 44, Woodside SA 5244.

For further information, queries, or to lodge an application for a rate rebate, rate postponement or remission please contact the Council's Rates Administrator on:

Phone: 8408 0400
E-mail: mail@ahc.sa.gov.au
Post: PO Box 44, Woodside SA 5244

17. DELEGATIONS

As highlighted in this policy, Council has determined a policy position in relation to discretionary rates pursuant to Section 166(1) (b) relating to a primary production rebate and a revaluation relief special discretionary rate rebate under Section 166 (1)(l) of the Act to reduce the impact of significant valuation changes for 2022-23.

These policy positions and the application of the relevant rebates will be actioned accordingly by the Administration under delegation as part of the rates generation process where Council considers that the ratepayer meets the eligibility criteria or upon receipt of an application from the ratepayer.

The delegation for discretionary rate rebates as identified in Section 166 (1a) covering a number of discretionary rebates of rates made under Section 166(1)(d) to (j) relating to activities linked to community services or community need or assistance or relief to disadvantaged persons has not been delegated by Council and as such these applications will be brought to Council for decision.

The Chief Executive Officer has the delegation to:

- Approve, amend and review any procedures that shall be consistent with this Policy; and
- Make any formatting, nomenclature or other minor changes to the Policy during the period of its currency.

18. AVAILABILITY OF THE POLICY

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

Supplementary Information to Rating Policy

Differential Rates

Section 153 of the Act allows councils to 'differentiate' rates based on the use of the land, the locality of the land, the use and locality of the land or on some other basis determined by the council. The application of a Differential General Rate is generally intended to alter the amount payable by particular land uses.

Council has determined to apply the same rate in the dollar, based on capital value, to all categories of ratepayer, except commercial and industrial ratepayers who pay a differential rate in the dollar that is 15% higher than the rate in the dollar charged for other categories of ratepayer.

Council has considered the higher amount payable by the Commercial & Industrial sector with reference to the Economic Development function as well as the services and activities that the sector does not regularly use.

Council has considered the principle of rate stability when assessing the rates burden across the above categories. Other considerations were given to the change in capital value across the land use categories and the rates income provided by each.

It is estimated that the Commercial & Industrial Differential General Rates will raise net rate revenue in the order of \$1.5m in 2022-23.

It is estimated that the Residential & Non Commercial and Industrial Differential General Rate will raise net general rate revenue in the order of \$39.9m in 2022-23.

Council has applied the following rates in the dollar across recent years to determine the total rate levied against an assessment:

Financial Year	Commercial & Industrial	All Other Land Uses including Residential
2022-23	TBA	TBA
2021-22	0.002821	0.002453
2020-21	0.002821	0.002453
2019-20	0.002839	0.002469
2018-19	0.002784	0.002421
2017-18	0.002748	0.002390
2016-17	0.002806	0.002440

Fixed Charge

Under the *Local Government Act 1999* (the Act), Council has some mechanisms available to enable all ratepayers to contribute more equitably to the administration of Council's services and the development and maintenance of the community's infrastructure. Council considers a fixed charge (applying equally to all rateable properties) to be the most fair and equitable means of achieving this.

The Council is unable to raise more than 50% of total rate revenue by the imposition of a fixed charge component of general rates as per Section 151(10) of the Act.

Council has applied the following fixed charges across recent years as part of the total rate levied against an assessment:

Financial Year	Fixed Charge	Increase from Previous Year	% of Rate Revenue
2022-23	\$735	5.15%	31.5%
2021-22	\$699	2.50%	31.5%
2020-21	\$682	2.95%	31.9%
2019-20	\$662	2.8% + \$10	32.0%
2018-19	\$634	3.3%	31.8%
2017-18	\$613.50	2.25%	31.8%
2016-17	\$600		31.8%

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 23 May 2022
AGENDA BUSINESS ITEM**

Item: 7.6

Responsible Officer: Steven Watson
Governance and Risk Coordinator
Office of the Chief Executive

Subject: Risk Management Plan Update - May 2022

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 February 2022 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: 64% (76) increased with three (3) completed actions
- In Progress: Decrease from 26% to 25% (24)
- Not Commenced: Decrease from 12% to 11% (10)

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 05.2	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 Applicable

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

External Agencies: Not Applicable

Community: 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 Manager 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**.

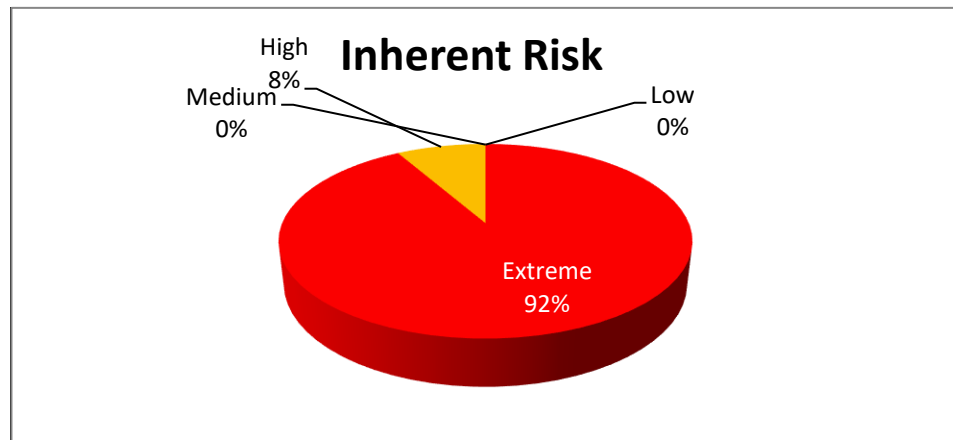
2. ANALYSIS

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.

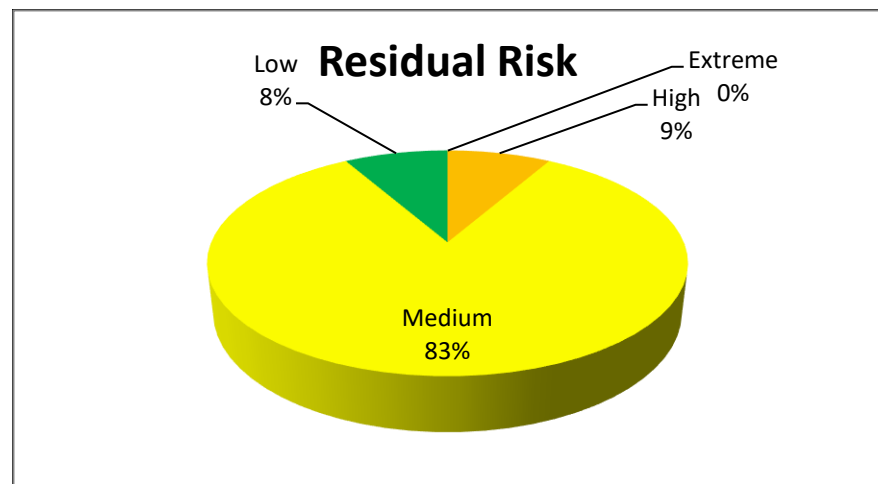
The Strategic Risks were recently reassessed and the following diagrams depict the Inherent, Residual and Target ratings.

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



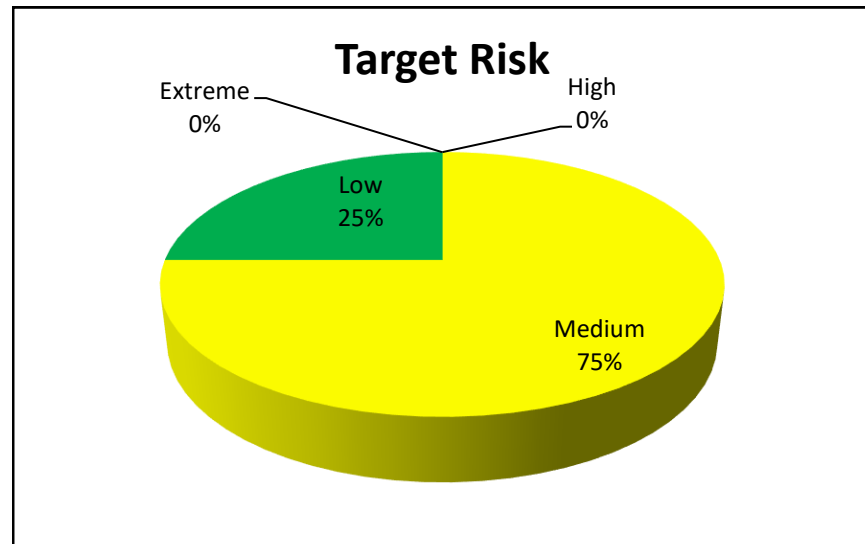
Officers regularly review their risks and mitigations, and the Residual Risk rating identifies the following changes since the November 2021 assessment:

- 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 February 2022 assessment:

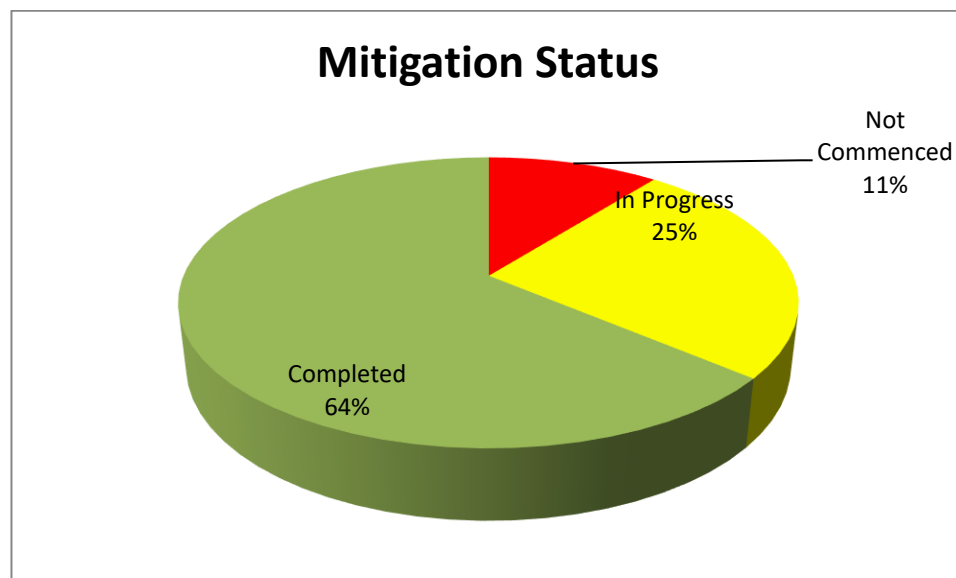
- Medium target risk is steady at 75%
- Low target risk is steady at 25%



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	August 2021	November 2021	February 2022	May 2022
Completed	53% (58 actions)	57% (60 actions)	62% (73 actions)	64% (76 actions)
In Progress	24% (26 actions)	28% (29 actions)	26% (25 actions)	25% (24 actions)
Not Commenced	23% (26 actions)	15% (16 actions)	12% (12 actions)	11% (10 actions)
New Initiatives (in above totals)	27 New Mitigations	1 New Mitigation	Nil (0) New Mitigations	Nil (0) New Mitigations

This is shown diagrammatically below:



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 – May 2022

Appendix 1

Strategic Risk Register – May 2022

RISK MANAGEMENT PLAN UPDATE
MAY 2022

[illegible]

RISK MANAGEMENT PLAN UPDATE
MAY 2022

[illegible]

RISK MANAGEMENT PLAN UPDATE
MAY 2022

Department	Team	Location/Project	Risk ID	Risk Title	Description	Responsible Person	Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comments
Adelaide Hills Council	Executive Leadership Team	Other	170965	Strategic Risk	Failure to exercise, perform and discharge the powers, functions and duties under legislation, contracts, leases and policies (PR)	Lachlan Miller	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	9	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 Control Type	Control Details	Reviewer	Effectiveness	Risk Score									
	Legal considerations considered in agenda report templates, updates from LGA, legal providers and professional associations. Professional and experienced management team. 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 Update report.	Lachlan Miller	PARTIALLY EFFECTIVE (Designed Partially Adequately; Operating Partially Effectively)	9									
Action Source	Action Required	Status	Person Responsible	Extra Comments	Due Date								
Corporate Risk Register	Legislative compliance audit	Complete	Lachlan Miller	NIL									
Corporate Risk Register	Development of contract management system, subject to funding	Complete	Michael Carey	NIL									
Corporate Risk Register	Development of a legal opinions database	Complete	Lachlan Miller	As all legal opinions are recorded and accessible in TRIM/RecordsHub, a legal opinions database would be an inefficient use of resources.									
Corporate Risk Register	Implementation of new delegations and authorisations management system and associated training.	Complete	Steven Watson	Software has been implemented and is now being updated as delegation changes occur.									
Corporate Risk Register	Community & Recreation Facilities Framework will provide for greater standardisation in leasing terms and conditions	In Progress	Natalie Westover	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 implemented including new leases.	Not set								
Corporate Risk Register	Implement Statutes Amendment (Local Government Review) Act 2021 provisions (see Action ID 278100)	In Progress	Lachlan Miller		30/11/2023								

RISK MANAGEMENT PLAN UPDATE
MAY 2022

Department	Team	Location/Project	Risk ID	Risk Title	Description	Responsible Person	Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comments
Adelaide Hills Council	Executive Leadership Team	Other	170963	Strategic Risk	Failure to act as a representative, informed and responsible decision-maker in the interests of the community. (PR)	Lachlan Miller	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.	22	9	
Risk Control Type	Control Details	Reviewer	Effectiveness	Risk Score									
	CR92 (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 councils and wards, mandated representation reviews, voluntary representation review, 2017 ERR completed, Strategic Boundary Review report	Lachlan Miller	PARTIALLY EFFECTIVEA (Designed Partially Adequately; Operating Partially Effectively)	9									
	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 adopted, training provided to senior staff, RM considerations included in agenda report templates. General awareness of risk management principles and considerations. Strategic Risk Profiling and management of assessments in SkyTrust, MLS Risk Reviews and advisory.	Lachlan Miller	PARTIALLY EFFECTIVEA (Designed Adequately; Operating Partially Effectively)	13									
	CR62 (Poor representation of the community by Council Members leading to formal decisions 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 and researched Council reports, public consultation policy and practices.	Lachlan Miller	PARTIALLY EFFECTIVEA (Designed Partially Adequately; Operating Partially Effectively)	8									
	CR63 (Lack of effective strategic planning and resource allocation processes) - Suite of strategic management plans, strategic, business and project planning and budgeting processes, trained and experienced staff. Corporate Planning & Performance Reporting Framework, CP&R Coord role, Service Review Framework adopted	Lachlan Miller	EFFECTIVEA (Designed Adequately; Operating Effectively)	6									
	CR64 (ineffective performance management and reporting processes leading to poor 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, Corporate Planning & Performance Reporting Framework, Quarterly Council Performance Report, 4&8 processes, Management contract review process, enhanced major project reporting.	Lachlan Miller	EFFECTIVEA (Designed Adequately; Operating Effectively)	6									
	CR65 (Poor working relationship between Council and the Administration leading to ineffective and inefficient performance by Council) - CM and Administration training in the respective roles, team building and relationship development, performance reporting, One Team - Communication Protocols, designated administration contact listing, CEO 1-1, strengthened provisions in s58	Lachlan Miller	PARTIALLY EFFECTIVEA (Designed Adequately; Operating Partially Effectively)	5									
	CR37 (Actions arising from Council resolutions not be completed in a timely manner leading to a loss of stakeholder confidence) - Action List, Minutes, Council Resolution Update report. Council Member queries	Lachlan Miller	EFFECTIVEA (Designed Adequately; Operating Effectively)	3									
	CR22 (Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.) - Legal considerations considered in agenda report templates, Governance Manager advises council, well-functioning Audit Committee, flyers and updates from LGA, legal providers and professional associations. Professional and experienced management team. Policies (Conduct, COPAMP, 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.	Lachlan Miller	PARTIALLY EFFECTIVEA (Designed Adequately; Operating Partially Effectively)	6									
	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 submissions (OLG, ECCOSA, ECSA), consideration @ ELT and Council level, Membership on LG-related bodies	Lachlan Miller	PARTIALLY EFFECTIVEA (Designed Adequately; Operating Partially Effectively)	3									
Action Source	Action Required	Status	Person Responsible	Extra Comments	Due Date								
Corporate Risk Register	Governance Framework Review	Complete	Lachlan Miller	NIL									
Corporate Risk Register	Review of s41 Committee and Advisory Group Terms of Reference	Complete	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.									
Corporate Risk Register	Rollout of ContoTrack (Internal control module)	Complete	Michael Carey	Endorsed and implemented for Financial Controls									
Corporate Risk Register	Review of Risk Management Framework	In Progress	Steven Watson	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.	Not set								
Corporate Risk Register	Representation Review - 2016/17	Complete	Lachlan Miller	Representation Review completed and certified by Electoral Commissioner in November 2017									
Corporate Risk Register	Participation in boundary reform initiatives	Complete	Lachlan Miller	Participation is ongoing as boundary proposals are lodged.									
Corporate Risk Register	Review of s43 and external group fiduciary duties where Council members or staff are on Boards	Complete	Lachlan Miller	NIL									
Corporate Risk Register	2018 LG Election induction training	Complete	Lachlan Miller	All mandatory and discretionary training completed.									
Corporate Risk Register	Implementation of Corporate Planning & Performance Reporting Framework	Complete	Lachlan Miller	Framework adopted by Council on 19 June 2018 and implemented in 2018-19.									
Corporate Risk Register	Strategic Boundary Review project	Complete	Lachlan Miller	Final report adopted by Council in September 2020									
Corporate Risk Register	Implementation of LG Reform legislative changes.	In Progress	Lachlan Miller	Statute Amendment (Local Government Review) Act 2021 passed in Parliament in May 2021 sittings.	30/11/2023								
Corporate Risk Register	Service Review Framework development	Complete	Lachlan Miller	Framework adopted by Council on 26 October 2021									
Corporate Risk Register	Representation Review - April 2024-April 2025	Not started	Lachlan Miller		Not set								

RISK MANAGEMENT PLAN UPDATE
MAY 2022

[illegible]

RISK MANAGEMENT PLAN UPDATE
MAY 2022

[illegible]

RISK MANAGEMENT PLAN UPDATE
MAY 2022

[illegible]

RISK MANAGEMENT PLAN UPDATE
MAY 2022

Department	Team	Location/Project	Risk ID	Risk Title	Description	Responsible Person	Risk Type	Risk Category	Possible Risk Events	Possible Consequences	Initial Risk Score	Residual Risk Score	Other Requirements/Comments
Adelaide Hills Council	Executive Leadership Team	Other	170933	Strategic Risk	Failure to manage and develop public areas vested in, or occupied by the Council (P)	Terry Crackett	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	15	
Risk Control Type	Control Details	Reviewer	Effectiveness	Risk Score									
	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 risk	15									
Action Source	Action Required	Status	Person Responsible	Extra Comments	Due Date								
Corporate Risk Register	Update Community Land Management Plans	Complete	Natalie Westover	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.									
Corporate Risk Register	Programmed maintenance regime to be developed (land and buildings)	In Progress	Christopher Jansson	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 Management Plan.	Not set								
Corporate Risk Register	Review of Crown Land under care and control of Council	In Progress	Natalie Westover	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.	Not set								
Corporate Risk Register	Review of the Trails Strategy (including Bicycle Plan)	New	Renee O'Connor		Not set								
Corporate Risk Register	Building Asset Management Plans Updated	In Progress	Peter Bice	Specification and tender documented - tender released and awaiting finalisation. Tender to be awarded and building audit to the undertaken to feed into new Building AMP	Not set								
Corporate Risk Register	LTFP reviewed to accommodate the ongoing cost of recovery from disaster events	Complete	Christopher Jansson	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.									
Corporate Risk Register	Finalise the Community Recreation Facilities Framework (by 31/12/2021) and develop a strategy for inclusion in the LTFP for future funding.	In Progress	Renee O'Connor		Not set								
Corporate Risk Register	Undertake a review of the Sport and Recreation Strategy	New	Renee O'Connor		Not set								
Corporate Risk Register	Develop Public Toilet Strategy	In Progress	Paul Day	Development of a Public Toilet Strategy will include the assessment of existing facilities (including link to building audit to be undertaken), development of guidelines in relation to public toilet renewal and new options, development of priorities of upgrades and new, position in relation to supporting community groups who provide public toilet facilities in locations where Council does not provide public toilet facilities	Not set								
Corporate Risk Register	Review the Open Space Mtce Programs to inform an update to the LTFP	In Progress	Nicole Budd		30/06/2022								
Corporate Risk Register	In conjunction with Rec & Sport update the audit regime of high risk assets following finalisation of the Community Recreation Facilities Framework	New	Natalie Westover		30/09/2022								
Corporate Risk Register	Develop Cemetery Mgt Plans for each cemetery under AHC care and control	New	Natalie Westover	Development of management plans for each cemetery will be undertaken as resourcing allows with the heritage listed cemeteries taking priority.	Not set								

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 23 May 2022
AGENDA BUSINESS ITEM**

Item: 7.7

Responsible Officer: Lachlan Miller
Executive Manager Governance & Performance
Office of the Chief Executive

Subject: Internal Audit Quarterly Report

For: Decision

SUMMARY

This report provides the Audit Committee with an update on progress of internal audits nominated in the 2018/19-22/23 Strategic Internal Audit Plan (the SIAP).

Progress over the last quarter has been steady with one of the 2021-22 audit commenced and another procured and scheduled for commencement in June 2022.

As is the standard process, the report recommends that the updated SIAP is provided to Council for approval.

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 v1.10a as contained in Appendix 1.**
-

1. BACKGROUND

The Audit Committee last received a quarterly report at its 14 February 2022 meeting. The report provided the results of the assurance mapping exercise which identified the areas of overlap level of coverage (albeit not complete coverage) in the Better Practice Model (used for the statutory internal financial controls audit) and the Strategic Internal Audit Plan (SIAP).

The report proposed a number of scheduled internal audits to be removed from the SIAP. In consideration of the report the Committee resolved:

7.8 Internal Audit Quarterly Update

Moved Natalie Johnston
S/- Cr Leith Mudge

AC11/22

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.**

Carried Unanimously

Council considered the Audit Committee's recommendation at its 22 February 2022 meeting and resolved:

17.2.1 Audit Committee Recommendations

Moved Cr Malcolm Herrmann
S/- Cr Leith Mudge

43/22

Council resolves:

- 1. That the report be received and noted**
- 2. To adopt the revised *Strategic Internal Audit Plan v1.9a* as contained in Appendix 1.**
- 3. To approve the *2021-22 External Audit Plan* by Galpins Accountants, Auditors and Business Consultants as contained in Appendix 2.**
- 4. To note the status of the Risk Management Plan at Appendix 3.**

Carried Unanimously

2. ANALYSIS

➤ 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

➤ **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:

<i>Council Committees:</i>	Nil
<i>Council Workshops:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>External Agencies:</i>	Not Applicable
<i>Community:</i>	Not Applicable

SIAP Implementation Status

The Internal Audit of Recruitment and Retention (2021-22 project) was awarded to Bentleys and the fieldwork is currently underway. It is anticipated that the draft report will be presented to the Audit Committee at its August meeting.

The Internal Audit of the Economic Development Plan Implementation (2021-22 project) was awarded to Bentleys and the fieldwork is scheduled to commence in June 2022. It is anticipated that the draft report will be presented to the Audit Committee at its August meeting.

The project briefs for the remaining 2021-22 projects being the Internal Audit of Major Projects Review (AHBTC Divestment) and the Internal Audit of Capital Works Programming & Delivery are currently being drafted with procurement forecast to occur in late May/early June 2022.

3. 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 v1.10a as contained in Appendix 1 (Recommended); or
- II. To identify an alternative course of action.

4. APPENDIX

- (1) *Strategic Internal Audit Plan 2018/19 – 22/23 v1.0a*

Appendix 1

Strategic Internal Audit Plan 2018/19 – 22/23 v1.0a

Strategic Internal Audit Plan 2018/19 - 22/23

Audit Engagement	Scope	Strategic/Corporate Risk Linkage	Assurance Mapping (coverage in BP)	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Year 4 2021/22	Year 5 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				Fieldwork in progress	
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 (Project 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) - scoping	
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 - scoping	
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.	No			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
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 - procured - commencing in June 22	
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
Contract Management	Focussing on the post-procurement processes, activities, controls, risk, compliance through stages of the function, including induction, payment approval, monitoring, superintending, reporting, contractual close and evaluation. The procurement processes will be out of scope due to another scheduled audit on this subject.	SR2 - Failure to deliver projects, programs and services in accordance with plans (time, budget, quality). SR11 - Failure to exercise, perform and discharge the powers, functions and duties under legislation, contracts, leases and policies.	Yes 7 External Services, 7.1 Contracting					Q4
Number of Audits							4	5

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, Emergency Mgt & BCP)	1.4
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
22/02/2022	Amended plan adopted by Council (Removal of internal financial control orientated audits)	1.9
17/05/2022	Status update for Audit Committee regarding 2022-23 projects	1.10a

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 23 May 2022
CONFIDENTIAL AGENDA BUSINESS ITEM**

Item: 8.1

Responsible Officer: Lachlan Miller
Executive Manager Governance & Performance
Office of the Chief Executive

Subject: Cyber Security Audit – Implementation Status

For: Information

1. Cyber Security Audit – Implementation Status – Exclusion of the Public

Pursuant to section 90(2) of the *Local Government Act 1999* the Audit Committee (the Committee) orders that all members of the public, except:

- CEO, Andrew Aitken
- Director Corporate Services, Terry Crackett
- Executive Manager Governance & Risk, Lachlan Miller
- Manager Financial Services, Mike Carey
- Manager Information Systems, James Sinden
- Team Leader ICT, Phil Mattingly
- Governance & Risk Coordinator, Steven Watson

be excluded from attendance at the meeting for Agenda Item 8.1: (Cyber Security Audit – Implementation Status) in confidence.

The Committee is satisfied that it is necessary that the public, with the exception of Council staff in attendance as specified in (a) above, be excluded to enable the Committee to consider the report at the meeting on the following grounds:

Section 90(3)(e) of the Local Government Act 1999, the information to be received, discussed or considered in relation to this Agenda Item is matters affecting the security of the council, members or employees of the council, or council property, or the safety of any person, the disclosure of which could reasonably be expected to create an awareness of Council's cyber security vulnerabilities and potentially lead to exploitation of those vulnerabilities resulting in loss/damage to information, breach of confidentiality and service continuity disruption.

Accordingly, on this basis the principle that meetings of the Committee should be conducted in a place open to the public has been outweighed by the need to keep the information and discussion confidential.

3. Cyber Security Audit – Implementation Status – Duration of Confidentiality

Subject to the CEO, or his delegate, disclosing information or any document (in whole or in part) for the purpose of implementing Council's decision(s) in this matter in the performance of the duties and responsibilities of office, Council, having considered Agenda Item 8.1 in confidence under sections 90(2) and 90(3)(e) of the *Local Government Act 1999*, resolves that an order be made under the provisions of sections 91(7) and (9) of the *Local Government Act 1999* to retain the Items in confidence as detailed in the Duration of Confidentiality Table below:

Item	Duration of Confidentiality NB: Item to be reviewed every 12 months if not released
Report	30 June 2023
Related Attachments	30 June 2023
Minutes	NIL
Other	NIL