

NOTICE OF MEETING

Pursuant to the provisions of section 88 (1) of the
Local Government Act 1999

Audit Committee Meeting of the



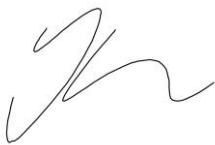
**Adelaide
Plains
Council**

will be held

by electronic means

on

Monday 9 August 2021 at 4:30pm



James Miller
CHIEF EXECUTIVE OFFICER

In light of the coronavirus (COVID-19) public health emergency, and pursuant to section 302B of the Local Government Act 1999 and the Electronic Participation in Council Meetings Notice (No 1) 2020, **public access to all Council meetings, Committee meetings and Informal Gatherings will be facilitated via live stream on Council's YouTube channel.**

On the day of the meeting, a direct link to the live stream will be displayed on the homepage of Council's website www.apc.sa.gov.au

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10	NEXT MEETING	
	4.00pm Monday 15 November 2021	
11	CLOSURE	



2. Confirmation of Minutes

Monday 9 August 2021

- 2.1 “that the minutes of the Audit Committee Meeting held on Monday 7 June 2021 (MB Folios 180 to 184, inclusive), be accepted as read and confirmed.”

MINUTES

of the

Audit Committee Meeting

of the



**Adelaide
Plains
Council**

Pursuant to the provisions of section 88 (1) of the
Local Government Act 1999

HELD

**Council Chamber
Redbanks Road
Mallala**

on

Monday 7 June 2021 at 4.30pm

The Chairperson formally declared the meeting open at 4.30pm and acknowledged that the meeting is taking place on Kurna land.

1. ATTENDANCE AND WELCOME

1.1 Present

Mr Alan Rushbrook (Chairperson)

Mr Peter Fairlie-Jones *(by audio-visual link)*

Mayor Mark Wasley *(by audio-visual link)*

Deputy Mayor Marcus Strudwicke

Also in Attendance

Chief Executive Officer

Mr James Miller

General Manager – Finance and Business

Mr Rajith Udugampola

Acting General Manager – Governance and Executive Office/Minute Taker

Ms Alyssa Denicola

IT Support Officer *(by audio-visual link)*

Mr Sean Murphy

1.2 Apologies:

Councillor Margherita Panella

6.3 Update on Audit Committee Annual Work Program 2020-2021

Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones 2021/ 027

“that the Audit Committee, having considered Item 6.3 – Update on Audit Committee Annual Work Program 2020-2021, dated 7 June 2021, receives and notes the report and in doing so recommends to the Council that the Council acknowledges the progress made to complete the activities identified for Audit Committee during 2020/2021 Financial Year.”

CARRIED

7. REPORTS FOR INFORMATION

7.1 Committee Resolutions

Committee Resolution

Moved Mayor Wasley Seconded Mr Fairlie-Jones 2021/ 028

“that the Audit Committee, having considered Item 7.1 – Committee Resolutions, dated 7 June 2021, receives and notes the report.”

CARRIED

7.2 Mallala Community Wastewater Management Scheme – Review of Charges

Committee Resolution

Moved Mayor Wasley Seconded Deputy Mayor Strudwicke 2021/ 029

“that the Audit Committee, having considered Item 7.2 – Mallala Community Wastewater Management Scheme – Review of Charges, dated 7 June 2021, receives and notes the report and in doing so recommends to the Council that it incorporates findings of the review as contained in Attachment 1 into future budgetary and long term financial plan considerations.”

CARRIED

7.3 Interim Audit 2019/2020 – Update on Issues Identified in the Management Report

Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mayor Wasley 2021/ 030

“that the Audit Committee, having considered Item 7.3 – Interim Audit 2019/2020 – Update on Issues Identified in the Management Report, dated 7 June 2021, receives and notes the report.”

CARRIED

8. CONFIDENTIAL ITEMS

Nil

9. GENERAL BUSINESS

Nil

10. NEXT MEETING

Monday 9 August 2021 at 4.30pm.

11. CLOSURE

There being no further business, the Chairperson declared the meeting closed at 5.34pm.

Confirmed as a true record.

Chairperson:.....

Date: ___/___/___

Subject to Confirmation

Attachments

1. Mark-up version of the Council Vehicle Policy.

DETAILED REPORT

Purpose

The purpose of this report is to provide the Audit Committee the opportunity to review Council's vehicles policy since it was last reviewed by the Audit Committee/Council in April 2018.

Background/History

All employees without a Council vehicle have access to Council vehicles during business hours for operational purposes, where none are available, employees are using their own vehicles and being reimbursed an allowance in accordance with the South Australian Municipal Salaried Officers Award.

Discussion

The number and type of vehicles required to meet business needs is dependent on the duties performed and the availability of a pool vehicle at each site as determined by the Chief Executive Officer. Existing vehicles have been provided as part of current employment contracts and/or to meet business needs as per Council Vehicle Policy.

Council Vehicle Policy has been reviewed by taking in to consideration the Council vehicle fleet size, operational needs, value for money and administrative requirements. Accordingly, following changes are proposed.

- a) changes to reflect Council's current administration structure and updated strategic management plan;
- b) addition of commuter use of utility vehicles as part of recruitment and retention of staff which can also lead to more efficient delivery of services;
- c) removing reference to leasing standards from clause 2 to maximise value for money when obtaining new vehicles given very low interest rates and the availability of fleet discounts;
- d) Inclusion of positions with commuter use of Council vehicles;
- e) clause 3 is proposed to be removed as Council policy on vehicle replacement has been included in 'Light Fleet, Plant and Heavy Vehicle Replacement Policy' presented to I&E committee in June 2021;
- f) clause 8 - reference to recording of Fringe Benefit Tax (FBT) is removed as it is an accounting procedure;
- g) clause 9.6 is proposed to be removed as employees with private use can use Council issued fuel card in the State of South Australia to purchase fuel for the Council vehicle that they use. In addition, confirmation of kilometres travelled is not required under statutory formula method for FBT purpose.
- h) Clause 9.8 has been amended to specify that Council officers with any level of private use shall be responsible for maintaining the motor vehicle in a clean and tidy condition, inside and outside, and that the Council will pay or reimburse for the costs of washing and cleaning. This

will ensure that these Council assets are consistently maintained and that Council benefits from maximum trade-in value at the replacement time.

- i) new clauses have been added that Council officers with private use of Council motor vehicle should maintain Council vehicle in a clean and tidy condition at all times subject to weather condition and are also responsible for organising periodic servicing.
- j) new clause have been added that Council vehicles with private use are not permitted to be used for gaining personal business income

Conclusion

Council's Vehicle Policy has been reviewed by the management in August 2021 and accordingly several changes are proposed to the current policy.


References

Legislation

Not Applicable

Council Policies/Plans

Infrastructure and Assets Management Plans

	Council Vehicle Policy	
	Version Adopted by Council:	16 July 2018 <u>TBC</u>
	Current Version:	V4.0 <u>V5.0</u>
	Administered by: Chief Executive Officer	Last Review Date: 2018 <u>2021</u> Next Review Date: 2020 <u>2022</u>
DOCUMENT NO: <u>D18/4437D21/19710</u>	Strategic Outcome: <u>Proactive Leadership</u> <u>5.4 Effective strategic and performance management</u> <u>Strategic and sustainable financial management</u>	

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1. Introduction

The purpose of this policy is to provide provisions for the management and use of Council’s fleet of vehicles that support business practices, ensuring best practice and cost efficiencies are maintained with clear standards for the use of Council vehicles.

Council recognises that the provision of private use of a motor vehicle, costed as part of a remuneration package, can be a significant factor in the recruitment and retention of employees and that commuter use of utility vehicles can lead to more efficient delivery of services.

It is noted, where a current employee who has private use of a Council vehicle terminates their employment with Council, the new incumbent will not be provided a vehicle outside the requirements of this Policy.

In this situation vehicles will remain within Council’s Pool Vehicle Fleet unless the Chief Executive Officer (CEO) has resolved that they are excess to Council’s operational requirements at which point the vehicle will be disposed of in accordance with Council’s Asset Management Policy.

Where a current employee has private use access to a Council vehicle as part of their current employment this will continue in line with this Policy. Where a current employee wishes to negotiate away from a current private use vehicle as part of their employment this may be done in negotiation with the CEO, however, any negotiated agreement will not financially disadvantage Council against any current agreement.

This Policy outlines the general principles associated with Council passenger and utility vehicles for accountability purposes.

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2. Vehicle Purchasing / ~~Leasing Standards~~

2.1 Fixed Term Contract Employees

Where an employee is engaged on a Fixed Term Contract, negotiations will occur prior to the appointment regarding the provision of a vehicle as part of the salary packaging arrangements, which will be entered into and specified within the Contract of Employment.

~~Where a vehicle is negotiated as part of a Fixed Term Contract, it is preferred that the vehicle is acquired through a novated lease, alternative purchasing options must be negotiated and approved by the CEO and be suitable for operational purposes and within budget allocations.~~

2.2 Council Officers

Council acknowledges that some employees require a vehicle as part of their employment. It is the responsibility of the CEO to identify those positions where a Council vehicle is reasonably required and to decide ~~where whether~~ that vehicle will also be available for ~~commuter use or~~ full private use.

Accordingly, the CEO has resolved that these positions are confined to:

- Depot Operations Coordinator; ~~and~~
- ~~General Inspector~~ Community Safety Officers;
- Manager Regulatory
- Team Leader – Construction and Maintenance;
- Team Leader – Horticulture; and
- Engineer-

Any exception is at the discretion of the CEO; where it can be demonstrated that the duties of an employee require a 24 hour on call provision, then a Council Vehicle may be allocated to that position for the duration of the on call period allowing for limited private use.

A vehicle will be purchased/~~leased~~ that is suitable for operational purposes and within budget allocations as agreed by the CEO being:

- ~~ManagerCoordinator~~ level and lower – A base model vehicle under \$30,000 (Excl. GST) unless for specific operational purposes;
- ~~ManagerDepot Operations-Coordinator~~ - A 4 wheel drive vehicle under \$40,000 (Excl. GST) for operational purposes;
- Community Safety Officer - A 4 wheel drive vehicle under \$40,000 (Excl. GST) for operational purposes;
- Senior Management level as negotiated in their fixed term contract.

These vehicles will continue to be available for pool car use during business hours.

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~~3. Vehicle Changeover~~

~~Vehicles are to be reviewed for trade-in value six (6) months prior to the expiration of the warranty or within 10,000km of the warranty kilometers being exceeded, whichever comes first. For Administrative Officers this will be managed by the General Manager – Finance and Economic Development and for Operational Vehicles this will be managed by the Manager Depot Operations Coordinator in consultation with General Manager – Finance and Economic Development. Vehicles will be changed over at the discretion of the CEO taking into consideration operational and budgetary requirements. New vehicles which increase the size of Council's vehicle fleet must be included in the Council's approved budget and authorised by the CEO.~~

4. General Conditions of Use

- 4.1 The use of Council vehicles is at the discretion of the CEO. All vehicle use will be subject to this Policy, which may be amended from time to time by the CEO. Current road rules and legislative requirements must be adhered to at all times.
- 4.2 All Council vehicles are to be available for general pool use during business hours.
- 4.3 No modifications to any vehicle are permitted unless authorised by the CEO or Manager Depot Operations ~~Coordinator~~ where operational vehicles are intended to be altered.
- 4.4 All Council vehicles are Non-Smoking vehicles – Smoking is not permitted.
- 4.5 Council employees are responsible for ensuring that vehicles are maintained and kept in a clean and serviceable condition at all times. Any warranted complaint regarding vehicle hygiene may result in the vehicle being sent for cleaning and detailing at the responsible Council Officer's expense.
- 4.6 Council Vehicles are not permitted to leave South Australia with the exception of business travel or where it has been authorised by the CEO. Prior approval for such travel must be sought from the CEO and the General Manager – Finance and Business ~~Economic Development~~ notified for insurance purposes.
- 4.7 Vehicles must be driven with due care and in accordance with ~~the~~ current legislation at all times. D ~~d~~ drivers must be licensed and maintain legal levels of alcohol and drug consumption for driving.
- 4.8 Where an employee receives any form of parking or driving infringement notice the employee will be responsible for all associated costs with that infringement notice. The employee responsible will complete a statutory declaration recognising them as the driver of the vehicle. Under no circumstances will Council be responsible for the associated costs of any infringement notice where the employee has broken current road rules and associated legislation.

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4.9 If a vehicle with private use is damaged in an accident during private use and it is determined that the employee is responsible for that damage, the employee will be required to pay Council any excess payable under Council's insurance policy. The CEO may reduce or waive such payment if ~~they~~ the CEO considers that the circumstances of the case warrants it.

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4.10 If the vehicle is at any time driven in contravention of this clause (irrespective of whether the driver is the employee or the employee's spouse/partner) the following provision shall apply:

- the use of the vehicle shall be suspended for the period of any licence disqualification; and,
- reinstatement of private use provisions will be subject to review following any suspension.

Note: Where it is a requirement of the Council Officer to have access to a vehicle as part of their position their employment status will be reviewed as part of any licence disqualification, as per 6.4 of this Policy.

4.11 Where a Council vehicle is scheduled for servicing or requires minor repairs and maintenance, employees must first contact Council's Senior Workshop Officer to determine their availability and ability to complete required works prior to making arrangements with an external provider.

5. Fuel

5.1 Fuel must not be obtained from the Council depot unless approval is given by the Manager Depot Operations ~~Coordinator~~.

5.2 Fuel Cards will be issued with Pin Numbers for fuel and vehicle clean/washing only. Fuel cards are to remain with the vehicle at all times and may only be used at approved outlets throughout South Australia.

5.3 Where an employee loses / damages a fuel card or it is stolen this is to be reported immediately to the General Manager – Finance and ~~Economic Development~~ Business so that a replacement card may be ordered and stolen cards cancelled.

6. Licensing Requirements

6.1 All employees will be required to provide a current copy of their driver's licence every twelve (12) months and sign a disclaimer stating that their driver's licence and any restrictions is current at the time of providing their licence. Where an employee fails to comply with this requirement they will not be permitted to use a Council vehicle.

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- 6.2 If an employee is disqualified from driving a vehicle they must notify their General Manager as soon as they are aware of their disqualification and the circumstances of any known disqualification period.
- 6.3 The CEO will determine those employees who are able to have the costs of their licence reimbursed annually and in accordance with the current Enterprise Bargaining Agreement and Award conditions.
- 6.4 Where an employee is disqualified from driving and this disqualification has a direct impact on the employee's ability to perform their role the following will be considered:
- the relevant General Manager, in consultation with the CEO, may consider alternative duties for the employee for the duration of the disqualification;
 - where alternative duties are not practicable the General Manager, in consultation with the CEO, may recommend the employee exhaust their leave entitlements and consider Leave Without Pay for the duration of the disqualification; or
 - the General Manager, in consultation with the CEO, may terminate the employee's employment with Council.
- 6.5 Where an employee is in breach of any Council code, policy or procedure their immediate employment will be considered.

7. Accident Procedure

- 7.1 All accidents ~~or mechanical problems~~ must be reported immediately to the General Manager – Finance and Business.
- 7.2 Should a Council vehicle be involved in any accident, the following steps must be undertaken by the driver concerned:
- Render assistance within personal capabilities to all parties requiring assistance;
 - Contact the General Manager – Finance and ~~Economic Development~~Business as soon as practicable;
 - Exchange names and addresses of owners / drivers of the vehicles involved in the accident, or any injured parties;
 - Record the make and registration number of any vehicle involved, or description of the property damaged;
 - Report the accident to the Police and obtain a Police Report Number where appropriate;
 - Obtain the names and addresses of available witnesses;
 - Do not admit liability for the accident or damage;
 - Do not leave the vehicle unattended at the roadside; and

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- o At the first available opportunity return to the Council Office and complete a ~~Driver Motor Vehicle Incident Report Form~~ ~~Motor Vehicle Accident Report~~, in consultation with the General Manager – Finance and ~~Economic Development~~ ~~Business~~, provide the General Manager – Finance and ~~Economic Development~~ ~~Business~~ with all other records, medical / quotes / towing details etc.

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8. Fringe Benefits Tax

Council will pay the Fringe Benefits Tax arising from the private use of Council vehicles. The taxable value of individual fringe benefits will be recorded and reported on individual payment summaries in accordance with legislative requirements. The statutory formula method will be used for the calculation of reportable fringe benefits. ~~Individual fringe benefits will be reported by allocating the cost of benefits as they accrue against each General Manager in the respective groups.~~

9. Private Use

- 9.1 Employees with private use privileges will comply with all requirements of this Policy.
- 9.2 The private use of Council vehicles is at the discretion of the CEO and will form part of an Employee's Contract of Employment. Private use will be subject to this Policy, which may be amended from time to time after consultation with Executive Management Team.
- 9.3 Private use vehicles are to be secure and parked off street overnight.
- 9.4 For Council employees who have private use, only the Council Officer to whom the vehicle is issued and their immediate family members may drive the vehicle outside of normal business hours. Council Officers will be responsible for advising the ~~People and Culture Advisor~~ ~~Human Resources Officer~~ on an annual basis (January) of the nominated drivers and providing a current copy of their driver's license.
- 9.5 At no time will Learner and Probationary (P1) drivers be permitted private use of a Council vehicle.
- 9.6 ~~Private use custodians are required to complete a FBT declarations stating the amount spent on fuel for private purposes (e.g. whilst on annual leave) and confirmation of the odometer reading, annually.~~
- 9.7 Employees who have private use of a Council vehicle ~~will~~ may be required to make a monetary contribution for the vehicle, the value will be based on the estimated FBT expense to be incurred by Council for that vehicle. This contribution will be deducted from their pay on a fortnightly basis unless by other agreement negotiated with the CEO. The employee financial contributions relating to Private Vehicle Use will be

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reviewed annually with the contribution being adjusted to reflect the vehicle actual FBT costs.

Employees on a Fixed Term Contract are excluded from this clause unless it forms part of any negotiated agreement.

~~9.8 Employees who have private use of a Council vehicle will be responsible for the costs associated with general cleaning / washing of the vehicle.~~

9.8 Council officers with any level of private use of a Council motor vehicle shall be responsible for satisfactorily maintaining the motor vehicle in a clean and tidy condition at all times subject to weather condition, which is to include both the inside and the outside of the motor vehicle. The Council will pay/reimburse the cost of cleaning and washing.

~~9.9 Council vehicles with private use are not permitted to be used for gaining personal business income.~~

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9.10 Council officers with any level of private use of a Council motor vehicle shall be responsible for organising periodic servicing of the motor vehicle.

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10. Related Documents

Human Resource Management Policy

Procurement Policy

Asset Management Policy

11. Records Management

All documents relating to this Policy will be registered in Council's Record Management System and remain confidential where identified.

12. Document Review

This Policy will be reviewed periodically to ensure legislative compliance and that it continues to meet the requirements of Council its activities and programs.

13. References

Local Government Act 1999 - Section 8(h) requires Council to ensure that it uses its resources fairly, effectively and efficiently.

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Worker Health and Safety Welfare-Act 2012

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14. Further Information

Employees may seek further information regarding this Policy by contacting the General Manager – Finance and ~~Economic Development Business~~ or the People and Culture Advisor~~Human Resources Officer~~.

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 Adelaide Plains Council	6.2	Draft Annual Work Program 2021-2022
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 9 August 2021	Document Ref:	D21/33467

EXECUTIVE SUMMARY

- The purpose of the report is to provide the Audit Committee with the Draft Work Program for the year ended 30 June 2022 for review and comment by the members before being implemented by the Council management during 2021/2022 Financial Year.
- Annual Audit Committee work program for the 2021/2022 Financial Year has been developed for the review and comment by the members of the Audit Committee.
- It reflects the yearly activities of the Council as required under Section 126 of the Local Government Act and the Audit Committee Terms of Reference.

RECOMMENDATION

“that the Audit Committee, having considered Item 6.2 – *Draft Annual Work Program 2021/2022*, dated 9 August 2021, receives and notes the report and in doing so adopts *Draft 2021/2022 Audit Committee Work Program*.”

BUDGET IMPACT

Estimated Cost:	Not Applicable
Future ongoing operating costs:	Not Applicable
Is this Budgeted?	Not Applicable

RISK ASSESSMENT

The Audit Committee must ensure that the Annual Work Program addresses the statutory obligations and focuses on the adequacy of the Councils’ systems and practices with respect to risk management, financial reporting, the internal control environment and other financial management systems. The ongoing monitoring of the Annual Work Program aids minimisation of exposure to associated risks allowing for adequate resourcing of mitigation strategies by the Council.

Attachments

1. Draft Annual Work Program 2021/2022

DETAILED REPORT

Purpose

The purpose of the report is to provide the Audit Committee with the Draft Work Program for the year ended 30 June 2022 for review and comment by the members before being implemented by the staff during 2021/2022 Financial Year.

Background/History

Pursuant to Section 126 of the Local Government Act 1999 and as detailed in the Audit Committee's Terms of Reference, the Audit Committee is responsible for facilitating:

- a) the enhancement of the credibility and objectivity of internal and external financial reporting;
- b) provision of information relevant to a review of the Council's Strategic Management Plans and Annual Business Plan;
- c) the review and reporting on any matter relating to financial management or the efficiency and economy with which the Council manages its resources;
- d) effective management of financial and other risks and the protection of the Council's assets;
- e) compliance with laws and regulations related to financial and risk management as well as use of best practice guidelines;
- f) the provision of an effective means of communication between the external auditor, management and the Council;
- g) the review of the exercise of powers under Section 130A of the Local Government Act 1999.
- h) review of the Annual Financial Statements to ensure that they present fairly the state of affairs of the Council;
- i) liaising with the Council's Auditor; and
- j) reviewing the adequacy of accounting, internal control reporting and other financial management systems and practices of the Council on a regular basis.

Discussion

To ensure that the requirements of the Local Government Act 1999 and the Terms of Reference of the Audit Committee are fulfilled, it must develop a Work Program each year. A draft Work Program, based on above requirements is contained in **Attachment 1**. The Committee can either endorse the Work Program or amend the document as appropriate.

Conclusion

Adoption of the work program for 2021/2022 Financial Year allows the members of the Audit Committee to monitor their activities in a formal way while providing a clear reporting framework to the staff to support the activities of the Audit Committee for 2021/2022 Financial Year.

References

Legislation

Section 126 of the Local Government Act 1999.

Local Government (Financial Management) Regulations 2011.

Council Policies/Plans

Audit Committee Terms of Reference.

LGA Financial Sustainability Information Paper 3 - Audit Committees

Draft Audit Committee Annual Work Program 2021/2022

Activity	Target Meeting	Current Status/Outcome	Action Taken	Date Completed
1. Financial Reporting (LGA – Section 126(4)(a))				
1.1 Ensure that financial information included in following publications for external audiences accurately reflects key accrual based financial information and where appropriate sector-endorsed financial indicators and provide commentary and or recommendation to Council: <ul style="list-style-type: none"> ▪ Annual Business Plan; ▪ Annual Financial Statements; 	April & June 2022 November 2021 and June 2022			
1.2 Annual Review of financial performance indicators provided to Council as part of Budget Reviews.	November 2022			
2. Strategic Management and Annual Business Plans (LGA – Section 126(4)(ab))				
2.1 The Audit Committee should satisfy itself regarding the: <ul style="list-style-type: none"> ▪ Review of Strategic Management Plan 2020-2024 for consistency with Council’s long-term financial plan and annual business plan; ▪ Review of Long Term Financial Plan for consistency with its infrastructure and asset management plan (I&AMP); ▪ soundness of the I&AMP; e.g. Is it supported by engineering and other professional assessments regarding the condition of Council’s infrastructure assets; ▪ likely impact on Council’s ongoing financial sustainability of implementation of its suite of strategic management plans; 	To be confirmed	Updated Strategic Management Plan (SMP) was approved by the Council on 27 February. Council Management is planning to develop business/action plan to deliver objectives of the updated SMP and the draft business/action plan will be presented to the Audit Committee once completed.		

Draft Audit Committee Annual Work Program 2021/2022

<ul style="list-style-type: none"> ▪ appropriateness of the indicators (financial and other) to measure achievements of the strategic plan and annual business plan. 				
3. Exercise of Powers under Section 130A (LGA – Section 126(4)(ac))				
3.1 Determine whether a recommendation to the Council is required to request its auditor or some other person to examine and report on any matter considered significant relating to financial management or the efficiency and economy of the management of Council’s resources that would not be addressed or included as part of the annual audit.	Ongoing			
4. Liaising with External Auditor (LGA – Section 126(4)(b))				
4.1 An in-camera meeting with Council’s external auditors during the 2020/2021 financial year to: <ul style="list-style-type: none"> ▪ discuss any points of concern raised by the External Auditor in their interim audit; ▪ assess the appropriateness of the Council’s response to matters raised in the interim audit; ▪ discuss any qualifications raised in the most recent audit or comments made in the accompanying management letter; ▪ assess the appropriateness of the Council’s response to matters so raised. 	August 2021 August 2021 November 2021 November 2021			
4.2 Ensure compliance with regulation 22 (1) of the Local Government (Financial Management) Regulations 2011 which prevent a Council from engaging its auditor to provide any services to the Council outside the scope of the auditor's functions under the Local Government Act.	Ongoing			

Draft Audit Committee Annual Work Program 2021/2022


5. Internal Controls and Risk Management Systems (LGA – Section 126(4)(c))				
<p>5.1 Identify whether weaknesses in internal controls have been previously identified, e.g. by management or Council’s external auditor, and if so whether action has been taken to have them addressed:</p> <ul style="list-style-type: none"> ▪ consider the range of documented internal control policies and procedures; and ▪ whether they are being followed. ▪ regular self-assessment of internal financial controls 	<p>November 2021</p>			
	<p>February 2022</p>			
<p>5.2 Review Business Continuity & Emergency Management Plan (BCEMP). BCEMP has been reviewed and will be separated and replaced with the following documents.</p> <ul style="list-style-type: none"> ✓ The following plans replace the Emergency Mgt. plan component of the BCEMP: <ul style="list-style-type: none"> • Emergency Mgt. Plan. • Incident Operations Arrangements Manual • Recovery Operations Manual ✓ APC Business Continuity Plan replaces the Business continuity component of BCEMP. 	<p>August 2021</p>			
<p>5.3 Establish whether locally appropriate strategies exist to minimise the likelihood of occurrence and adverse consequence for obvious and major risks. Consider:</p> <ul style="list-style-type: none"> ▪ whether an assessment has been undertaken to identify foreseeable events with potentially catastrophic consequences and actions established to minimise their likelihood and effect e.g. ✓ whether a business continuity plan has been developed in case of major damage to key Council properties or other (e.g. computer, assets); 	<p>August 2021</p>			

Draft Audit Committee Annual Work Program 2021/2022

<ul style="list-style-type: none"> ✓ whether there are significant risks that have been identified by Council's insurers that have not been reasonably addressed and therefore could jeopardise insurance cover in this regard; ✓ adequacy of insurance coverage. 				
<p>5.4 Review the appropriateness of the range and content of Council's financial policies and practices. Policies due for review are;</p> <ul style="list-style-type: none"> • Credit Card Policy (Last reviewed in April 2018) • Risk Management Policy (Last reviewed in July 2019) • Fixed Assets Accounting Policy (Last reviewed in September 2019) • Prudential Management Policy (Last reviewed in February 2020) • Rates Arrears and Debtor Management Policy (Last reviewed in February 2020) • Treasury Management Policy (Last reviewed in February 2020) • Budget Management Policy (Last reviewed in February 2020) • Funding Policy (Last reviewed in February 2020) 	<p>November 2021 November 2021 November 2021</p> <p>February 2022</p> <p>February 2022</p> <p>February 2022</p> <p>February 2022</p> <p>February 2022</p>			
6. Reporting				
6.1 Ensure progress of the outstanding Audit Committee resolutions are followed up regularly.	Ongoing			
6.2 Ensure that significant, urgent matters identified through the work program are formally and promptly reported to Council.	Ongoing			
6.3 Report annually to the Council;	To be confirmed			

Draft Audit Committee Annual Work Program 2021/2022

<ul style="list-style-type: none"> ▪ outlining outputs relative to the audit committee’s work program and the results of a self-assessment of performance for the preceding period including whether it believes any changes to its Terms of Reference are appropriate; ▪ outlining any identified training needs; ▪ Audit Committee Self-Assessment Survey ▪ advise on future work program proposals; and invite comment from the Council on all of the above. 	<p>To be confirmed To be confirmed To be confirmed</p>			
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 Adelaide Plains Council	6.3	Update on Audit Committee Annual Work Program 2020-2021
	Department:	Finance and Business
	Report Author:	General Manager – Finance and Business
Date: 9 August 2021	Document Ref:	D21/33468

EXECUTIVE SUMMARY

- The purpose of this report is to provide the Audit Committee with the progress update on the activities identified in the Audit Committee Works Program for 2020/2021 Financial Year.
- At its meeting held on 17 September 2020, Audit Committee approved its 2020/2021 Works Program.

RECOMMENDATION

“that the Audit Committee, having considered Item 6.3 – *Update on Audit Committee Annual Work Program 2020-2021*, dated 9 August 2021, receives and notes the report and in doing so recommends to the Council that the Council acknowledges the progress made to complete the activities identified for Audit Committee during 2020/2021 Financial Year.”

BUDGET IMPACT

Estimated Cost:	Not Applicable
Future ongoing operating costs:	Not Applicable
Is this Budgeted?	Not Applicable

RISK ASSESSMENT

The Audit Committee must ensure that the Annual Work Program addresses the statutory obligations and focuses on the adequacy of the Councils’ systems and practices with respect to risk management, financial reporting, the internal control environment and other financial management systems. The ongoing monitoring of the Annual Work Program aides minimisation of exposure to associated risks allowing for adequate resourcing for mitigation strategies by the Council.

Attachments

1. Audit Committee Annual Work Program 2020/2021 – August 2021 Update

DETAILED REPORT

Purpose

The purpose of this report is to provide the Audit Committee with the progress update on the activities identified in the Audit Committee Works Program for 2020/2021 Financial Year.

Background/History

At its meeting on 17 September 2020, the Audit Committee approved the work program for 2020/2021 Financial Year.

Discussion

To ensure that the requirements of the *Local Government Act 1999* and the Terms of Reference of the Audit Committee are fulfilled, the Audit Committee must develop a Work Program each year. A regular update on the 2020/2021 Work Program will assist the members of the committee to monitor their planned activities and accordingly the **Attachment 1** shows progress to date.

- The final audit for 2019/2020 was completed and draft audited financial statements, audit report on financial statements and internal controls were presented to the 16 November 2020 Audit Committee meeting;
- Internal Financial Control Policy, Land Under Roads Policy and Procurement Policy were reviewed;
- An update on the progress of Council's risk management framework was presented to February 2021 meeting;
- Draft 2021/2022 budget and draft Long-Term Financial Plan was presented to April 2021 meeting before it was released for public consultation;
- Draft 2021/2022 budget and the feedbacks from public consultation was presented to June 2021 meeting before the draft 2021/2022 budget was adopted by the Council;
- A report on the review of audited financial results of 2019/2020 against the adopted budget was presented to the 16 November 2020 Audit Committee meeting;
- Review of Internal Financial Controls was presented to April 2021 Audit Committee meeting; and
- A report on the financial performance, project progress update and potential carry over projects has been provided to Audit Committee as a regular report.

Outstanding activities

Following activities were not completed and will be incorporated in to the 2021/2022 Annual Work Program.

- Review of Strategic Management Plan 2020-2024 for consistency with Council's long-term financial plan and annual business plan.

- Review of Business Continuity & Emergency Management Plan.
- Review of Credit Card Policy
- Review of Risk Management Policy

Conclusion

During the 2020/2021 Financial Year, Audit Committee have completed majority of the activities identified in its annual work program and outstanding activities will be carry over to 2021/2022 Annual Work Program.

References

Legislation

Section 126 of the Local Government Act 1999

Local Government (Financial Management) Regulations 2011

Council Policies/Plans

Audit Committee Terms of Reference.

Audit Committee Annual Work Program 2020/2021 (August 2021 update)

Activity	Target Meeting	Current Status/Outcome	Action Taken	Date Completed
1. Financial Reporting (LGA – Section 126(4)(a))				
1.1 Ensure that financial information included in following publications for external audiences accurately reflects key accrual based financial information and where appropriate sector-endorsed financial indicators and provide commentary and or recommendation to Council: <ul style="list-style-type: none"> ▪ Annual Business Plan; ▪ Annual Financial Statements; 	April & June 2021 November 2020 and June 2021	Completed		April 2021 16 Nov 2020
1.2 Annual Review of financial performance indicators provided to Council as part of Budget Reviews.	November 2020	Completed		16 Nov 2020
2. Strategic Management and Annual Business Plans (LGA – Section 126(4)(ab))				
2.1 The Audit Committee should satisfy itself regarding the: <ul style="list-style-type: none"> ▪ Review of Strategic Management Plan 2020-2024 for consistency with Council’s long-term financial plan and annual business plan; ▪ Review of Long Term Financial Plan for consistency with its infrastructure and asset management plan (I&AMP); ▪ soundness of the I&AMP; e.g. Is it supported by engineering and other professional assessments regarding the condition of Council’s infrastructure assets; ▪ likely impact on Council’s ongoing financial sustainability of implementation of its suite of strategic management plans; 	To be confirmed	Updated Strategic Management Plan (SMP) was approved by the Council on 27 February. Council Management is planning to develop business/action plan to deliver objectives of the updated SMP and the draft business/action plan will be presented to the Audit Committee once completed.		

Audit Committee Annual Work Program 2020/2021 (August 2021 update)

<ul style="list-style-type: none"> ▪ appropriateness of the indicators (financial and other) to measure achievements of the strategic plan and annual business plan. 				
3. Exercise of Powers under Section 130A (LGA – Section 126(4)(ac))				
3.1 Determine whether a recommendation to the Council is required to request its auditor or some other person to examine and report on any matter considered significant relating to financial management or the efficiency and economy of the management of Council’s resources that would not be addressed or included as part of the annual audit.	Ongoing			
4. Liaising with External Auditor (LGA – Section 126(4)(b))				
4.1 An in-camera meeting with Council’s external auditors during the 2020/2021 financial year to: <ul style="list-style-type: none"> ▪ discuss any points of concern raised by the External Auditor in their interim audit; ▪ assess the appropriateness of the Council’s response to matters raised in the interim audit; ▪ discuss any qualifications raised in the most recent audit or comments made in the accompanying management letter; ▪ assess the appropriateness of the Council’s response to matters so raised. 	September 2020 September 2020 November 2020 November 2020	Completed		17 Sep 2020 17 Sep 2020 16 Nov 2020 16 Nov 2020
4.2 Ensure compliance with regulation 22 (1) of the Local Government (Financial Management) Regulations 2011 which prevent a Council from engaging its auditor to provide any services to the Council outside the scope of the auditor's functions under the Local Government Act.	Ongoing			

Audit Committee Annual Work Program 2020/2021 (August 2021 update)


5. Internal Controls and Risk Management Systems (LGA – Section 126(4)(c))				
<p>5.1 Identify whether weaknesses in internal controls have been previously identified, e.g. by management or Council’s external auditor, and if so whether action has been taken to have them addressed:</p> <ul style="list-style-type: none"> ▪ consider the range of documented internal control policies and procedures; and ▪ whether they are being followed. ▪ regular self-assessment of internal financial controls 	November 2020	Completed		16 Nov 2020
	February 2021	Interim audit report on Financial Controls Review is presented to 9 August Audit Committee meeting		
5.2 Review Business Continuity & Emergency Management Plan (BCEMP).	Ongoing	<p>BCEMP has been reviewed and will be separated and replaced with the following documents.</p> <ul style="list-style-type: none"> ✓ The following plans replace the Emergency Mgt. plan component of the BCEMP: <ul style="list-style-type: none"> • Emergency Mgt. Plan. • Incident Operations Arrangements Manual • Recovery Operations Manual ✓ APC Business Continuity Plan replaces the Business continuity component of BCEMP. 		
<p>5.3 Establish whether locally appropriate strategies exist to minimise the likelihood of occurrence and adverse consequence for obvious and major risks. Consider:</p> <ul style="list-style-type: none"> ▪ whether an assessment has been undertaken to identify foreseeable events with potentially catastrophic 	February 2021	An update on the progress of Council’s risk management framework was presented to February 2021 meeting.		

Audit Committee Annual Work Program 2020/2021 (August 2021 update)

<p>consequences and actions established to minimise their likelihood and effect e.g.</p> <ul style="list-style-type: none"> ✓ whether a business continuity plan has been developed in case of major damage to key Council properties or other (e.g. computer, assets); ✓ whether there are significant risks that have been identified by Council's insurers that have not been reasonably addressed and therefore could jeopardise insurance cover in this regard; ✓ adequacy of insurance coverage. 		Further update is to be provided to November 2021 Audit Committee meeting		
<p>5.4 Review the appropriateness of the range and content of Council's financial policies and practices. Policies due for review are;</p> <ul style="list-style-type: none"> • Credit Card Policy (Last reviewed in April 2018) • Risk Management Policy (Last reviewed in July 2019) • Internal Financial Controls Policy (Last reviewed in April 18) • Land Under Roads Policy (Last reviewed in 2008) • Council Vehicle Policy (Last reviewed in July 2018) • Procurement Policy (Last reviewed in March 2019) 	<p>November 2021 November 2021</p> <p>February 2021 February 2021 August 2021 April 2021</p>	<p>Completed Completed August agenda Completed</p>		<p>2/2/2021 2/2/2021 9/8/2021 12/4/21</p>
6. Reporting				
6.1 Ensure progress of the outstanding Audit Committee resolutions are followed up regularly.	Ongoing	Update report is provided to 9 August meeting		
6.2 Ensure that significant, urgent matters identified through the work program are formally and promptly reported to Council.	Ongoing			
6.3 Report annually to the Council;	To be confirmed			

Audit Committee Annual Work Program 2020/2021 (August 2021 update)

<ul style="list-style-type: none"> ▪ outlining outputs relative to the audit committee’s work program and the results of a self-assessment of performance for the preceding period including whether it believes any changes to its Terms of Reference are appropriate; ▪ outlining any identified training needs; ▪ Audit Committee Self-Assessment Survey ▪ advise on future work program proposals; and invite comment from the Council on all of the above. 	<p>To be confirmed To be confirmed To be confirmed</p>			
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 Adelaide Plains Council	7.1	Committee Resolutions
	Department:	Finance and Business
	Report Author:	General Manager – Finance and Business
Date: 9 August 2021	Document No:	D21/33469

OVERVIEW

Purpose

The purpose of this report is to provide an update to the members of the Audit Committee on the outstanding Committee resolutions yet to be actioned by the Council management.

Discussion

Audit Committee resolutions that require actioning by Council Administration are captured in the Resolution Register and presented to each committee meeting for the information of the members of the Audit Committee. This report contains a table of outstanding resolutions and accordingly one (1) resolution from February 2020 meeting is still outstanding.

RECOMMENDATION

“that the Audit Committee, having considered Item 7.1 – *Committee Resolutions*, dated 9 August 2021, receives and notes the report.”

Attachments

1. Resolution Register updated August 2021.

References

Legislation

N/A


Other

Audit Committee Annual Work Program 2020-2021

2020 Audit Committee Resolution Register

D20/6624

Meeting Date	Items No.	Title	Resolution Description	Resolution Number	Responsible Department	Status	Comment	Date Completed
10-Feb-20	9.1	Committee Resolution	"that the Audit Committee, recommend to Council that a report be prepared reviewing the adequacy of current Council policies in light of the recent Ombudsman reports on credit card and travel expenditure."	2020/016	Finance and Business	Ongoing	To be addressed as part of the review of Council's <i>Credit Card Policy</i> . This review is due to take place in 2021 in accordance with Council's <i>Policy Review Schedule</i> .	
16-Nov-20	6.2	Draft Audited Annual Financial Statement 2019/2020	"that the Audit Committee requests the Chief Executive Officer to bring back a report to the next Audit Committee meeting in regards to internal auditing and in particular the issue of assurance in relation to asset valuations."	2020/052	Finance and Business	Agenda	Please refer to the agenda of 9 August 2021 Audit Committee meeting	

 Adelaide Plains Council	7.2	Leave Liability as at 30 June 2021
	Department: Report Author:	Finance and Business General Manager – Finance & Business
Date: 9 August 2021	Document Ref:	D21/33458

OVERVIEW

Purpose

The purpose of this report is to present information on Council's financial liability with regard to unused staff leave entitlements to the members of the Audit Committee.

Background

As part of 2019/2020 audit, Council auditor Bentleys also made an observation that as at 30 June 2020, there are 19 employees with annual leave accumulated hours of more than 250 (6.5 weeks).

Discussion

Some of the risks associated with higher level of unused staff leave entitlements are:

- a) Cash flow effects if employees left unexpectedly;
- b) Not taking leave was detrimental to employees' performance and wellbeing at work;
- c) A financial and operational risks if multiple employees decided to take their full entitlement at the same time;
- d) An increased risk of fraud may occur but could not be detected.

➤ Annual Leave (AL) and Long Service Leave (LSL)

Compared to previous year, both LSL and unused AL have been increased during 2020/2021 Financial Year and there are 20 staff members who have accrued over 250 hours or more of annual leave (6.5 weeks) as at 30 June 2021 compared to 19 on 30 June 2020.

The Chief Executive Officer has made it abundantly clear to the Executive that concerted leave liability reduction strategies will be implemented in 2021/2022 as a means of getting leave liability down.

Following graphs (**figure 1 and 2**) shows the movement of LSL and AL by hours and value for the last five (5) financial Years. Accordingly for 2020/2021 Financial Year:

- a) Unused LSL hours has increased by 20% or 2,355 hours.
- b) Unused AL hours has increased by 12% or 1381 hours.

- c) LSL liability has increased by 26% or \$142,000.
- d) AL liability has increased by 21% or \$135,000.

Figure 1: Long Service Leave and Annual Leave Liability by hours

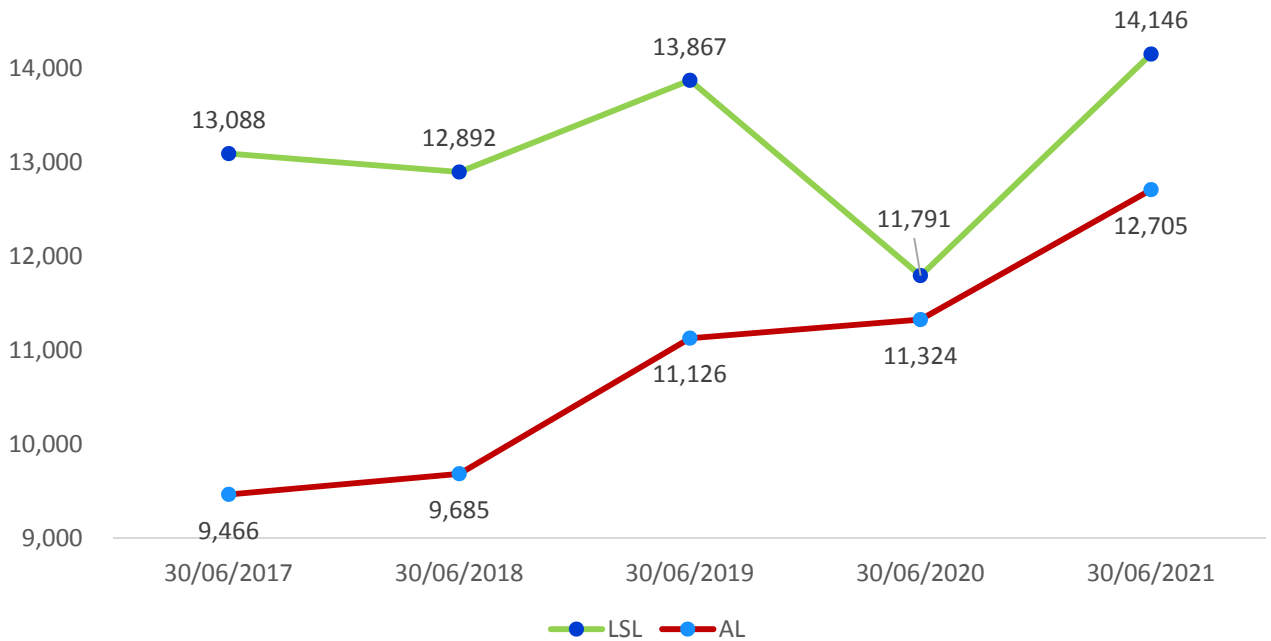
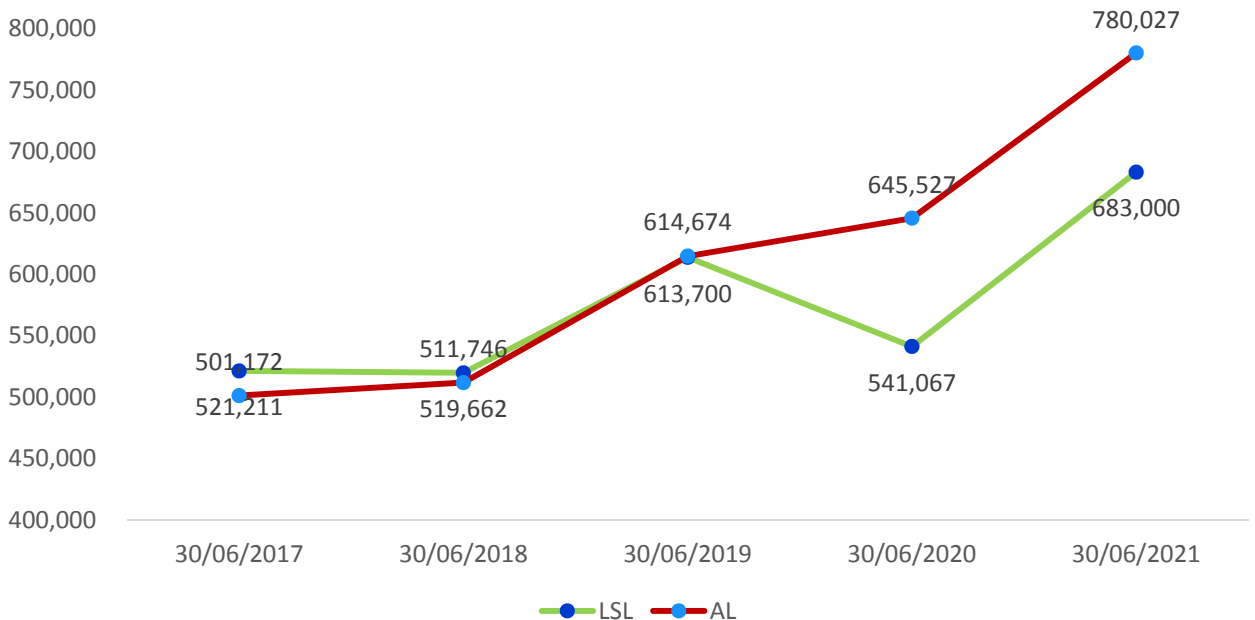


Figure 2: Long Service Leave and Annual Leave Liability (\$)



➤ Time in Lieu (TIL) and Rostered Days Off (RDO)

Compared to prior year, at the end of 2020/2021 Financial Year;

- a) There has been a 10% or (91 hours) decrease in unused TIL.
- b) RDO has been increased marginally by 2 hours.
- c) financial liability associated with unused TIL has been reduced by 10%.

The Chief Executive Officer has noted the positive progress made in reducing TIL & RDO liability over the last 12 months. However, as reported earlier, a concerted focus is now needed in reducing annual leave liability.

Figure 3: Time in Lieu and Rostered Days Off by hours

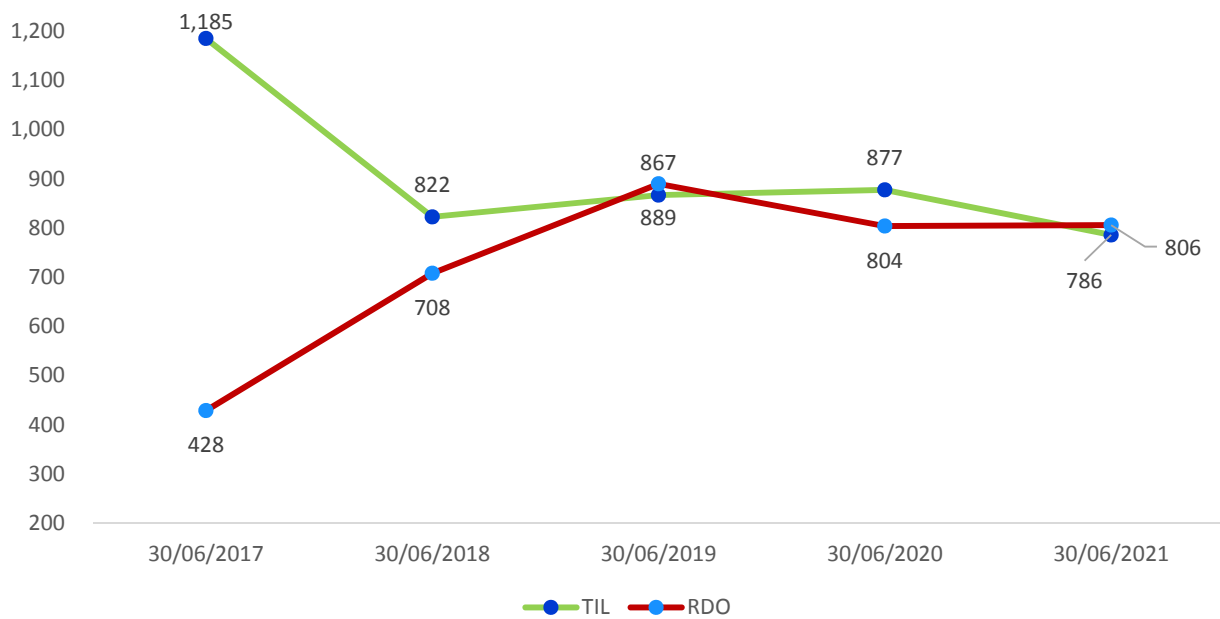
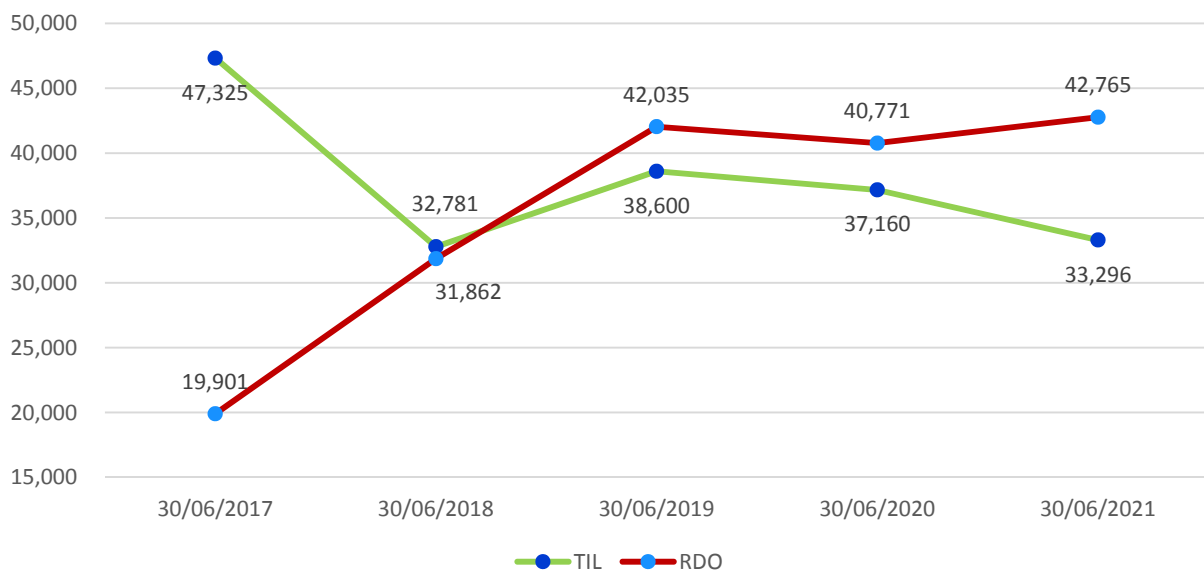


Figure 4: Time in Lieu and Rostered Days Off (\$)



Leave entitlement reserves (long service/annual/time in lieu leave) are being utilised for cash flow management (as per the *Treasury Management Policy*), and the appropriate provisions remain as a liability in the balance sheet, and will be updated yearly as part of finalising end of year financial statements.

RECOMMENDATION

“that Audit Committee, having considered Item 7.2 – *Leave Liability as at 30 June 2021*, dated 9 August 2021, receives and notes the report.”

Attachments

Nil

References

Legislation


Nil

Council Policies/Plans

Nil

Other

Nil

 Adelaide Plains Council	7.3	Review of Council's Investment and Borrowings in 2020/2021 Financial Year
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 9 August 2021	Document Ref:	D21/33464

OVERVIEW

Purpose

The purpose of this report is to advise the Audit Committee of Council's Treasury Management activities for the 2020/2021 Financial Year relative to its Treasury Management Policy.

Background

Council's Treasury Management Policy provides:-

"3.6 Reporting

At least once a year Council shall receive a specific report regarding treasury management performance relative to this policy document. The report shall highlight:

- for each Council borrowing and investment - the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report; and*
- the proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period and an estimate of the average of these proportions across this period along with key reasons for significant variances compared with the targets specified in this policy".*

Section 3.3 and 3.4 of the Council Treasury Management Policy stipulated that:-

"3.3 Fixed Interest Rate Borrowings

To ensure an adequate mix of interest rate exposures, Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve and thereafter maintain on average in any year, of not less than 30% of its gross debt in the form of fixed interest rate borrowings.

In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity spectrum.

In circumstances where Council needs to raise new fixed interest rate borrowings it will consider using medium to long term borrowings (3 years or more duration) that:

- *have a fixed interest rate;*
- *require interest payments only; and*
- *allow the full amount of principal to be repaid (or rolled over) at maturity.*

Council will ensure that no more than 25% of its fixed interest rate borrowings mature in any year.

3.4 Variable Interest Rate Borrowings

Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve, and then maintain, not less than 30% of its gross debt on average in any year in the form of variable interest rate borrowings”.

This report has been prepared in response to the policy provision. In addition, pursuant to Section 140 of the *Local Government Act 1999* (Act), Council is required, at least once in each year, to review the performance (individually, and as a whole) of its investments.

Discussion

Cash management practices have continued in the same manner as in previous years, in line with the Council’s *Treasury Management Policy*. This resulted in no funds being retained for specific purposes except for:-

- Developer contributions of \$0.032m for new footpaths; and
- Two Wells Community Fund of \$0.054m

that are required to be cash backed, and existing cash reserves were utilised for daily cash flow management based on operational needs.

All of Council’s loans and deposits are with Local Government Financing Authority (LGFA).

Borrowings

Section 134 of the Act, allows Councils to enter into financial arrangements which the Council deems appropriate, to borrow monies to fund recurrent operations and capital expenditure requirements.

The fixed rate borrowings on 30 June 2020 were \$2.297m (Please refer to **Table 1** and **Attachment 1** for details). It is a reduction of \$0.490m when compared with the outstanding fixed rate borrowings of \$2.787m on 30 June 2020 as a result of repayment of loans instalments when they fall due.

Council also had outstanding variable rate cash advance (CAD) of \$0.539m from the LGFA on 30 June 2021 at an interest rate of 1.30% (no CAD loan as at 30 June 2020).

The fixed interest loans have been provided by LGFA. The terms for LGFA loans range from ten (10) to twenty (20) years, with the interest rates varying between 4.45% and 7.05% per annum. To minimise the future financing costs, the current funding strategy is to utilise surplus funds in the first instance, with short-term funding needs being met via the utilisation of the CAD facility. A listing of all active loans are contained in **Table 1** and **Table 2**.

Table 1: Outstanding Fixed Rate Debenture Loans at 30 June 2021

Purpose of the Loan	Loan Term (Yrs.)	Principal Amount (\$'000)	Date of Borrowing	Date of Maturity	Interest Rate (%)	Balance (\$'000)
Gawler River Scheme - Flood Plain Management	15	430	15/01/2007	15/01/2022	6.80	44
Community Land - Mallala	15	180	15/05/2007	15/05/2022	7.02	19
Resource Recovery shed & Ruskin Shannon Rd Development	15	368	15/06/2007	15/06/2022	7.05	38
Funding Depot and Plant purchases	10	3,000	16/04/2012	16/04/2022	5.90	384
Mallala CWMS Scheme	20	1,910	15/06/2016	15/06/2036	4.45	1,812
Total		5,888				2,297

Table 2: Outstanding Variable Rate Cash Advance Loans at 30 June 2021

Loan Number	Purpose of the Loan	CAD Limit (\$'000)	CAD Facility Expiry Date	Interest Rate (%)	Balance (\$'000)
CAD 123	General Council operations	5,000	5/07/2028	2.05	-
CAD 124	General Council operations	300	15/05/2030	2.05	
CAD 124 CV19	General Council operations	1,500	15/10/2023	1.30	539
Total		6,500			539

All of Council existing fixed rate loans will be repaid by 30 June 2022 except for the Mallala CWMS loan which was obtained for 20 year period on 15 June 2016. The maturity of these loans will occur in 2021/2022 Financial Year and satisfies the Council's Treasury Management Policy as no more than 25% of its fixed interest rate borrowings mature in any year.

Table 3: Maturity Analysis of the Council's Existing Fixed Rate Debenture Loans (\$'000)

Loan No	2021-2022	2022-2023	2023-2024	2024-2036	Total
13	44	-	-	-	44
115	19	-	-	-	19
116	38	-	-	-	38
122	384	-	-	-	384
125	22	23	24	1,743	1,812
Total	507	23	24	1,743	2,297
Maturity %	22	1	1	76	100

Table 4 below summarises the Council performance against the Treasury Management Policy. Accordingly, it satisfies the targets for fixed rate borrowings (maturity and percentage of fixed rate borrowings). However, the target for variable rate borrowing was not met as Council had only \$0.539m of short-term borrowings at the end of 2020/2021 Financial Year.

Table 4: Summary of Council Performance against Treasury Management Policy

Type of Borrowings	% - Target as per Treasury Management Policy	Balance (\$'000)	%	Target Achieved
Fixed Rate	Fixed rates borrowings are to be not less than 30% of gross debts	2,297	81	No
	No more than 25% of Council fixed interest rate borrowings matures in any financial year			Yes
Variable Rate	Variable rates borrowings are to be not less than 30% of gross debts	539	19	No
Total		2,836	100	

Investments

The Council's total short-term deposit on 30 June 2021 was \$0.137m (please refer to **Table 5** below and **Attachment 2**) which was \$0.769m at the end of 2019/2020 Financial Year.

Table 5: Short-term Investment Balances (\$)

	<u>30/06/2021</u>	<u>30/06/2020</u>
Adel Plains 33 Gullaci Development Footpath	73	73
Adel Plains 36 Nissi Development Footpath	32,346	32,228
Mallala CWMS Scheme	46	46
Two Wells Community Fund	54,344	52,932
General Council Deposit Account	50,011	684,004
	<u>136,820</u>	<u>769,283</u>

Interest income and expenses

During 2020/2021 Financial Year \$0.005m was paid as interest expenses (\$0.004m in 2019/2020) on short-term borrowings to finance Council's day-to-day operations.

RECOMMENDATION

“that the Audit Committee, having considered Item 7.3 – Review of Council's Investment and Borrowings in 2020/2021 Financial Year, dated 9 August 2021, receives and notes the report”

Attachments

1. Audit Certificate as at 30 June 2021 on Outstanding Loan Balances Issued by LGFA
2. Audit Certificate as at 30 June 2021 on Council Deposits Issued by LGFA

References

Legislation

Section 140 of the *Local Government Act 1999*

Council Policies/Plans/Other

Treasury Management Policy

Audit Committee Terms of Reference

Audit Certificate

Certificate detailing current Debenture Loans with Local Government Finance Authority of S.A. as at 30 Jun 2021

Deal	Maturity Date	CAD Facility End Date	Settlement / CAD Limit	Interest Rate	Principal	Accrued Interest
Adel Plains CA 123 Cash Advance 123						
APCA123		05-07-2028	\$5,000,000.00		\$0.00	\$336.42
					\$0.00	\$336.42
Adel Plains CA 124 Cash Advance 124						
APCA124		15-05-2030	\$300,000.00		\$0.00	\$0.00
					\$0.00	\$0.00
Adel Plains CA 124 CV19 Cash Advance 124						
APCA124cv	01-07-2021	15-10-2023	\$1,200,000.00	1.30	\$538,584.00	\$2,131.41
					\$538,584.00	\$2,131.41
Adel Plains DL						
113	15-01-2022		\$430,000.00	6.80	\$43,922.78	\$1,377.86
115	15-05-2022		\$180,000.00	7.02	\$18,612.42	\$166.88
116	15-06-2022		\$368,000.00	7.05	\$38,115.80	\$117.47
122	16-04-2022		\$3,000,000.00	5.90	\$384,342.68	\$4,708.72
125	15-06-2036		\$1,910,000.00	4.45	\$1,812,362.31	\$3,525.69
					\$2,297,355.99	\$9,896.62
			Total for Adelaide Plains Council		\$2,835,939.99	\$12,364.45



Natasha Grigg
Manager Lending and Treasury


Audit Certificate

Certificate detailing current Council Deposits with Local Government Finance Authority of S.A. as at 30 Jun 2021

Deal	Instrument	Interest Rate	Maturity Date	Principal	Accrued Interest
Adel Plains General					
59512	Council Dep - 24HR Mthly	0.30	01-07-2021	\$50,011.44	\$19.27
				\$50,011.44	\$19.27
Adel Plains 33 Gullaci Dev Footpath					
58239	Council Dep - 24HR Mthly	0.30	01-07-2021	\$73.35	\$0.02
				\$73.35	\$0.02
Adel Plains 34 Mallala CWMS					
58240	Council Dep - 24HR Mthly	0.30	01-07-2021	\$45.48	\$0.01
				\$45.48	\$0.01
Adel Plains 36 Nissi Footpath Res					
58241	Council Dep - 24HR Mthly	0.30	01-07-2021	\$32,345.79	\$8.05
				\$32,345.79	\$8.05
Adel Plains 37 Two Wells Comm Fund					
58242	Council Dep - 24HR Mthly	0.30	01-07-2021	\$54,344.04	\$13.46
				\$54,344.04	\$13.46
Total for Adelaide Plains Council				\$136,820.10	\$40.81



Natasha Grigg
Manager Lending and Treasury

 Adelaide Plains Council	7.4	Overdue Council Rates as at 30 June 2021
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 9 August 2021	Document Ref:	D21/33455

OVERVIEW

Purpose

The purpose of this report is to provide an update to the Audit Committee on the overdue Council rates at the end of 2020/2021 Financial Year.

Background

At a Special Council meeting held on 15 April 2020, Council adopted following resolution to provide financial assistance to ratepayers who may be impacted by the COVID-19.

4.1 *Moved* *Councillor Lush* *Seconded* *Councillor Parker* **2020/ 102**

“that Council endorses resolution 2020/018 of the Audit Committee and in doing so instructs the Chief Executive Officer to implement the following:

- 1. Those impacted by COVID-19 (i.e. through becoming unemployed, underemployed or enduring business closure or financial hardship) may apply to Council for access to the following financial relief:***
 - No fines or interest charged on overdue rates until 1 November 2020***
 - Ratepayers can arrange to pay their rates weekly, fortnightly or monthly, based on an amount that suits their budget***
 - Ratepayers can postpone the fourth instalment of 2019/2020 and the first instalment of 2020/2021 up to 1 November 2020 without having to pay any fines or interest***
- 2. Access to the financial hardship relief due to COVID-19 will be granted upon application.”***

CARRIED

Following the adoption of above resolution, Council management suspended all the debt recovery actions that was being undertaken to recover overdue rates under Council’s ‘Rates Arrears and Debtor Management Policy’.

In addition, at the Ordinary Council meeting held on 26 October 2020, Council resolved as follows to extend COVID-19 Rate Relief by further six (6) months until 1 May 2021.

14.6 COVID-19 Rate Relief Update

Moved Councillor Keen

Seconded Councillor Boon

2020/ 364

“that the Council having considered Item 14.6 – COVID-19 Rate Relief Update, dated 26 October 2020 receives and notes the report and in doing so instructs the Chief Executive Officer to implement the following:

- 1. Those impacted by COVID-19 (i.e. through becoming unemployed, underemployed or enduring business closure or financial hardship) may apply to Council for access to the following financial relief:***
 - No fines or interest charged on overdue rates from the date of application until 1 May 2021***
 - Ratepayers can arrange to pay their rates weekly, fortnightly or monthly, based on an amount that suits their budget***
 - Ratepayers can postpone the second and third instalments of 2020/2021 rates up to 1 May 2021 without having to pay any fines or interest.***
- 2. Access to the financial hardship relief due to COVID-19 will be granted upon application.***
- 3. Extend the COVID-19 Rate Relief already approved to 1 May 2021.”***

CARRIED

Council management recommenced the recovery of overdue rates in June 2021 following adoption of below resolution by the Council.

12.2 Moved Councillor Strudwicke

Seconded Councillor Lush

2021/148

“that Council endorses resolution 2021/017 of the Audit Committee and in doing so resolves that:

- 1. No new applications for COVID-19 Rate Relief be accepted after 1 May 2021;***
- 2. Current applicants on COVID-19 Rate Relief be provided with a grace period of one (1) month to 1 June 2021 to pay in full outstanding rates without incurring any fines or interest;***
- 3. After 1 June 2021, current applicants on COVID-19 Rate Relief are charged with statutory fines and interest for overdue rates under Section 181 (8) of the Local Government Act 1999; and***
- 4. Subject to paragraph 2 above, instruct the Chief Executive Officer to commence the recovery of overdue rates as per ‘Rates Arrears and Debtor Management Policy’ after the current COVID-19 Rate Relief expires on 1 May 2021.”***

CARRIED

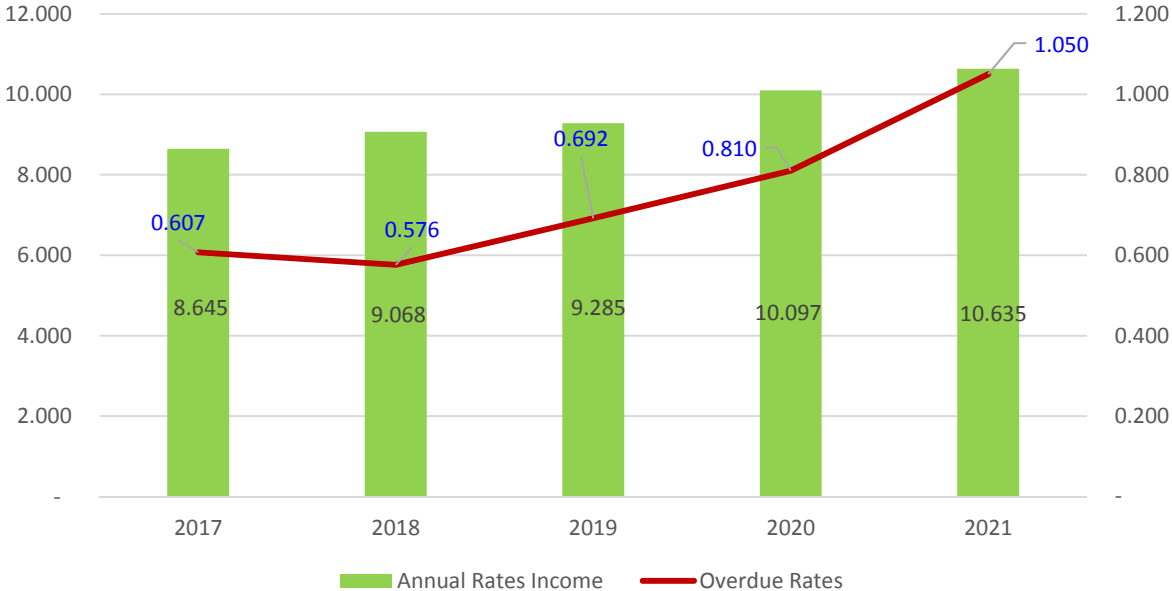
Discussion

Over the past 12 months, Council assisted ratepayers impacted by COVID-19 by providing the ability to postpone/defer four (4) instalments of their Council rates without having to pay any fines or interest. In addition, Council management suspended all the debt recovery actions since May 2020 to recover overdue rates under Council’s ‘Rates Arrears and Debtor Management Policy’.

In 2020/2021, Council total rates income was \$10.635m of which 97.74% has been paid before 30 June 2021. Therefore, during the 2020/2021 Financial Year, overdue Council rates has increased by \$0.240m (or 30%) from \$0.810m on 30 June 2020 to \$1.050m on 30 June 2021. The increase in unpaid rates over the past 12 months have occurred primarily by ratepayers who had overdue rates pre-COVID-19.

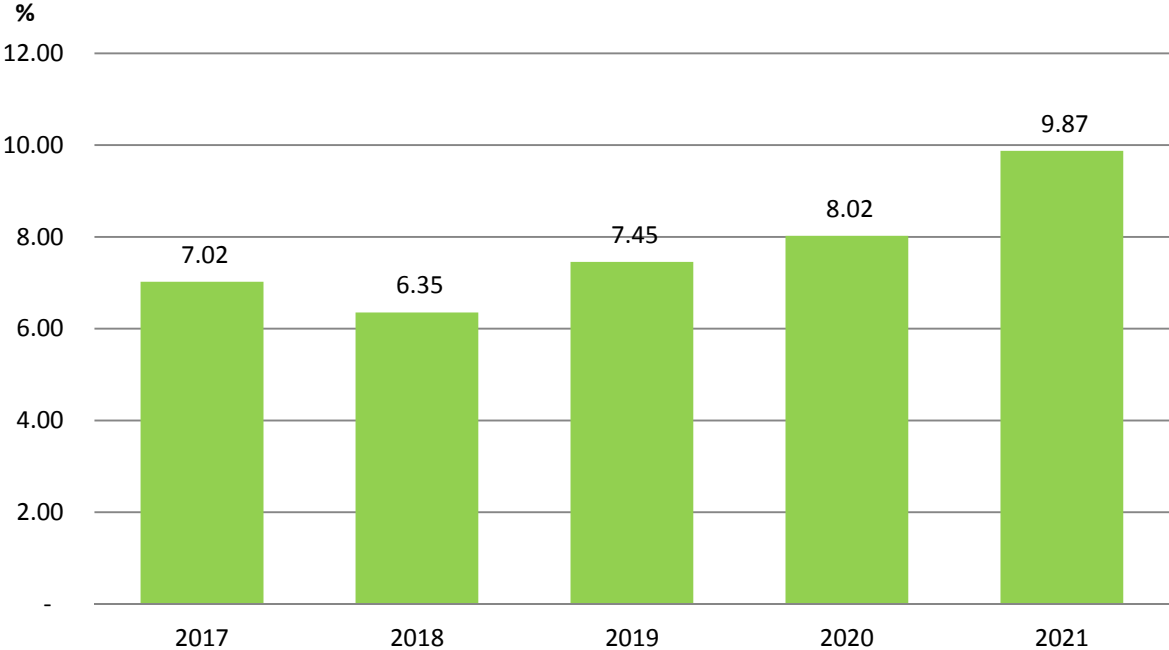
The following graph shows Council’s overdue rates on 30 June of each year since 2016/2017 Financial Year compared to the total rates income (General Rates, CWMS charges, Waste Collection Levy & Regional Landscape Levy) of the respective financial year. While the rates income has gone up by 23%, from \$8.645m in 2016/2017 Financial Year to \$10.635m in 2020/2021 Financial Year, overdue rates have gone up by 73%.

Figure 1: Annual Rates Income and Overdue Rates (\$'Mn)



Overdue rates as a percentage of annual rates income also has going up from 7.02% in 2016/2017 to 9.87% in 2020/2021 as illustrated under **Figure 2** below.

Figure 2: Rates Outstanding as % of Total Rates Income



Overdue rates as of 31 July 2021

Most up-to-date overdue rates balance is given below in **Table 1** and the overdue rates balance has been reduced from \$1.050m on 30 June to \$ 0.981m.

Number of rateable properties across the Council district is 5,206 as of 30 June 2021 and only 910 ratepayers (excluding ratepayers with negative balance) or 17% of total rateable properties had an overdue rates balance as of 31 July 2021. In addition, below table also highlights that;

- a) 50% of overdue rates are receivable from 72 ratepayers with a balance of more than \$4,001. This includes 31 ratepayers who have over 3 years of outstanding rates totalling \$0.229m;
- b) 5% of overdue rates are applicable to approximately one (1) instalment that is overdue from 554 ratepayers who have an overdue balance of less than \$500.
- c) 8% of overdue rates are applicable to 114 ratepayers with an overdue balance ranging from \$501 to \$1,000
- d) 37% of overdue rates are applicable to 170 ratepayers with an overdue balance ranging from \$1,001 to \$4,000

Table 1: Overdue Rates as at 31 July 2021

%	Range (\$)	Total Outstanding	No of Properties
(0.97)	Over Paid	(9,508)	42
0.00	0.1 to 0.99	11	15
0.36	0.99 to 50	3,577	365
0.13	51 to 100	1,289	17
0.19	101 to 150	1,869	15
0.29	151 to 200	2,819	16
0.52	201 to 250	5,142	23
3.94	251 to 500	38,617	103
4.45	501 to 750	43,691	73
3.56	751 to 1000	34,941	41
5.47	1,001 to 1,500	53,629	43
8.10	1,501 to 2,000	79,433	46
11.98	2,001 to 3,000	117,488	48
11.79	3,001 to 4,000	115,654	33
10.82	4,001 to 5,000	106,103	24
16.67	5,001 to 7,500	163,537	27
11.03	7,500 to 10,000	108,189	13
11.65	Over 10,001	114,256	8
100.00		980,737	952

Rates Overdue for more than 3 Years

Section 184(1) of the *Local Government Act 1999* (the Act) provides:-

“If an amount payable by way of rates in respect of land has been in arrears for three years or more, the council may sell the land”.

Council management is planning to bring a report to August Council meeting seeking direction with regard to rates overdue for more than 3 years.

RECOMMENDATION

“that Audit Committee, having considered Item 7.4 –*Overdue Council Rates as at 30 June 2021*, dated 9 August 2021, receives and notes the report.”

Attachments

Nil

References


Legislation

Local Government Act 1999.

- Section 181 - Payment of rates – general principles
- Section 182 - Remission and postponement of payment
- Section 182A - Postponement of rates – Seniors
- Section 184 - Sale of Land for non-payment of rates

Council Policies/Plans

Rates Arrears and Debtor Management Policy

 Adelaide Plains Council	7.5	Interim Audit 2020/2021 - Management Report
	Department:	Finance and Business
	Report Author:	General Manager – Finance & Business
Date: 9 August 2021	Document Ref:	D21/33459

OVERVIEW

Purpose

The purpose of this report is to present to the members of the Audit Committee, management report issued by Council Auditor Galpins following their interim audit visit for the 2020/2021 Financial Year that took place from 7 June 2021 to 9 June 2021.

Discussion

During the interim audit, the main focus was on Council's internal financial controls and its effectiveness in order to determine if there were any matters or concerns that would impact the decision making ability of the users of the Council's annual financial report.

Galpins assessed Council's internal controls to ensure compliance with the *Local Government Act 1999* and *Local Government (Financial Management) Regulation 2011* and brought to management attention ten (10) 'Moderate and Low Risk Weaknesses' in internal financial controls. They are;

- 1) Absence of formal contracts for a sample of suppliers;
- 2) Asset Management Plans overdue for review;
- 3) Assets requiring new revaluation to ensure they are revalued with sufficient regularity;
- 4) A list of IT users with access to key finance modules in Authority is not reviewed by Finance Management;
- 5) There are no processes in place to ensure that all manual journal entries are approved;
- 6) Absence of formal review of balance sheet reconciliations;
- 7) Instances of purchases without approved purchase orders;
- 8) A list of adjustments processed for amounts charged to rate payers after the initial rates generation is not independently reviewed;
- 9) Instances of timesheet / leave forms not approved; and
- 10) An instance of purchase of alcohol using a credit card.

Following the interim audit visit, Galpins 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’.

Please refer to the Interim Management Letter contained under **Attachment 1** for the responses provided by the Council management for the ten (10) controls weaknesses identified by Galpins.

The final audit visit is expected to occur from 11 October to 13 October.

RECOMMENDATION

“that Audit Committee, having considered Item 7.5 – Interim Audit 2020/2021 – Management Report, dated 9 August 2021, receives and notes the report.”

Attachments

1. Interim Management Report 2020/2021 issued by Galpins

References

Legislation

Local Government Act 1999

Local Government (Financial Management) Regulation 2011

Council Policies/Plans

Nil

Other

Audit Committee Annual Work Program 2020/2021

Galpins

Accountants, Auditors & Business Consultants

Financial Controls Review

Adelaide Plains Council

2020/21 Interim Management Letter



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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
- Banking
- Credit Cards
- Debtors
- Receipting

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 2020/21 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 satisfactory 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 (55 out of 65 core controls reviewed).

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	2021 Findings			
		2021	H	M	L	BP
Purchasing Procurement/Contracting	7	6	-	1	-	-
Fixed Assets	8	6	-	-	2	-
General Ledger	8	5	-	3	-	-
Accounts Payable	8	7	-	1	-	-
Rates / Rates Rebates	8	7	-	-	1	-
Payroll	11	10	-	-	1	-
Banking	5	5	-	-	-	-
Credit Cards	5	4	-	-	1	-
Debtors	3	3	-	-	-	-
Receipting	2	2	-	-	-	-
Total	65	55	-	5	5	-

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.

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
Purch Procurement/ Contracting	2.1.1 Absence of formal contracts for a sample of suppliers	M
Fixed Assets	2.2.1 Asset Management Plans overdue for review	L
	2.2.2 Assets requiring revaluation to be recorded in 2020/21 to ensure they are revalued with sufficient regularity	L
General Ledger	2.3.1 A list of IT users with access to key finance modules in Authority is not reviewed by Finance Management	M
	2.3.2 There are no processes in place to ensure that all manual journal entries are approved	M
	2.3.3 Absence of formal review of balance sheet reconciliations	M
Accounts Payable	2.4.1. Instances of purchases without approved purchase orders	M
Rates	2.5.1 A list of adjustments processed for amounts charged to rate payers after the initial rates generation is not independently reviewed	L
Payroll	2.6.1 Instances of timesheet / leave forms not approved	L
Banking	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	2.7.1 One instance of purchase of alcohol using a credit card	L
Debtors	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

2. DETAILED AUDIT FINDINGS

2.1 PURCHASE AND PROCUREMENT/CONTRACTING

2.1.1 Absence of formal contracts for a sample of suppliers

Moderate

Control Employees must ensure that all purchases are in accordance with Council’s Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.

Risk Council does not obtain value for money in its purchasing and procurement.

Finding	Recommendations	Management Response															
<p>The Procurement Procedure provides the following guidance on contracting arrangement with suppliers:</p> <table border="1" data-bbox="94 810 945 1129"> <thead> <tr> <th>Amount</th> <th>Method of Procurement</th> <th>Contracting</th> </tr> </thead> <tbody> <tr> <td>Up to \$100,000</td> <td>Panel contracting purchasing</td> <td>Successful supplier should be issued with an appropriate agreement or purchase order.</td> </tr> <tr> <td>Less than \$10,000</td> <td>Informal quotation (not being panel contract purchase)</td> <td>Successful supplier should be issued with a purchase order</td> </tr> <tr> <td>\$10,000 - \$100,000</td> <td>Three written quotes (not being panel contract purchase)</td> <td>Successful supplier should be issued with an appropriate agreement (e.g. Minor Works, Services Agreement, Agreement for Purchase of Goods).</td> </tr> <tr> <td>Over \$100,000</td> <td>Select and open tender</td> <td>A draft agreement should be developed using one of Council’s standard templates.</td> </tr> </tbody> </table> <p>Audit selected a sample of suppliers for review based on cumulative spend. Audit identified the following suppliers with no signed contract in place:</p> <ul style="list-style-type: none"> - Supplier #3111 (2020/21 total cumulative spend \$279,200) Method of Procurement: Open Tender Project: landscaping and toilet facility. - Supplier #2560 (2020/21 total cumulative spend \$90,267) 	Amount	Method of Procurement	Contracting	Up to \$100,000	Panel contracting purchasing	Successful supplier should be issued with an appropriate agreement or purchase order.	Less than \$10,000	Informal quotation (not being panel contract purchase)	Successful supplier should be issued with a purchase order	\$10,000 - \$100,000	Three written quotes (not being panel contract purchase)	Successful supplier should be issued with an appropriate agreement (e.g. Minor Works, Services Agreement, Agreement for Purchase of Goods).	Over \$100,000	Select and open tender	A draft agreement should be developed using one of Council’s standard templates.	<p>Council ensures that there are formal agreements in place with suppliers with significant cumulative spend, and that works are not commenced prior to signing of contracts.</p> <p>Council reviews the procurement Policy / procedures with a view to providing:</p> <ul style="list-style-type: none"> • guidance on the use of purchase orders / entering of contracts for purchases up to \$100,000 procured through panel contracting (including consideration of overarching contracts established when joining the panel to reduce the need for specific contracts for individual services provided thereafter). • further clarity on when contracts must be used, and when purchase orders are sufficient, based on, for example, the value and risk of the procurement as well as the 	<p>A Procurement Awareness Training was conducted by Council’s WHS and Risk Officer and General Manager – Finance and Business to Purchasing staff members on 21 June 2021. The training covered following areas;</p> <ul style="list-style-type: none"> a) Policy b) Procedure c) Templates d) Contract/ Project Management e) Purchase orders f) Work Health Safety <p>In addition. Purchase Order procedure has been updated to provide guidance to staff on when purchase order is required</p>
Amount	Method of Procurement	Contracting															
Up to \$100,000	Panel contracting purchasing	Successful supplier should be issued with an appropriate agreement or purchase order.															
Less than \$10,000	Informal quotation (not being panel contract purchase)	Successful supplier should be issued with a purchase order															
\$10,000 - \$100,000	Three written quotes (not being panel contract purchase)	Successful supplier should be issued with an appropriate agreement (e.g. Minor Works, Services Agreement, Agreement for Purchase of Goods).															
Over \$100,000	Select and open tender	A draft agreement should be developed using one of Council’s standard templates.															

<p>Method of Procurement: Request for Quote (RFQ) Project: tennis/netball courts lighting.</p> <ul style="list-style-type: none"> - Supplier #3511 (2020/21 total cumulative spend \$61,068) Method of Procurement: Request for Quote (RFQ) Project: relocation of kennel and obedience club. - Supplier #3602 (2020/21 total cumulative spend \$46,750) Method of Procurement: Request for Quote (RFQ) Project: electrical services. - Supplier #79 (2020/21 total cumulative spend \$42,288) Method of Procurement: Open Tender Project: supply and delivery of towed combination vibrating roller. <p>Management advised that council did not enter into contracts with these suppliers for the following reasons:</p> <ul style="list-style-type: none"> - Suppliers 3111/3511/2560/79 – there were purchase orders in place - Suppliers 3602 – there was a documented quotation in place. <p>However, the procurement procedure requires Council to enter into an agreement (contract) with the suppliers for the methods of procurement used to select the suppliers listed above.</p> <p>In addition, the procurement procedure does not provide guidance on when to use purchase orders and when to enter a contract for panel contracting involving purchases of up to \$100,000 (current requirement is to issue a purchase order <i>'or'</i> a contract).</p> <p>It is important that Council has a well-defined process to provide clear direction on a contract must be entered, and when a simple purchase order is sufficient to cover all terms and conditions.</p>	<p>nature of the services.</p>	
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2.2 FIXED ASSETS

2.2.1 Asset Management Plans overdue for review		Low
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>The Infrastructure and Asset Management Plan (a combined plan that includes transport, buildings, open space, stormwater, CWMS and stormwater assets) was last adopted in 2017.</p> <p>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.</p> <p>Audit acknowledges that Management is currently running workshops with the elected members to discuss key elements of asset management to incorporate them in the next Infrastructure and Asset Management Plan.</p>	<p>Continue with plans to review and update the Infrastructure and Asset Management Plan.</p>	<p>Council is planning to complete the review of I&AMP by October 2021</p>

2.2.2 Assets requiring new revaluation to ensure they are revalued with sufficient regularity

Low

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>The most recent external revaluation of CWMS assets recorded in Council's asset register and general ledger occurred in the 2015/16 financial year.</p> <p>Accounting standards require assets using the revaluation model to be revalued with sufficient regularity to avoid material misstatement. Common practice in local government is for assets to have a full revaluation every 3-5 years, 5 years being generally accepted as the maximum allowable gap between revaluations.</p> <p>CWMS assets are requiring a revaluation to be recorded during the 2020/21 financial year to be within the 3-5 year revaluation cycle.</p> <p>Audit acknowledges that Tonkin (external valuer) has just performed a revaluation of the CWMS assets and Management intends to record the results of this revaluation in Council's asset register and general ledger during the 2020/21 financial year (to be effective as at 1 July 2020).</p>	<p>Ensure that revaluation of CWMS assets is recorded in Council's register and general ledger in the 2020/21 financial year.</p>	<p>Desktop revaluation of the CWMS assets has been undertaken as of 1 July 2020 and updated valuations will be incorporated in assets revaluations in 2020/20221 Financial Year.</p>

2.3 GENERAL LEDGER

2.3.1 A list of IT users with access to key finance modules in Authority is not reviewed by Finance Management.		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>A list of IT users with access to key finance modules in Authority system is not reviewed by Finance Management on a regular basis.</p> <p>Our review of a list of users with access to selected key finance modules in the Authority system identified the following access rights (which Management may consider as being excessive):</p> <ul style="list-style-type: none"> - Accounts Payable (Data Entry/Maintenance/Periodic Processing/Processing): CIVICA PTY, KLCLARKE, SDMURPHY, RIUDUGAMPOLA, TAHARRIS-HOWSON, ITADMINISTRATOR, APCDEVELOPMENTACCOUNT and CBOWDEN - Accounts Receivable (Data Entry/ Endofperiod/ Maintenance/ Processing): CIVICA PTY, PBUCHMANN, DSTARR, RIUDUGAMPOLA, TAHARRIS-HOWSON, ITADMINISTRATOR, APCDEVELOPMENTACCOUNT and CBOWDEN - General Ledger (Data Entry/ Maintenance / Periodic Processing/ Processing): CIVICA PTY, KLCLARKE, KMCWATERS, PBUCHMANN, DSTARR, AFUSS, SDMURPHY, RIUDUGAMPOLA, TAHARRIS-HOWSON, IT ADMINISTRATOR, 	<p>Finance Management performs a formal review of a list of users with access to key finance modules in Authority to ensure adequate segregation of duties in the finance system.</p> <p>This can be achieved by requesting the IT department to produce individual lists of users with access to Accounts Payable, Accounts Receivable, General Ledger, Payroll and Rates and formally review these lists on a regular basis (e.g. annually, and following significant staffing or system changes).</p>	<p>A review of user access to finance modules has been completed recently to ensure access is in line with job responsibilities of the staff</p>

<p>APC DEVELOPMENT ACCOUNT and CBOWDEN</p> <ul style="list-style-type: none"> - Payroll (Codes Maintenance/ Data Entry/ Maintenance/ Monthly Processing/ Periodic Processing/ Processing): CIVICA PTY, KLCLARKE, KMCWATERS, AFUSS, SDMURPHY, RIUDUGAMPOLA, TAHARRIS-HOWSON, ITADMINISTRATOR, APCDEVELOPMENTACCOUNT, NEDMONS and CBOWDEN - Rates (Data Entry and Maintenance / Direct Debits/ EOY Rates Calculation/ End of Month/ Modelling/ Parameters/ Pensioners/ Revaluations/ Supplementaries): CIVICA PTY, KLCLARKE, PBUCHMANN, DSTARR, SDMURPHY, RIUDUGAMPOLA, TAHARRIS-HOWSON, ITADMINISTRATOR, APCDEVELOPMENTACCOUNT and CBOWDEN <p>Audit acknowledges that Management may consider some of the above access rights to be appropriate. The purpose of listing them is to recommend that Management considers the extent of the access rights shown above when performing a formal review of a list user with access to finance functions in Authority.</p>		
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2.3.2 There are no processes in place to ensure that all manual journal entries are approved

Moderate

Control	Access to General Ledger maintenance is restricted to appropriately authorised personnel.
Risk	General ledger does not contain accurate financial information.

Finding	Recommendations	Management Response
<p>Audit noted that there are no processes in place to ensure that manual journal entries are approved.</p> <p>Currently, manual journal entries are processed by the General Manager due to the lack of resources in the finance department (i.e. absence of a finance manager). Council is currently recruiting a finance manager.</p> <p>Council is considering (as a temporary control) to engage an independent member of the Audit Committee to review the manual journal entries posted by the General Manager.</p>	<p>A process is implemented to ensure all manual journal entries are approved by a delegated authority.</p> <p>In addition, it is recommended that a review of a register of manual journal entries (generated electronically by the system) is performed on a regular basis to ensure that journals are valid and accurate.</p>	<p>Council management is currently working with an independent member of the Audit Committee to develop a process to review journal entries processed by General Manager – Finance and Business.</p> <p>In addition, Finance Support Officer will also be trained to process journal entries under the supervision of General Manager – Finance and Business.</p>

2.3.3 Absence of formal review of balance sheet reconciliations

Moderate

Control	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.
Risk	General ledger does not contain accurate financial information.

Finding	Recommendations	Management Response
<p>Due to the lack of finance resources (as discussed in finding 2.3.2), most balance sheet reconciliations have been performed by the general manager and not independently reviewed.</p> <p>Audit acknowledges that the reconciliations performed by the rates officer are independently reviewed by the general manager.</p>	<p>Ensure that balance sheet reconciliations are reviewed by a person other than the preparer at least annually. More frequent independent review is recommended for key accounts and higher risk accounts, including but not limited to bank and suspense accounts.</p>	<p>From July 2021 reconciliation onwards, Finance Support Officer will take over monthly balance sheet accounts reconciliation from General Manager – Finance and Business</p>

2.4 ACCOUNTS PAYABLE

2.4.1. Instances of purchases without approved purchase orders

Moderate

Control

Employees must ensure all purchase orders are approved in accordance with the Delegation of Authority and relevant policies.

Risk

Purchase orders are either recorded inaccurately or not recorded at all.

Finding

Audit selected a sample of purchases to test the effectiveness of internal controls related to purchasing. Audit found the following instances of purchases without approved purchase orders.

Supplier	Invoice	Amount	Services
2982	18122	\$2,768.00	Legal fees
3179	133064	\$3,508.69	Labor hire
3179	133287	\$3,577.95	Labor hire
3382	0720AP	\$30,450.92	Waste management
3382	1120APD	\$25,444.48	Waste management

Management advised that the purchases listed above did not require a PO because they are related to services that are usually exempted from POs (e.g. legal fees, labor hire, waste management).

The procurement policy, procurement procedure and purchase order procedure do not provide a list of services exempted from purchase orders.

Recommendations

Update the procurement policy or purchase order procedure to include details of instances where a purchase is exempted from requiring a purchase order.

Management Response

Purchase Order procedure has been updated to list of services exempted from purchase orders.

2.5 RATES

2.5.1 A list of adjustments processed for amounts charged to rate payers after the initial rates generation is not independently reviewed		Low
Control	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.	
Risk	The property master file data does not remain pertinent.	

Finding	Recommendations	Management Response
<p>A list containing all the adjustments processed for amounts charged to rate payers (e.g. rebates, objections, etc) <u>after the initial rates generation</u> (or a list of changes to the property Masterfile) is not independently reviewed.</p> <p>Audit acknowledges that Management has developed a report that will capture all rates adjustments occurred during the entire financial year (commencing from the 2021/22 financial year). This report will be maintained on file by the rates officer and will be reviewed by the General Manager – Finance and Business on a regular basis.</p>	<p>A list of all adjustments processed for amounts charged to rate payers (e.g. rebates, objections, adjustments, etc) <u>after the initial rates generation</u> (or alternatively, a list of changes to the property Masterfile) is formally independently reviewed.</p> <p>Note: This does not need to be a review of a hard copy of the list of all adjustments. This review can be achieved by filing the list containing the adjustments and electronically reviewing the document in Content Manager.</p>	<p>Authority system doesn't have a reporting functions for rates adjustments.</p> <p>Therefore, for 2021/2022 Financial Year, management has developed an Excel spreadsheet to capture all rates adjustments which is maintained by the Rates Officer and reviewed by General Manager – Finance and Business.</p> <p>This spreadsheet is attached for your information</p>

2.6 PAYROLL

2.6.1 Instances of timesheet / leave forms not approved

Low

Control

Relevant staff are required to complete timesheets and/or leave forms, authorize them and have them approved by the relevant supervisor.

Risk

Time and/or attendance is either invalid, inaccurately recorded or not recorded at all

Finding	Recommendations	Management Response
<p>Audit selected a sample of 14 payroll payment transactions. Whilst we concluded that overall controls were operating effectively, we observed the following exceptions:</p> <ul style="list-style-type: none"> - one instance where the employee was paid but the timesheet was not approved by the supervisor - one instance where the employee took leave without a signed leave request form - one instance where the employee took sick leave without a signed leave request form. 	<p>Payroll staff monitor compliance with requirements to sign timesheets and leave forms, and follow up non-compliances with the relevant manager / staff member.</p>	<p>The instances given are isolated incidents and Payroll/Accounts Officer has been instructed to ensure all timesheets and leave forms are properly approved.</p> <p>From the pay period starting 13 July 2021, Council has implemented online timesheets and leave forms for inside staff. This system prevents processing unapproved timesheets and leave forms.</p> <p>Next stage is to introduce online timesheets and leave forms for outside staff. However, this is depending on the availability of relevant software updates.</p>

2.7 CREDIT CARDS

2.7.1 An instance of purchase of alcohol using a credit card		Low
Control	There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	
Risk	Credit Cards are used for purchases of a personal nature.	

Finding	Recommendations	Management Response
<p>Audit selected a sample of credit card statements and credit card transactions for three card holders and for two different months.</p> <p>We noted one instance of purchase of alcohol (invoice of \$177.78 from DAN MURPHYS for Christmas party).</p> <p>The Credit Card policy does not provide any guidance on purchases involving sensitive expenses such as alcohol.</p> <p>Recent credit card audits performed by the South Australian Auditor-General (Examination of Credit Card Use and Management for a number of Council in SA – March 2020) indicated that purchase of alcohol is not a proper use of public money (including refreshments for celebratory events).</p>	<p>We recommend Council reviews and updates the credit card policy to explicitly address which sensitive expenses Council believes are appropriate to be purchased on credit cards (and under what circumstances), and which are not.</p> <p>Examples of sensitive expenses include:</p> <ul style="list-style-type: none"> - Entertainment - Gifts / gift cards - Alcohol - Refreshment for celebratory events - Meals - Travel - Fines and penalties - Recognition of performance - Christmas and year end functions 	<p>Management is aware of the need to incorporate appropriate spending into a policy and a framework is being developed.</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	Purchase orders are either recorded inaccurately or not recorded at all.
R3	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	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	Core
R3	Purchase order numbers are either system generated and/or sequentially numbered.	Core
R3 R2	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

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	Council maintains a current contract register.	Core
R2	Tender Documents are kept securely.	Core
R1	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

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	Fixed assets are inadequately safeguarded.
R3	Fixed Assets are not valued correctly initially or on subsequent revaluation.
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	All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies.	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
R1	Asset register calculations are reviewed for accuracy.	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
R1	Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties.	Core
R1	Reconciliation of fixed assets to the General Ledger is performed in accordance with schedule of review or procedure.	Core
R3	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	Core
R1	There is a process in place for the verification of fixed assets which is reconciled to the FAR.	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	Access to General Ledger maintenance is restricted to appropriately authorised personnel.	Core
R1	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.	Core
R1	All journals, including manual entries, identify date posted, narration, author, journal and posting reference.	Core
R1 R2	Financial data is backed up and stored offsite.	Core
R1 R2	General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff.	Core
R1	Journal entry access is restricted to appropriately authorised personnel.	Core
R1	Reconciliation of all balance sheet accounts is completed in accordance with a schedule of review and/or procedure.	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
R5	Access to the supplier masterfile is restricted to authorised staff	Core
R3	All invoices and payment requests are approved in accordance with relevant policies and/or Delegations of Authority.	Core
R1	Payments are endorsed by relevant staff separate to the preparer, who ensures that they are paid to the correct payee.	Core
R1	Payments are verified to appropriate supporting documentation and are in line with Delegations of Authority.	Core
R5	Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately.	Core
R4	Relevant staff to review aged payables listing on a predetermined basis and investigate where appropriate.	Core
R5	Requested changes or additions to supplier masterfile are verified independently of source documentation.	Core
R2	Separation of Accounts Payable and Procurement duties.	Core

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
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	All rate rebates and adjustments including write offs are appropriately authorised, with reference to Delegations of Authority and source documents.	Core
R2	Annual valuation update is balanced prior to the generation of rates; all mismatches resolved prior to finalising rate generation.	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
R4	There is a Process in place to ensure that rates are collected in a timely manner and overdue rates are followed up.	Core
R1	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	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

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
R5	All calculations for generating payroll payments are verified for accuracy.	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
R3	Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the relevant supervisor.	Core
R4	The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised staff.	Core
R2	The payment for the payroll must be reconciled to a system generated report detailing amount and employee prior to payment.	Core
R1 R3	There is a process in place to ensure accurate data entry of payroll 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
R1 R3	There is a process to ensure all overtime is verified and approved by relevant appropriate staff.	Core
R2 R6	There is a process to ensure an independent review of proposed payroll payments by authorised staff.	Additional
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
R3	Time recording and attendance exceptions such as TOIL or flexitime are based on relevant policies/agreement are identified, monitored and corrected.	Core

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	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
R2	There is a process in place to ensure all cash, blank cheques and/or cheque signing machine are adequately safeguarded.	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
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.	Core
R1	Credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released.	Core
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.	Core
R3	There is a process in place to ensure credit card limits and usage is reviewed for operational efficiency.	Core
R1 R3	There is a process in place to ensure there are appropriate approvals prior to the issuing of Credit Cards and limits.	Core

DEBTORS

Risks

R1	Debtors are either inaccurately recorded or not recorded at all.
R2	Debtors are either not collected on a timely basis or not collected at all.


RISKS	Control	Control Type
R1	Debtor's reconciliation is performed on a regular basis to the General Ledger and reviewed by an appropriate person.	Core
R2	Relevant staff reviews debtors ageing profile on a regular basis and investigates any outstanding items, and considers provisions for doubtful debts.	Core
R1	The organisation maintains a Debt Collection Policy and/or procedure.	Core

RECEIPTING

Risks

R1	Receipts are either inaccurately recorded or not recorded at all.
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RISKS	Control	Control Type
R1	Receipt transactions are reconciled to the daily takings and out-of-balance banking is corrected promptly.	Core
R1	There is a review process for the authorisation of the reversal of transactions.	Additional

 Adelaide Plains Council	7.6	Assets Valuations
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 9 August 2021	Document Ref:	D21/33899

OVERVIEW

Purpose

The purpose of this report is to provide information to the Audit Committee on valuations of Council’s Property, Plant and Infrastructure Assets during 2020/2021 Financial Year.

Background

Following the conclusion of 2019/2020 audit, Council’s Auditor Bentleys raised concerns over the assets revaluation as a significant financial statement issue. Please refer to **Attachment 1** for more details.

At the Audit Committee meeting held on 16 November 2020, Audit Committee resolved as follows.

6.2 Committee Resolution

Moved Mr Fairlie-Jones

Seconded Councillor Panella

2020/ 051

“that the Audit Committee requests the Chief Executive Officer to bring back a report to the next meeting in regards to internal auditing and in particular the issue of assurance in relation to asset valuations.”

CARRIED

Discussion

CWMS Assets Valuation

Council’s assets consultant Tonkin has recently undertaken a desktop revaluation of Council’s CWMS assets stored in Conquest asset register. The register was initially setup by Council staff in Conquest in late 2016 using data Council had for the CWMS system based on a 1 July 2015 valuation.

The consumption of Adelaide Plains CWMS assets is currently age based. Tonkin has increased the unit rates by the Building Price Index (BPI) between 1 July 2020 and the previous 1 July 2015 valuation or from the date of construction for assets added through the capital works process. The BPI increase

applied is sourced from the Rawlinsons Australian Handbook. Rawlinsons is an industry recognised publication that provides indices and costs for a range of Civil and Building assets.

Tonkin has determined that the reporting from the asset register as updated in Conquest as part of 1 July 2020 desktop revaluation has significantly improved the prediction of the current value of Councils CWMS assets.

Stormwater Assets Valuation

The consumption of stormwater assets is currently age based and the last valuation was done as of 1 July 2018. A desktop revaluation of the Stormwater assets has been undertaken by Tonkin as of 1 July 2020 with the next aged based condition assessment is to take place in in 2023/2024 Financial Year.

Road, Kerbing and Footpath Assets Valuation

Council conducted a condition assessment of sealed roads, kerb and footpath assets as part of the 2018/2019 valuation. A condition assessment of unsealed roads were done in 2016/2017 and 2018/2019 and all information collected reflects an appropriate remaining life based on asset condition following a physical inspection of those assets by Council staff.

A desktop revaluation of road, kerbing and footpath assets using rates from Rawlinsons Australian Construction Handbook has been completed for 2020/2021 Financial Year by Tonkin Consulting.

Land, Buildings and Site Improvements Assets Valuation

Land, Buildings and Site Improvements assets were last revalued and condition assessed as of 1 July 2019 by AssetVal Pty Ltd. In 2020/2021, a BPI of 2.51% will be applied as part of annual desktop revaluation of those assets.

Table 1: Assets Revaluation Schedule

Asset Class	Asset Elements	Revaluation History	Yr1 2021/22	Yr2 2022/23	Yr3 2023/24	Yr4 2024/25	Yr5 2025/26
Buildings	Structures & Land	Full - 19/20	Interim	Interim	Interim	Full	Interim
Open Space	Site Improvements	Full - 19/20	Interim	Interim	Interim	Full	Interim
Transport	Roads	Full - 18/19	Interim	Interim	Full	Interim	Interim
Transport	Carpark & Traffic Devices	Full - 18/19	Interim	Interim	Full	Interim	Interim
Transport	Kerbing, Channel, Spoon Drains, Pram Ramps, Footpaths	Full - 18/19	Interim	Interim	Full	Interim	Interim
Transport	Bridges	Full - 19/20	Interim	Interim	Interim	Full	Interim
Stormwater		Full - 18/19	Interim	Interim	Full	Interim	Interim
CWMS		Full - 15/16	Full	Interim	Interim	Interim	Interim

Bridge Asset Valuation

Bridge assets were last revalued and condition assessed as of 1 July 2019 by AssetVal Pty Ltd. In 2020/2021, a BPI of 2.51% will be applied as part of annual desktop revaluation of those assets.

Below table shows the summary of assets revaluation history and the future revaluation program. Comprehensive assets revaluation (aged/condition based) is carried out every five (5) as per Council's Fixed Assets Accounting Policy. In between full revaluations, desktop review of unit rates will be carried out annually.

RECOMMENDATION

“that the Audit Committee, having considered Item 7.6 – *Assets Valuations*, dated 9 August 2021, receives and notes the report.”

Attachments

1. An extract from Report on Audit Findings 30 June 2020

References

Legislation

Not Applicable

Council Policies/Plans

Fixed Assets Accounting Policy

Infrastructure and Assets Management Plans

Financial statement matters for the year

Issue

Asset revaluations

Observation

1. Road Pavement

Road Pavement asset was revalued down by \$9.5M during the financial year. This has translated into a 15% decrease in Written Down Value (WDV).

The significant decrease in WDV of Road Pavement asset results from following reasons:

- The 1 July 2017 valuation by Tonkin Consulting incorrectly measured the road assets, i.e. the pavement asset held in the asset register was larger than the seal width, causing an issue of over estimating asset dimension and therefore, the assets' value.
- Accumulated depreciation of road pavement increased by 69% from \$7.3M to \$12.3M during this financial year.
- A change in depreciation assumption that Road Pavement asset is now depreciated by condition rather age as per the 1 July 2017 valuation.

2. Community Buildings

Community Buildings asset was revalued down by \$2.4M during the financial year, which is a 35% decrease in WDV. Fair value of the asset reduced from \$17M to \$11.6M and accumulated depreciation decreased from \$9.9M to \$7.1M.

The significant decrease results from following reasons:

- Comparison between current and previous (1 July 2015) valuation by Asset Val indicates that replacement costs that were considered in previous valuation were at the top end of the acceptable range whereas replacement costs in the current valuation have been adjusted down within the acceptable value range.
- This adjustment in turn has reduced both the depreciation values and insurance values used in the revaluation model as they both calculate from the adjusted replacement costs.

Overall, offset by asset revaluation increments in other asset classes, asset revaluation reserve decreased by \$7.7M during the financial year.

Significance

Measurement is a determinant factor in the revaluation model. In the revaluation process, an asset is carried at its revalued amount when its fair value can be reliably measured.

Condition assessment of assets assists the Council in determining whether the Council appropriately depreciates the asset at a rate where the asset condition can be reflected on actual level of service Council has delivered.



Financial statement matters for the year

A significant movement in accumulated depreciation beyond annual depreciation and significant fluctuation of asset revaluation reserve indicate the useful life is not as long as originally estimated, or their consumption is greater than anticipated.

Where estimates on useful lives, consumption or measurement is inaccurate, assets may be over/under-depreciated, causing an impact on the operating surplus every year from the date of revaluation until the next revaluation, which in turn impacts long term budgeting documents and ultimately rates that are charged to residents.

The impact on road assets this year are:

- The overstatement in road dimension causing a \$3.4M increase in gross asset value (fair value) would likely increase the annual depreciation relating to road assets.
- The incorrect useful life allocated to the assets formerly (excessively long lives) would decrease the depreciation allocated each financial year.
- Overall, the net impact in our opinion is an under depreciation of road assets over the past 2 years (1/7/2017 to 1/7/2019).

The impact on the Community buildings this year are:

- The basis for valuation used in 2015 used the higher range of valuation driver (i.e. construction evidence) per the valuer's report. In 2020 (applied 1/7/2019) the valuer used an "acceptable" range, which implies it is lower, thereby causing an overall decrease in the asset class valuation by \$2.4M.


Recommendation

We recommend that the Council consider and factor into valuation results when reviewing Long Term Financial Plan, Infrastructure & Asset Management Plan and Strategy Management Plan.

Management response

Review of Council's Strategic Management Plan is to commence in November. Once the Strategic Management Plan is adopted, Council will commence the review of Long Term Financial Plan and Infrastructure & Asset Management Plan. As recommended, Council will consider the information from recent assets revaluations and condition assessments when reviewing Council's strategic documents.




 <p data-bbox="437 250 628 376">Adelaide Plains Council</p>	<p data-bbox="805 250 1114 286">8.1 Confidential Item</p>
<p data-bbox="707 454 916 490">9 August 2021</p>	

8.1 Crown Land, Two Wells – August 2021 Audit Committee Update

RECOMMENDATION

“that:

- 1. Pursuant to section 90(2) of the Local Government Act 1999, the Audit Committee orders that all members of the public, except Chief Executive Officer, Acting General Manager – Governance and Executive Office, General Manager – Finance and Business, and Executive Support Officer/Minute Taker and Information Technology Support Officer be excluded from attendance at the meeting of the Audit Committee for Agenda Item 8.1 – *Crown Land, Two Wells – August 2021 Audit Committee Update*;**
- 2. The Audit Committee is satisfied that pursuant to section 90(3)(b) of the Local Government Act 1999, Item 8.1 – *Crown Land, Two Wells – August 2021 Audit Committee Update* concerns commercial information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting business, or to prejudice the commercial position of Council, being a verbal briefing by the Chief Executive Officer in relation to ongoing negotiations regarding Crown Land at Two Wells;**
- 3. The Audit Committee is satisfied that the principle that Audit Committee meetings should be conducted in a place open to the public has been outweighed by the need to keep the information, matter and discussion confidential.”**

 <p data-bbox="437 250 628 376">Adelaide Plains Council</p>	<p data-bbox="807 250 1114 286">8.2 Confidential Item</p>
<p data-bbox="708 456 916 492">9 August 2021</p>	

8.2 Gawler River Floodplain Management Authority – Chief Executive Officer Update

RECOMMENDATION

“that:

- 1. Pursuant to section 90(2) of the Local Government Act 1999, the Audit Committee orders that all members of the public, except Chief Executive Officer, Acting General Manager – Governance and Executive Office, General Manager – Finance and Business, General Manager – Infrastructure and Environment, General Manager – Development and Community, Administration and Executive Support Officer/Minute Taker and Information Technology Support Officer be excluded from attendance at the meeting of the Audit Committee for Agenda Item 8.2 – *Gawler River Floodplain Management Authority – Chief Executive Officer Update*.**
- 2. The Audit Committee is satisfied that pursuant to section 90(3)(b) of the Local Government Act 1999, Item 8.2 – *Gawler River Floodplain Management Authority – Chief Executive Officer Update* concerns commercial information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting business, or to prejudice the commercial position of Council, being information relating to the Gawler River Floodplain Management Authority and would, on balance, be contrary to the public interest; and**
- 3. The Audit Committee is satisfied that the principle that Audit Committee meetings should be conducted in a place open to the public has been outweighed by the need to keep the information, matter and discussion confidential.”**