

# 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 in

**Council Chamber  
Redbanks Road  
Mallala**

on

**Monday 8 August 2022 at 4.30pm**

A handwritten signature in black ink, appearing to read 'James Miller', is positioned above the printed name.

James Miller  
**CHIEF EXECUTIVE OFFICER**

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4.30pm Monday 7 November 2022	
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**2. Confirmation of Minutes**

**Monday 8 August 2022**

- 2.1 “that the minutes of the Audit Committee Meeting held on Monday 6 June 2022 (MB Folios 214 to 219, inclusive), be accepted as read and confirmed.”
- 2.2 “that the minutes of the Special Audit Committee Meeting held on Tuesday 19 July 2022 (MB Folios 220 to 224, 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 IN

**Council Chamber  
Redbanks Road, Mallala**

on

**Monday 6 June 2022 at 4.30pm**

The Chairperson formally declared the meeting open at 4.30pm and acknowledged the traditional custodians of the land of which the meeting is taking place.

## 1. ATTENDANCE AND WELCOME

### 1.1 Present

Mr Alan Rushbrook (Chairperson)

Mr Peter Fairlie-Jones

Mayor Mark Wasley

Deputy Mayor Marcus Strudwicke

#### Also in Attendance:

Chief Executive Officer

General Manager – Finance and Business

General Manager – Governance and Executive Office

General Manager – Development and Community

General Manager – Infrastructure and Environment

Manager Governance and Administration

Administration and Executive Support Officer/Minute Taker

Information Technology Support Officer

Mr James Miller

Mr Rajith Udugampola

Ms Sheree Schenk

Mr Darren Starr

Mr Thomas Jones

Ms Alyssa Denicola

Ms Stacie Shrubsole

Mr Sean Murphy

### 1.2 Apology:

Councillor Margherita Panella

**2. CONFIRMATION OF MINUTES**

2.1 Confirmation of Minutes – Meeting held 11 April 2022

**Committee Resolution**Moved Mr Fairlie-Jones Seconded Deputy Mayor Strudwicke **2022/ 029****“that the minutes of the Audit Committee Meeting held on Monday 11 April 2022 (MB Folios 207 to 213, inclusive), be accepted as read and confirmed.”****CARRIED UNANIMOUSLY****3. BUSINESS ARISING**

Nil

**4. DECLARATION OF MEMBERS’ INTERESTS**

Nil

**5. ADJOURNED BUSINESS**

Nil

**6. REPORTS FOR DECISION**

6.1 Draft 2022/2023 Annual Business Plan and Budget

**Committee Resolution**Moved Mayor Wasley Seconded Deputy Mayor Strudwicke **2022/ 030****“that the Audit Committee, having considered Item 6.1 – *Draft 2022/2023 Annual Business Plan and Budget*, dated 6 June 2022, receives and notes the report and in doing so recommends to Council that the following items be considered when finalising the 2022/2023 Annual Business Plan and Budget:-**

- 1. Updated final valuation reports from the Valuer General;**
- 2. The most appropriate level of rates income, noting the recent and significant inflationary increases in the costs of goods and services; and**
- 3. That rates income attributed to development growth be treated as additional income when calculating the rate in the dollar.”**

**CARRIED UNANIMOUSLY**

## 6.2 Policy Review – Prudential Management Policy

**Committee Resolution**

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones **2022/ 031**

**“that Audit Committee, having considered Item 6.2 – Review of Prudential Management Policy, dated 6 June 2022, receives and notes the report and in doing so recommends to the Council that it adopt the Prudential Management Policy as presented in Attachment 1.”**

**CARRIED UNANIMOUSLY**

## 6.3 Policy Review – Fixed Assets Accounting Policy

**Committee Resolution**

Moved Mr Fairlie-Jones Seconded Mayor Wasley **2022/ 032**

**“that Audit Committee, having considered Item 6.3 – Policy Review – Fixed Assets Accounting Policy, dated 6 June 2022, receives and notes the report and in doing so recommends to Council that it adopt the Fixed Assets Accounting Policy as presented in Attachment 1.”**

**CARRIED**

## 6.4 Update on Audit Committee Annual Work Program 2021/2022

**Committee Resolution**

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones **2022/ 033**

**“that the Audit Committee, having considered Item 6.4 – Update on Audit Committee Annual Work Program 2021/2022, dated 6 June 2022, receives and notes the report and in doing so:**

- 1. Recommends to the Council that the Council acknowledges the progress made to complete the activities identified for Audit Committee during 2021/2022 Financial Year and**
- 2. Requests that the Committee be provided with an update on the management of cyber security risks to Council.”**

**CARRIED UNANIMOUSLY**

**7. REPORTS FOR INFORMATION**

## 7.1 Committee Resolutions

**Committee Resolution**

Moved Mayor Wasley Seconded Mr Fairlie-Jones **2022/ 034**

**“that the Audit Committee, having considered Item 7.1 – Committee Resolutions, dated 6 June 2022, receives and notes the report.”**

**CARRIED UNANIMOUSLY**

**8. CONFIDENTIAL ITEMS****8.1 Crown Land, Two Wells – June 2022 Audit Committee Update****Committee Resolution**

Moved Mayor Wasley

Seconded

Deputy Mayor Strudwicke

**2022/ 035****“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, General Manager – Finance and Business, General Manager – Development and Community, General Manager – Infrastructure and Environment, Manager Governance and Administration, 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 8.1 – *Crown Land, Two Wells – June 2022 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 – June 2022 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 information relating to ongoing negotiations regarding Crown Land at Two Wells 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.”**

**CARRIED**



8.1 Committee Resolution

Moved Deputy Mayor

Seconded Mayor

2022/ 037

“that the Audit Committee, having considered the matter of Item 8.1 – *Crown Land, Two Wells – June 2022 Audit Committee Update* in confidence under sections 90(2) and 90(3)(b) of the *Local Government Act 1999*, resolves that:

1. The report and minutes pertaining to Item 8.1 – *Crown Land, Two Wells – June 2022 Audit Committee Update* remain confidential and not available for public inspection until further order of the Council except such disclosure as the Chief Executive Officer determines necessary or appropriate for the purpose of furthering the discussions or actions contemplated;
2. Pursuant to section 91(9)(a) of the *Local Government Act 1999*, the confidentiality of the matter will be reviewed every 12 months; and
3. Pursuant to section 91(9)(c) of the *Local Government Act 1999*, the Committee delegates the power to revoke this confidentiality order to the Chief Executive Officer.”

CARRIED UNANIMOUSLY

9. GENERAL BUSINESS

Nil

10. NEXT MEETING

Monday 8 August 2022 at 4.30pm.

11. CLOSURE

There being no further business, the Chairperson declared the meeting closed at 5.51pm.

Confirmed as a true record.

Chairperson:.....

Date: \_\_\_/\_\_\_/\_\_\_

# MINUTES

of the

## Special Meeting of the Audit Committee



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

HELD IN

**Council Chamber  
Redbanks Road, Mallala**

on

**Tuesday 19 July 2022 at 4.30pm**

The Chairperson formally declared the meeting open at 4.31pm.

**1. ATTENDANCE RECORD**

**1.1 Present**

Mr Alan Rushbrook (Chairperson)

Mr Peter Fairlie-Jones

Mayor Mark Wasley

Deputy Mayor Marcus Strudwicke

**Also in Attendance:**

Chief Executive Officer

Mr James Miller

General Manager – Finance and Business

Mr Rajith Udugampola

General Manager – Governance and Executive Office

Ms Sheree Schenk

General Manager – Development and Community

Mr Darren Starr

General Manager – Infrastructure and Environment

Mr Thomas Jones

Manager Governance and Administration

Ms Alyssa Denicola

Administration and Executive Support Officer/Minute Taker

Ms Stacie Shrubsole

Director, BRM Advisory

Mr Mark Booth

Managing Director, Powell & Co Pty Ltd

Mr David Powell

Chair, Norman Waterhouse Lawyers

Mr Sean Keenihan

Principal, Alinea Group

Mr Ben Koop

**1.2 Apology:**

Councillor Margherita Panella

**2. BUSINESS ARISING**

Nil

**3. DECLARATION OF MEMBERS' INTERESTS**

Nil

**4. ADJOURNED BUSINESS**

Nil

**5. REPORTS FOR DECISION**

Nil

**6. REPORTS FOR INFORMATION**

Nil

**7. CONFIDENTIAL ITEMS**

7.1 Crown Land, Two Wells – July 2022 Audit Committee Update

**Committee Resolution**Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones **2022/ 038**

“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, General Manager – Governance and Executive Office, General Manager – Finance and Business, General Manager – Development and Community, Manager Governance and Administration, Administration and Executive Support Officer/Minute Taker, Mr Mark Booth of BRM Advisory, Mr Sean Keenihan of Norman Waterhouse Lawyers, Mr Ben Koop of Alinea Group and Mr David Powell of Powell & Co Pty Ltd be excluded from attendance at the meeting of the Audit Committee for Agenda Item 7.1 – *Crown Land, Two Wells – July 2022 Audit Committee Update*;
2. The Audit Committee is satisfied that pursuant to section 90(3)(b) and 90(3)(h) of the *Local Government Act 1999*, Item 7.1 – *Crown Land, Two Wells – July 2022 Audit Committee Update* concerns:
  - a. 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 ongoing negotiations and would on balance be contrary to the public interest; and
  - b. legal advice, being a verbal briefing by Mr Sean Keenihan, Chair, Norman Waterhouse Lawyers in relation to the matter of Crown Land at Two Wells; 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.”

**CARRIED**

## 7.1 Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mayor Wasley **2022/ 040**

**“that the Committee, having considered the matter of Item 7.1 – *Crown Land, Two Wells – July 2022 Audit Committee Update* in confidence under sections 90(2), 90(3)(b) and 90(3)(h) of the *Local Government Act 1999*, resolves that:**

- 1. The report, minutes, Attachment 1 and Attachment 2 pertaining to Item 7.1 – *Crown Land, Two Wells – July 2022 Audit Committee Update* remain confidential and not available for public inspection until further order of the Council except such disclosure as the Chief Executive Officer determines necessary or appropriate for the purpose of furthering the discussions or actions contemplated;**
- 2. Pursuant to section 91(9)(a) of the *Local Government Act 1999*, the confidentiality of the matter will be reviewed every 12 months; and**
- 3. Pursuant to section 91(9)(c) of the *Local Government Act 1999*, the Committee delegates the power to revoke this confidentiality order to the Chief Executive Officer.”**

**CARRIED**

## 8. GENERAL BUSINESS

Nil

**9. NEXT MEETING**

Monday 8 August at 4.30pm.

**10. CLOSURE**


There being no further business, the Chairperson declared the meeting closed at 6.38pm.

Confirmed as a true record.

Chairperson:.....

Date: \_\_\_/\_\_\_/\_\_\_

Subject to Confirmation

 <b>Adelaide Plains Council</b>	<b>6.1</b>	<b>Draft Annual Work Program 2022/2023</b>
	<b>Department:</b>	<b>Finance and Business</b>
	<b>Report Author:</b>	<b>General Manager – Finance and Business</b>
<b>Date: 8 August 2022</b>	<b>Document Ref:</b>	<b>D22/32109</b>

## **EXECUTIVE SUMMARY**

- The purpose of the report is to provide the Audit Committee with the Draft Work Program for the year ended 30 June 2023 for review and comment by the members before being implemented by the Council management during 2022/2023 Financial Year.
- 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 6.1 – *Draft Annual Work Program 2022/2023*, dated 8 August 2022, receives and notes the report and in doing so adopts Draft 2022/2023 Audit Committee Work Program as presented at Attachment 1 to this Report.”**

## **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 of mitigation strategies by the Council.

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## **Attachments**

1. Draft Annual Work Program 2022/2023

## **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 2023 for review and comment by the members before being implemented by the staff during 2022/2023 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 2022/2023 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 2022/2023 Financial Year.



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## **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 2022/2023

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"> <li>▪ Annual Business Plan;</li> <li>▪ Annual Financial Statements;</li> </ul>	April & June 2023  November 2022 and August 2023			
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"> <li>▪ Review of Strategic Management Plan 2020-2024 for consistency with Council’s long-term financial plan and annual business plan;</li> <li>▪ Review of Long Term Financial Plan for consistency with its infrastructure and asset management plan (I&amp;AMP);</li> <li>▪ soundness of the I&amp;AMP; e.g. Is it supported by engineering and other professional assessments regarding the condition of Council’s infrastructure assets;</li> <li>▪ likely impact on Council’s ongoing financial sustainability of implementation of its suite of strategic management plans;</li> </ul>	November 2022  February 2023			

## Draft Audit Committee Annual Work Program 2022/2023

<ul style="list-style-type: none"> <li>▪ appropriateness of the indicators (financial and other) to measure achievements of the strategic plan and annual business plan.</li> <li>▪ Review of draft Annual Business Plan and Budget before it is released for public consultation</li> </ul>	April 2023			
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"> <li>▪ discuss any points of concern raised by the External Auditor in their interim audit;</li> <li>▪ assess the appropriateness of the Council’s response to matters raised in the interim audit;</li> <li>▪ discuss any qualifications raised in the most recent audit or comments made in the accompanying management letter;</li> <li>▪ assess the appropriateness of the Council’s response to matters so raised.</li> </ul>	November 2022  November 2022  November 2022  November 2022			
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	Ongoing			

## Draft Audit Committee Annual Work Program 2022/2023


any services to the Council outside the scope of the auditor's functions under the Local Government Act.				
5. Internal Controls and Risk Management Systems (LGA – Section 126(4)(c))				
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: <ul style="list-style-type: none"> <li>▪ consider the range of documented internal control policies and procedures; and</li> <li>▪ whether they are being followed.</li> <li>▪ regular self-assessment of internal financial controls</li> </ul>	November 2022			
	November 2022			
5.2 Review Business Continuity & Emergency Management Plan (BCEMP). BCEMP has been reviewed and will be separated and replaced with the following documents. ✓ The following plans replace the Emergency Mgt. plan component of the BCEMP: <ul style="list-style-type: none"> <li>• Emergency Mgt. Plan.</li> <li>• Incident Operations Arrangements Manual</li> <li>• Recovery Operations Manual</li> </ul> ✓ APC Business Continuity Plan replaces the Business continuity component of BCEMP.	TBC			
5.3 Establish whether locally appropriate strategies exist to minimise the likelihood of occurrence and adverse consequence for obvious and major risks. Consider: <ul style="list-style-type: none"> <li>▪ 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.</li> </ul>	TBC			

## Draft Audit Committee Annual Work Program 2022/2023

<ul style="list-style-type: none"> <li>✓ whether a business continuity plan has been developed in case of major damage to key Council properties or other (e.g. computer, assets);</li> <li>✓ 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;</li> <li>✓ adequacy of insurance coverage.</li> </ul>				
5.4 Review of Council's risk management processes	TBC			
5.5 Review the appropriateness of the range and content of Council's financial policies and practices. Policies due for review are; <ul style="list-style-type: none"> <li>✓ Risk Management Policy</li> <li>✓ Disposal of Land and Other Assets Policy</li> <li>✓ Asset Management Policy</li> <li>✓ Council Vehicle Policy</li> <li>✓ Procurement Policy</li> </ul>	November 2022 November 2022 June 2023 June 2023 April 2023			
6. Public Interest Disclosures				
6.1 Review Council's Public Interest Disclosure Procedure (Last reviewed in February 2019)	TBC			
7. Reporting				
7.1 Ensure progress of the outstanding Audit Committee resolutions are followed up regularly.	Ongoing			
7.2 Ensure that significant, urgent matters identified through the work program are formally and promptly reported to Council.	Ongoing			
7.3 Report annually to the Council;	To be confirmed			

## Draft Audit Committee Annual Work Program 2022/2023

<ul style="list-style-type: none"> <li>▪ 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;</li> <li>▪ outlining any identified training needs;</li> <li>▪ Audit Committee Self-Assessment Survey</li> <li>▪ advise on future work program proposals; and invite comment from the Council on all of the above.</li> </ul>	<p>To be confirmed To be confirmed To be confirmed</p>			
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 <b>Adelaide Plains Council</b>	<b>6.2</b>	<b>Update on Audit Committee Annual Work Program 2021/2022</b>
	<b>Department:</b>	<b>Finance and Business</b>
	<b>Report Author:</b>	<b>General Manager – Finance and Business</b>
<b>Date: 8 August 2022</b>	<b>Document Ref:</b>	<b>D22/32106</b>

### **EXECUTIVE SUMMARY**

- The purpose of this report is to provide the Audit Committee (The Committee) with the progress update on the activities identified in the Audit Committee Works Program for 2021/2022 Financial Year.
- At its meeting held on 9 August 2021, Audit Committee approved its 2021/2022 Works Program.
- Since November 2021, the Committee has completed 5 meeting and received 41 reports on numerous subjects included in the 2021/2022 Works Program.
- Reports on Six (6) areas covered in the 2021/2022 Works Program were not received by the Committee and it is recommended that they will be included 2022/2023 Works Program.

### **RECOMMENDATION**

**“that the Audit Committee, having considered Item 6.2 – *Update on Audit Committee Annual Work Program 2021/2022*, dated 8 August 2022, 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 2021/2022 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 aids minimisation of exposure to associated risks allowing for adequate resourcing for mitigation strategies by the Council.

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## **Attachments**

1. Audit Committee Annual Work Program 2021/2022 – Final 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 2021/2022 Financial Year.

### **Background/History**

At its meeting on 9 August 2021, the Audit Committee approved the work program for 2021/2022 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 2021/2022 Work Program will assist the members of the committee to monitor their planned activities and the **Attachment 1** shows progress to date. Accordingly, following reports have been provided to the Audit Committee;

#### 17 November 2021

- 1) Draft Long Term Financial Plan 2022/2023 – 2031/2032
- 2) Draft 2021/2022 audited financial statements, independent audit report on financial statements and internal controls
- 3) Request for a Community Loan from Mallala Football Club
- 4) A report on the review of audited financial results of 2021/2022 against the adopted budget
- 5) Update on Audit Committee Annual Work Program 2021/2022
- 6) Report on outstanding Committee Resolutions

#### 14 February 2022

- 1) 2022/2023 Annual Business Plan and budget development framework;
- 2) Outcome of the public consultation on Draft 2023-2032 Long Term Financial Plan
- 3) Budget Management Policy reviews.
- 4) Financial Performance for the period July-December 2021
- 5) Update on Overdue Council Rates
- 6) Accounting Treatment of Developer Contributions
- 7) Update on Audit Committee Annual Work Program 2021/2022
- 8) Report on outstanding Committee Resolutions
- 9) Crown Land, Two Wells – February 2022 Audit Committee Confidential Update
- 10) Gawler River Floodplain Management Authority – February 2022 Audit Committee Confidential Update

#### 11 April 2022

- 1) Draft 2022/2023 Budget;
- 2) Review of Treasury Management Policy;
- 3) Review of Funding Policy;
- 4) Review of Internal Financial Controls Policy;
- 5) Review of Rates Arrears and Debtor Management Policy; and
- 6) Review of Credit Card Policy
- 7) Update on Audit Committee Annual Work Program 2021/2022
- 8) Report on outstanding Committee Resolutions
- 9) Crown Land, Two Wells – April 2022 Audit Committee Confidential Update

#### 6 June 2022

- 1) Draft 2022/2023 Budget following public consultation
- 2) Review of Treasury Management Policy
- 3) Review of Fixed Assets Accounting Policy
- 4) Update on Audit Committee Annual Work Program 2021/2022
- 5) Report on outstanding Committee Resolutions
- 6) Crown Land, Two Wells – June 2022 Audit Committee Confidential Update

#### 19 July 2022 - Special Meeting of the Audit Committee

- 1) Crown Land, Two Wells – July 2022 Audit Committee Confidential Update

#### 8 August 2022

- 1) Draft Annual Work Program for 2022/2023 Financial Year
- 2) Leave Liability as at 30 June 2022
- 3) Review of Council Investment and Borrowings 2021-2022
- 4) Overdue Council Rates as at 30 June 2022
- 5) Interim Audit 2021- 2022 - Management Report
- 6) Update on Audit Committee Annual Work Program 2021/2022
- 7) Report on outstanding Committee Resolutions
- 8) Confidential Cyber Security Briefing
- 9) Crown Land, Two Wells – August 2022 Audit Committee Confidential Update

In addition, following items that were included in the 2021/2022 work program were not presented to the Audit Committee as planned. These items will be included as part of draft 2022/2023 work program.

- 1) Self-assessment of internal financial controls
- 2) Review Business Continuity & Emergency Management Plan

- 3) Review of Council's risk management processes and risk register
- 4) Review of Risk Management Policy
- 5) Review of Disposal of Land and Other Assets Policy
- 6) Review of Public Interest Disclosure Procedure

## **Conclusion**

Throughout the financial year, Audit Committee has been provided with several reports for consideration in line with its annual work program for 2021/2022. Council management is intending to provide remaining reports to future Audit Committee meetings.

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## **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 2021/2022 – August 2022 Update

Activity	Target Meeting	Current Status/Outcome	Action Taken	Date Completed
<b>1. Financial Reporting (LGA – Section 126(4)(a))</b>				
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"> <li>▪ Annual Business Plan;</li> <li>▪ Annual Financial Statements;</li> </ul>	April & June 2022  November 2021 and June 2022	Completed		17 November 21
1.2 Annual Review of financial performance indicators provided to Council as part of Budget Reviews.	November 2021	Completed		17 November 21
<b>2. Strategic Management and Annual Business Plans (LGA – Section 126(4)(ab))</b>				
2.1 The Audit Committee should satisfy itself regarding the: <ul style="list-style-type: none"> <li>▪ Review of Strategic Management Plan 2020-2024 for consistency with Council’s long-term financial plan and annual business plan;</li> <li>▪ Review of Long Term Financial Plan for consistency with its infrastructure and asset management plan (I&amp;AMP);</li> <li>▪ soundness of the I&amp;AMP; e.g. Is it supported by engineering and other professional assessments regarding the condition of Council’s infrastructure assets;</li> <li>▪ likely impact on Council’s ongoing financial sustainability of implementation of its suite of strategic management plans;</li> </ul>	November 2021  February 2022	Updated Strategic Management Plan (SMP) was approved by the Council on 27 February 2021. Updated I&AMP was approved by the Council on 25 October 2021. Draft LTFP 2023-2032 which has been developed based on updated SMP & I&AMP was presented as part of the agenda of 17 November meeting.		17 November 21  February 22

## Audit Committee Annual Work Program 2021/2022 – August 2022 Update

<ul style="list-style-type: none"> <li>▪ appropriateness of the indicators (financial and other) to measure achievements of the strategic plan and annual business plan.</li> </ul>		Feedback from the public consultation on draft LTFP and updated draft LTFP 2023-2032 was provided to 14 February meeting.		
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"> <li>▪ discuss any points of concern raised by the External Auditor in their interim audit;</li> <li>▪ assess the appropriateness of the Council’s response to matters raised in the interim audit;</li> <li>▪ discuss any qualifications raised in the most recent audit or comments made in the accompanying management letter;</li> <li>▪ assess the appropriateness of the Council’s response to matters so raised.</li> </ul>	August 2021  August 2021  November 2021  November 2021	Completed  Completed  Completed  Completed		August 21  August 21  17 November 21  17 November 21
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	Ongoing	Completed		17 November 21

## Audit Committee Annual Work Program 2021/2022 – August 2022 Update

any services to the Council outside the scope of the auditor's functions under the Local Government Act.				
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"> <li>▪ consider the range of documented internal control policies and procedures; and</li> <li>▪ whether they are being followed.</li> <li>▪ regular self-assessment of internal financial controls</li> </ul>	November 2021	Completed		17 November 21
<p>5.2 Review Business Continuity &amp; 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"> <li>✓ The following plans replace the Emergency Mgt. plan component of the BCEMP: <ul style="list-style-type: none"> <li>• Emergency Mgt. Plan.</li> <li>• Incident Operations Arrangements Manual</li> <li>• Recovery Operations Manual</li> </ul> </li> <li>✓ APC Business Continuity Plan replaces the Business continuity component of BCEMP.</li> </ul>	TBC			
<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"> <li>▪ 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.</li> </ul>	TBC			


## Audit Committee Annual Work Program 2021/2022 – August 2022 Update

<ul style="list-style-type: none"> <li>✓ whether a business continuity plan has been developed in case of major damage to key Council properties or other (e.g. computer, assets);</li> <li>✓ 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;</li> <li>✓ adequacy of insurance coverage.</li> </ul>				
5.4 Review of Council’s risk management processes				
<p>5.5 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"> <li>✓ Credit Card Policy</li> <li>✓ Risk Management Policy</li> <li>✓ Fixed Assets Accounting Policy</li> <li>✓ Prudential Management Policy</li> <li>✓ Rates Arrears and Debtor Management Policy</li> <li>✓ Treasury Management Policy</li> <li>✓ Budget Management Policy</li> <li>✓ Funding Policy</li> <li>✓ Internal Financial Control Policy</li> <li>✓ Disposal of Land and Other Assets Policy</li> </ul>	<p>TBC</p> <p>April 2022 TBC</p> <p>June 2022 June 2022</p> <p>April 2022 April 2022</p> <p>February 2022</p> <p>April 2022 April 2022 TBC</p>	<p>Completed</p> <p>Agenda 6 June 2022 Agenda 6 June 2022</p> <p>Completed Completed</p> <p>Completed Completed</p>		<p>11 April 22</p> <p>11 April 22 11 April 22</p> <p>14 February 22 11 April 22 11 April 22</p>
6. Public Interest Disclosures				
6.1 Review Council’s Public Interest Disclosure Procedure (Last reviewed in February 2019)	To be reviewed in in 2022			
7. Reporting				
7.1 Ensure progress of the outstanding Audit Committee resolutions are followed up regularly.	Ongoing			

## Audit Committee Annual Work Program 2021/2022 – August 2022 Update

7.2 Ensure that significant, urgent matters identified through the work program are formally and promptly reported to Council.	Ongoing			
7.3 Report annually to the Council; <ul style="list-style-type: none"> <li>▪ 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;</li> <li>▪ outlining any identified training needs;</li> <li>▪ Audit Committee Self-Assessment Survey</li> <li>▪ advise on future work program proposals; and invite comment from the Council on all of the above.</li> </ul>	To be confirmed  To be confirmed To be confirmed To be confirmed			



 <b>Adelaide Plains Council</b>	<b>7.1</b>	<b>Committee Resolutions</b>
	<b>Department:</b>  <b>Report Author:</b>	<b>Finance and Business</b>  <b>General Manager – Finance and Business</b>
<b>Date: 8 August 2022</b>	<b>Document No:</b>	<b>D22/32110</b>

## **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 management are captured in the Resolution Register and presented to each meeting for the information of the members of the Audit Committee.

One (1) resolution each is outstanding from February 2020 and April 2022 Audit Committee meetings.

## **RECOMMENDATION**

**“that the Audit Committee, having considered Item 7.1 – *Committee Resolutions*, dated 8 August 2022, receives and notes the report.”**

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## **Attachments**

1. Audit Committee Resolution Register – Updated August 2022.

## **References**

### Legislation

N/A

### Other

Audit Committee Annual Work Program 2021/2022

## 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/Governance and Executive Office	Ongoing	Updated Credit Card Policy was presented to the 11 April Audit Committee meeting. Further report will be brought back on travel and hospitality expenditures.	

## 2022 Audit Committee Resolution Register

D20/6624

Meeting Date	Items No.	Title	Resolution Description	Resolution Number	Responsible Department	Status	Comment	Date Completed
11-Apr-22	6.2	Policy Review – Credit Card Policy	“that the Audit Committee, having considered Item 6.2 – Policy Review – Credit Card Policy, dated 11 April 2022, requests that a further report be brought back to the Audit Committee regarding the reporting of credit card transactions.”	2022/022	Finance and Business/Governance and Executive Office	Ongoing		

 <b>Adelaide Plains Council</b>	<b>7.2</b>	<b>Leave Liability as at 30 June 2022</b>
	<b>Department:</b>  <b>Report Author:</b>	<b>Finance and Business</b>  <b>General Manager – Finance &amp; Business</b>
<b>Date:</b> <b>8 August 2022</b>	<b>Document Ref:</b>	<b>D22/32094</b>

## **OVERVIEW**

### Purpose

The purpose of this report is to present information on Council’s financial liability at the end of 2021/2022 Financial Year with regard to unused staff leave entitlements to the members of the Audit Committee.

### Background

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

Council’s current auditor Galpins also identified 14 employees with annual leave balances in excess of 300 hours (7.9 weeks) as part of 2020/2021 audit.

### 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.

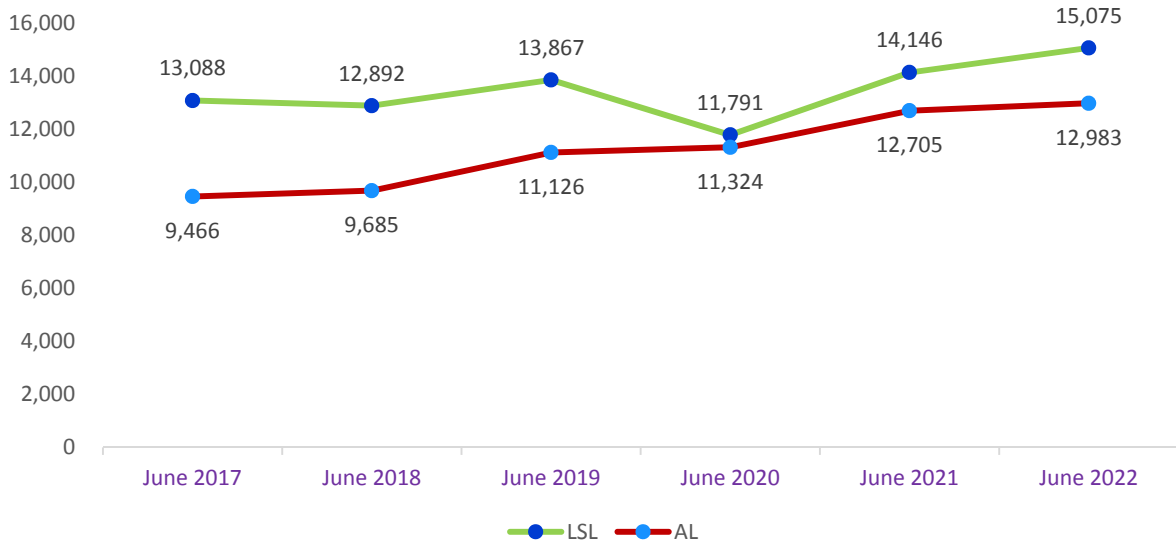
#### ➤ Long Service Leave (LSL) and Annual Leave (AL)

Compared to previous year, both LSL and unused AL have been increased during 2021/2022 Financial Year and there are 16 staff members who have accrued over 300 hours or more of annual leave (7.9 weeks) as at 30 June 2022 compared to 14 on 30 June 2021. However, due to concerted leave liability reduction strategies implemented in 2021/2022, total unused annual leave hours have been increased only by 2% over the 12 months period.

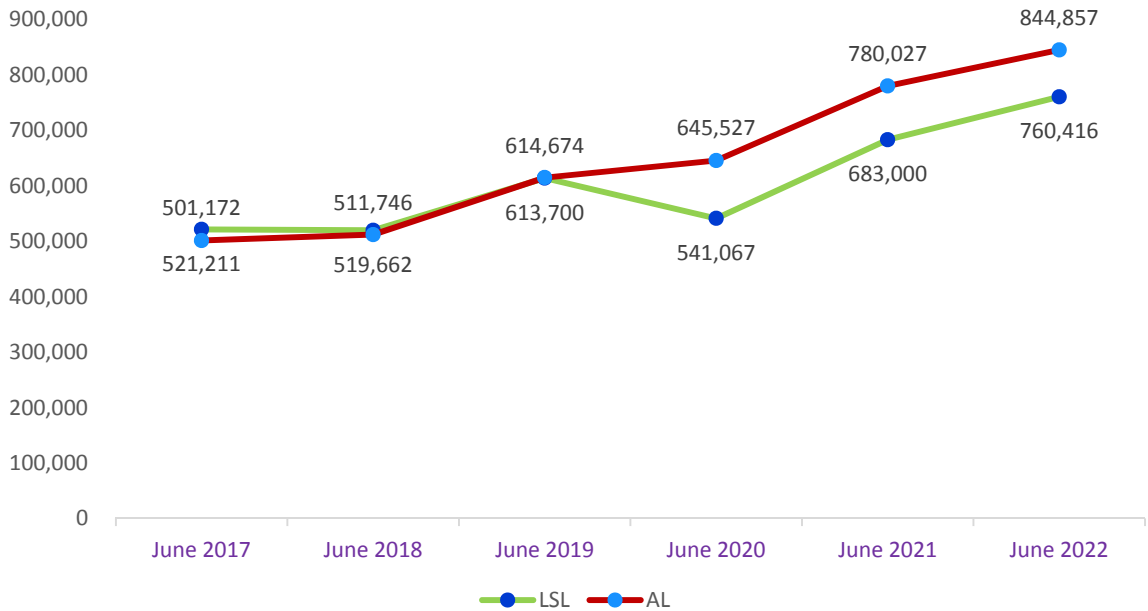
Following graphs (**figure 1 and 2**) shows the movement of unused LSL and AL by hours and value at the end of last six (6) financial Years. Accordingly for 2021/2022 Financial Year:

- a) Unused LSL hours has increased by 7% or 928 hours.
- b) Unused AL hours has increased by 2% or 279 hours.
- c) LSL liability has increased by 11% or \$77,000.
- d) AL liability has increased by 8% or \$65,000.

**Figure 1: Unused Long Service Leave and Annual Leave Hours**



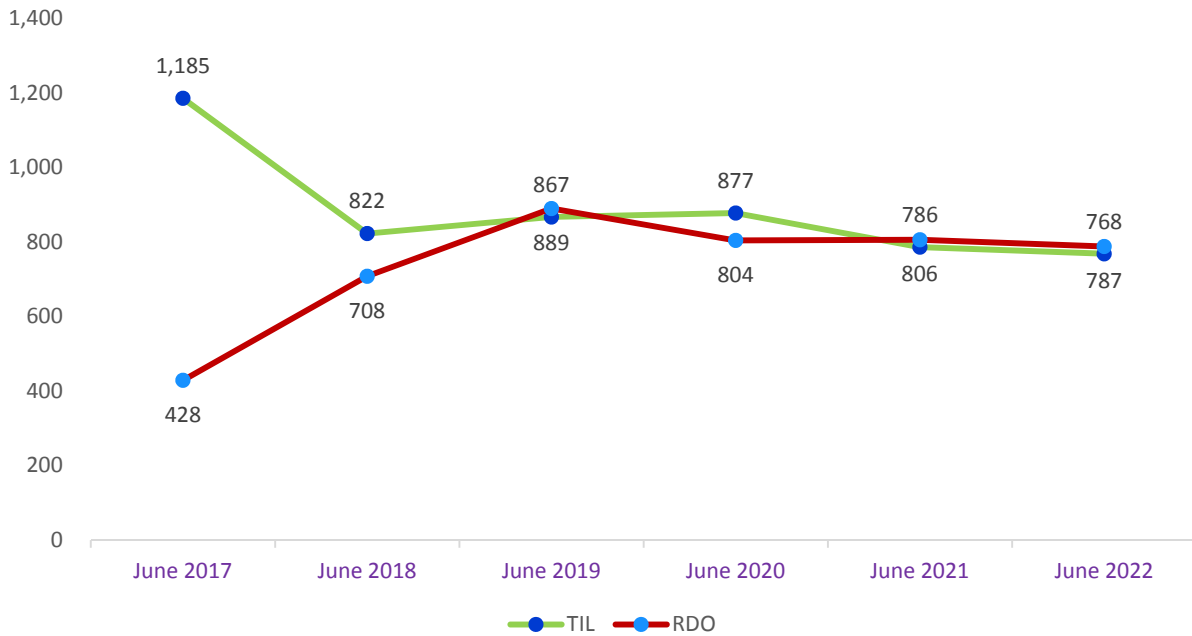
**Figure 2: Long Service Leave and Annual Leave Liability (\$)**



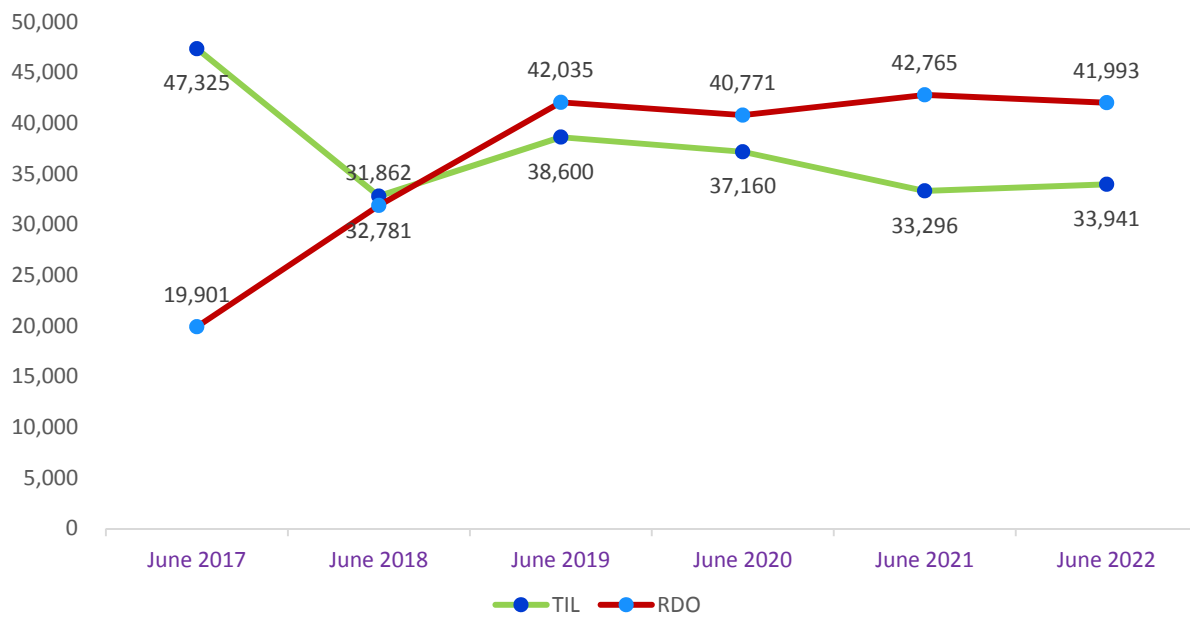
➤ Time in Lieu (TIL) and Rostered Days Off (RDO)

Compared to the prior year, at the end of 2021/2022 Financial Year both unused TIL and RDO have been reduced by a 2% or 18 hours.

**Figure 3: Unused 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 2022*, dated 8 August 2022, receives and notes the report.”**

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### **Attachments**

Nil

### **References**

#### Legislation


*Nil*

#### Council Policies/Plans

*Nil*

#### Other

Nil

 <b>Adelaide Plains Council</b>	<b>7.3</b>	<b>Review of Council's Investments and Borrowings in 2021/2022 Financial Year</b>
	<b>Department:</b>  <b>Report Author:</b>	<b>Finance and Business</b>  <b>General Manager – Finance and Business</b>
<b>Date:</b> <b>8 August 2022</b>	<b>Document Ref:</b>	<b>D22/32095</b>

## **OVERVIEW**

### Purpose

The purpose of this report is to advise the Audit Committee of Council's Treasury Management activities for the 2021/2022 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 \$0.076m

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 2022 were \$1.790m (Please refer to **Table 1** and Attachment 1) for details). It is a reduction of \$0.507m when compared with the outstanding fixed rate borrowings of \$2.297m on 30 June 2021 as a result of repayment of loans instalments when they fall due.

Council also had outstanding variable rate cash advance (CAD) of \$0.996m from the LGFA on 30 June 2022 at an interest rate of 2.05% (CAD loan balance as at 30 June 2021 was \$0.539m).

The terms of the fixed rate borrowing is twenty (20) years, with the interest rate of 4.45% 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 2022**

Purpose of the Loan	Loan Term (Yrs.)	Principal Amount (\$'000)	Date of Borrowing	Date of Maturity	Interest Rate (%)	Balance (\$'000)
Mallala CWMS Scheme	20	1,910	15/06/2016	15/06/2036	4.45	1,790
<b>Total</b>		<b>1,910</b>				<b>1,790</b>

**Table 2: Outstanding Variable Rate Cash Advance Loans at 30 June 2022**

Loan Number	Purpose of the Loan	CAD Limit (\$'000)	CAD Facility Expiry Date	Interest Rate (%)	Balance (\$'000)
CAD 123	General Council operations	2,660	5/07/2028	2.80	-
CAD 123 LGIPP	Deliver Projects Under LGIPP	2,340	16/05/2025	2.05	-
CAD 124 CV19	General Council operations	1,200	15/10/2023	2.05	996
CAD 124	General Council operations	300	15/05/2030	2.80	-
<b>Total</b>		<b>6,500</b>			<b>996</b>

The maturity of CWMS loans will occur on 15 June 2036 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	2022-2023	2023-2024	2024-2036	Total
125	23	24	1,743	1,790
<b>Total</b>	<b>23</b>	<b>24</b>	<b>1,743</b>	<b>1,790</b>
<b>Maturity %</b>	<b>1</b>	<b>1</b>	<b>98</b>	<b>100</b>

**Table 4** below summarises the Council performance against the Treasury Management Policy. Accordingly, it satisfies the targets set for fixed rate borrowings (maturity and percentage of fixed rate borrowings) and variable rate borrowing.

**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	1,790	64	Yes
	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	996	36	Yes
<b>Total</b>		<b>2,786</b>	<b>100</b>	

## **Investments**

The Council's total short-term deposit on 30 June 2022 was \$0.109m (please refer to **Table 5** below and attachment 2) which was \$0.137m year ago.

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

	<u>30/06/2022</u>	<u>30/06/2020</u>
Adel Plains 33 Gullaci Development Footpath	-	73
Adel Plains 36 Nissi Development Footpath	32,523	32,346
Mallala CWMS Scheme	-	46
Two Wells Community Fund	76,083	54,344
General Council Deposit Account	83	50,0114
	<u>108,689</u>	<u>136,820</u>

## **Interest income and expenses**

During 2021/2022 Financial Year \$0.009m was paid as interest expenses (\$0.005m in 2020/2021) 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 Investments and Borrowings in 2021/2022 Financial Year, dated 8 August 2022, receives and notes the report”***

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## **Attachments**

1. Audit Certificate as at 30 June 2022 on Outstanding Loan Balances Issued by LGFA
2. Audit Certificate as at 30 June 2022 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 2022

Deal	Maturity Date	CAD Facility End Date	Settlement / CAD Limit	Interest Rate	Principal	Accrued Interest
<b>Adel Plains CA 123 Cash Advance 123</b>						
	APCA123		05-07-2028	\$2,660,000.00	\$0.00	\$141.08
					<b>\$0.00</b>	<b>\$141.08</b>
<b>Adel Plains CA 123 LGIPP Cash Advance123</b>						
	APCA123lg		16-05-2025	\$2,340,000.00	\$0.00	\$316.56
					<b>\$0.00</b>	<b>\$316.56</b>
<b>Adel Plains CA 124 CV19 Cash Advance 124</b>						
	APCA124cv	01-07-2022	15-10-2023	\$1,200,000.00	2.05	\$996,400.00
					<b>\$996,400.00</b>	<b>\$3,741.88</b>
<b>Adel Plains CA 124 Cash Advance 124</b>						
	APCA124		15-05-2030	\$300,000.00	\$0.00	\$101.10
	APCA124		15-05-2030	\$300,000.00	\$0.00	\$261.76
	APCA124		15-05-2030	\$300,000.00	\$0.00	\$37.80
	APCA124		15-05-2030	\$300,000.00	\$0.00	\$6.30
					<b>\$0.00</b>	<b>\$406.96</b>
<b>Adel Plains DL</b>						
	125		15-06-2036	\$1,910,000.00	4.45	\$1,790,121.57
					<b>\$1,790,121.57</b>	<b>\$3,482.42</b>
<b>Total for Adelaide Plains Council</b>					<b>\$2,786,521.57</b>	<b>\$8,088.90</b>



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 2022

Deal	Instrument	Interest Rate	Maturity Date	Principal	Accrued Interest
<b>Adel Plains General</b>					
60555	Council Dep - 24HR Mthly	1.05	01-07-2022	\$82.92	\$0.03
				<b>\$82.92</b>	<b>\$0.03</b>
<b>Adel Plains 36 Nissi Footpath Res</b>					
59754	Council Dep - 24HR Mthly	1.05	01-07-2022	\$32,523.34	\$25.01
				<b>\$32,523.34</b>	<b>\$25.01</b>
<b>Adel Plains 37 Two Wells Comm Fund</b>					
59755	Council Dep - 24HR Mthly	1.05	01-07-2022	\$76,083.32	\$60.09
				<b>\$76,083.32</b>	<b>\$60.09</b>
<b>Total for Adelaide Plains Council</b>				<b>\$108,689.58</b>	<b>\$85.13</b>



Natasha Grigg  
 Manager Lending and Treasury

 <b>Adelaide Plains Council</b>	<b>7.4</b>	<b>Overdue Council Rates as at 30 June 2022</b>
	<b>Department:</b> <b>Report Author:</b>	<b>Finance and Business</b> <b>General Manager – Finance and Business</b>
<b>Date:</b> <b>8 August 2022</b>	<b>Document Ref:</b>	<b>D22/32098</b>

**OVERVIEW**

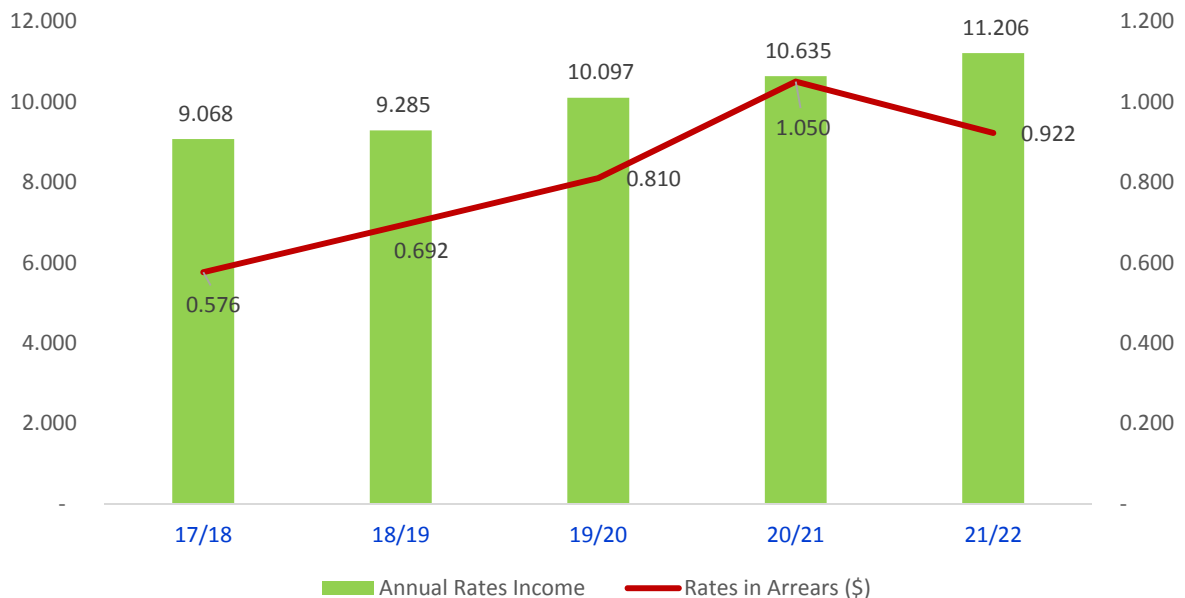
Purpose

The purpose of this report is to provide an update to the Audit Committee on the overdue Council rates at the end of 2021/2022 Financial Year.

Discussion

In 2021/2022, Council total rates income was \$11.206m which has been received in full by 30 June 2022. Therefore, during the 2021/2022 Financial Year, overdue Council rates have decreased by \$0.128m (or 12%) from \$1.050m on 30 June 2021 to \$0.922m on 30 June 2022.

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

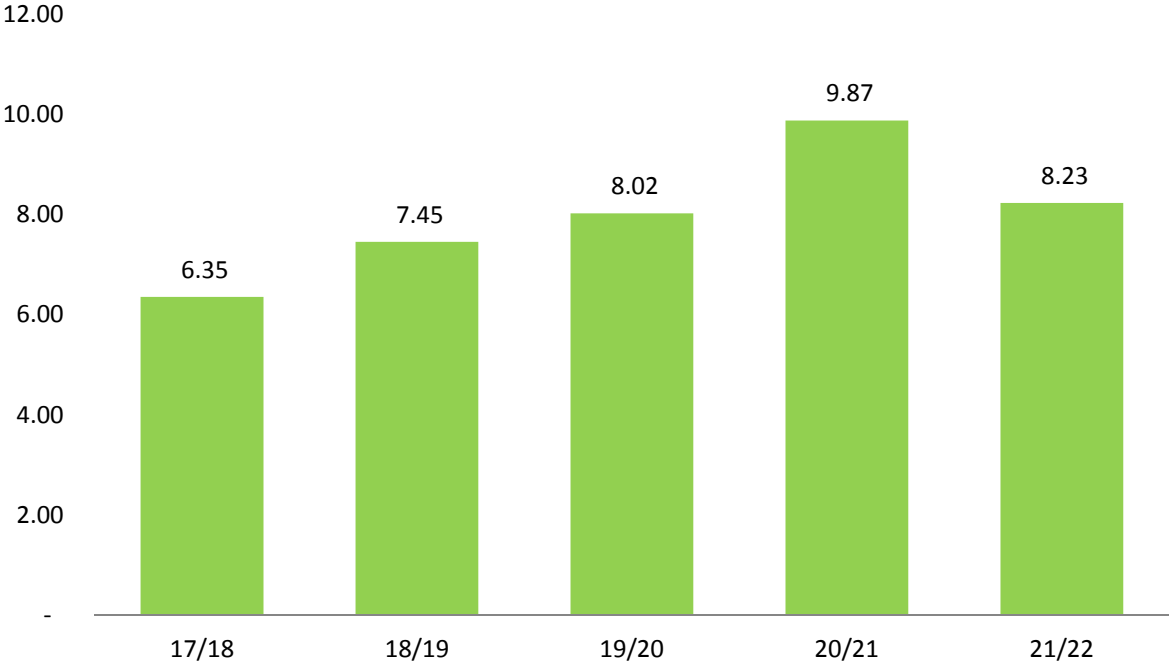


The above graph shows that Council’s overdue rates on 30 June of each year since 2017/2018 Financial Year compared to the total rates income (General Rates, CWMS charges, Waste Collection Levy and Regional Landscape Levy) of the respective financial year. While rates income has gone up by 26% from

\$9.068m in 2017/2018 Financial Year to \$11.206m in 2021/2022 Financial Year, overdue rates have increased by 33% or \$0.346m during the same period.

Overdue rates as a percentage of annual rates income also has increased from 6.35% in 2017/2018 to 8.23% in 2021/2022 as illustrated under **Figure 2** below.

**Figure 2: Rates Outstanding as % of Total Rates Income**



Sale of Properties for non-payment of rates

At the Ordinary Council Meeting held on 27 September 2021, Council resolved in confidence to sell 26 properties under Section 184 of the Local Government Act 1999 for non-payments of rates for more than three (3) year. Total amount due from those 26 properties was \$200,639. As of 30 June 2022:-

- a) Nine (9) ratepayers have paid all the outstanding rates in full;
- b) Seven (7) ratepayers have entered in to a payment plan and therefore Council has not yet commenced S184 proceedings.
- c) S184 proceedings have been commenced through Council’s debt collection agency with regard to the remaining ten (10) properties.

**RECOMMENDATION**

**“that Audit Committee, having considered Item 7.4 – *Overdue Council Rates as at 30 June 2022*, dated 8 August 2022, receives and notes the report.”**



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**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

 <b>Adelaide Plains Council</b>	<b>7.5</b>	<b>Interim Audit 2021/2022 - Management Report</b>
	<b>Department:</b>  <b>Report Author:</b>	<b>Finance and Business</b>  <b>General Manager – Finance &amp; Business</b>
<b>Date:</b> <b>8 August 2022</b>	<b>Document Ref:</b>	<b>D22/32102</b>

## **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 2021/2022 Financial Year that took place from 6 June 2022 to 8 June 2022.

### 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 five (5) ‘Moderate and Low Risk Weaknesses’ in internal financial controls. They are;

- 1) Absence of formal contracts for a sample of suppliers;
- 2) Purchase for which evidence of procurement procedures undertaken was not provided;
- 3) Absence of formal review of balance sheet reconciliations;
- 4) Instances of purchases without approved purchase orders; and
- 5) A list of adjustments processed for amounts charged to rate payers after the initial rates generation is not formally independently reviewed;

Following the interim audit visit, Galpins have concluded that *‘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 five (5) controls weaknesses identified by Galpins.

The final audit visit is expected to occur from 17 October to 19 October.

## **RECOMMENDATION**

**“that Audit Committee, having considered Item 7.5 – *Interim Audit 2021/2022 – Management Report*, dated 8 August 2022, receives and notes the report.”**

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### **Attachments**

- 1) Interim Management Report 2021/2022 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 2021/2022

# Galpins

Accountants, Auditors & Business Consultants

## Financial Controls Review

### Adelaide Plains Council

2021/22 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 2021/22 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
<b>High Risk Weaknesses</b>	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.
<b>Moderate Weaknesses</b>	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.
<b>Low Risk Weaknesses</b>	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.
<b>Better Practice Weaknesses</b>	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 (61 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		2022 Findings			
		2022	2021	H	M	L	BP
Purchasing Procurement/Contracting	7	5	6	-	2	-	-
Fixed Assets	8	8	6	-	-	-	-
General Ledger	8	7	5	-	1	-	-
Accounts Payable	8	7	7	-	1	-	-
Rates / Rates Rebates	8	7	7	-	-	-	1
Payroll	11	11	10	-	-	-	-
Banking	5	5	5	-	-	-	-
Credit Cards	5	5	4	-	-	-	-
Debtors	3	3	3	-	-	-	-
Receipting	2	2	2	-	-	-	-
<b>Total</b>	<b>65</b>	<b>61</b>	<b>55</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>1</b>

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
	2.1.2 Purchase for which evidence of procurement procedures undertaken was not provided	M
Fixed Assets	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
General Ledger	2.2.1 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 formally independently reviewed	BP
Payroll	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
Banking	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
Credit cards	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
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

<b>Control</b>	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.
<b>Risk</b>	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 arrangements with suppliers:</p> <table border="1"> <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 reviewed a sample of suppliers based on cumulative spend and identified the following suppliers with no signed contract in place:</p> <ul style="list-style-type: none"> <li>- <b>Supplier #2957</b> (2021/22 total cumulative spend \$510,232*) Method of Procurement: Select Tender Project: Two Wells Oval Irrigation Upgrade * Total for the Two Wells Oval Irrigation Upgrade and restroom upgrade.</li> <li>- <b>Supplier #3699</b> (2021/22 total cumulative spend \$145,774) Method of Procurement: Waived from recommended method of procurements</li> </ul>	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"> <li>- further clarity on when contracts must be used, and when purchase orders are sufficient, based on, for example, the nature of the goods / services, complexity, risks involved, and key terms and conditions required.</li> <li>- 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</li> </ul>	<p>Agree with the auditor's recommendation.</p> <p>With a dedicated procurement resources now on board, Council intend to review current Procurement Policy and Procedures in the 2022/2023 Financial Year to provide greater clarity and guidance to staff.</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>Project: Trimble Earthworks for grader and GPS base station.</p> <ul style="list-style-type: none"> <li>- <b>Supplier #2056</b> (2021/22 total cumulative spend \$102,036) Method of Procurement: Open Tender Project: 3-4 tonne Mini Excavator and Trailer.</li> <li>- <b>Supplier #1025</b> (2021/22 total cumulative spend \$91,318) Method of Procurement: Evidence not provided (refer to finding 2.1.2) Project: on-going engineering services.</li> </ul> <p>Management advised that council did not enter contracts with suppliers 2957/2056/3699 because there were purchase orders in place for these services. Audit acknowledges that issuing a purchase order (containing sufficient terms and conditions of the purchase) may be sufficient in some instances. However, the procurement procedure requires Council to enter into an agreement (i.e. contract) for the methods of procurement used to procure the suppliers listed above.</p> <p>Further, audit is of the view that the method of procurement used (as recommended by the procurement procedure) is not necessarily the only relevant factor to be considered when deciding whether to enter into a contract with a supplier. There are other important factors such as the nature of the goods or services to be provided, complexity and risks involved in their delivery, that are not addressed by the procurement procedures.</p> <p>In addition, the procurement procedure does not provide guidance on when to use purchase orders versus when to enter a contract for panel contracting involving purchases of up to \$100,000 (current requirement is to issue a purchase order <b>'or'</b> a contract). It is important that Council has a well-defined process to provide clear direction on when a contract must be entered, and when a purchase order is sufficient to cover all terms and conditions.</p>	<p>specific contracts for individual services provided thereafter).</p>	
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## 2.1.2 Purchase for which evidence of procurement procedures undertaken was not provided

Moderate

<b>Control</b>	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 conflict of interest
<b>Risk</b>	Council does not obtain value for money in its purchasing and procurement.

Finding	Recommendations	Management Response												
<p>The Procurement Policy provides the following guidance on the procurement method to be used by Council:</p> <table border="1" data-bbox="107 627 960 1161"> <thead> <tr> <th>Value of the purchase</th> <th>Method of procurement</th> <th>Decision Making responsibility</th> </tr> </thead> <tbody> <tr> <td>\$10,001 - \$100,000</td> <td>Three (3) Written Quotations or one (1) Written Quotation from Panel</td> <td>Chief Executive Officer and General Managers – within the limit of their delegated purchasing authority and the approved budget</td> </tr> <tr> <td>\$100,001 - \$500,000</td> <td>Open Tender or Select Tender (minimum three (3) tenderers)  Where justification exists or three (3) Written Quotations from Panel.  Also includes Request for Expression of Interest</td> <td>Chief Executive Officer.  Where the CEO determines that a tender is of commercial or community sensitivity, approval must be obtained by Council resolution.</td> </tr> <tr> <td>\$500,001 and above</td> <td>Open Tender</td> <td>Council resolution</td> </tr> </tbody> </table> <p>The Procurement Policy also provides that the Chief Executive Officer has the authority to provide an exemption from using the required method of procurement in order to pursue a method which will bring the best outcome for the Council. Reasons for any exemption to the procurement method must be documented and attached to the approved invoice and filed in Council's records management system.</p>	Value of the purchase	Method of procurement	Decision Making responsibility	\$10,001 - \$100,000	Three (3) Written Quotations or one (1) Written Quotation from Panel	Chief Executive Officer and General Managers – within the limit of their delegated purchasing authority and the approved budget	\$100,001 - \$500,000	Open Tender or Select Tender (minimum three (3) tenderers)  Where justification exists or three (3) Written Quotations from Panel.  Also includes Request for Expression of Interest	Chief Executive Officer.  Where the CEO determines that a tender is of commercial or community sensitivity, approval must be obtained by Council resolution.	\$500,001 and above	Open Tender	Council resolution	<p>Evidence of procurement procedures undertaken to select suppliers are documented and retained on file.</p> <p>Whenever procurement procedures are not undertaken as per policy and an exemption is provided, reasons for the exemption are documented in writing and approved by elected members as detailed in the procurement policy, and retained in Council's records management system.</p>	<p>Supplier # 1025 provides engineering consultancy service to the Council and are already part of Local Government Association Procurement Vendor Panel.</p> <p>In the 2022/2022 Financial Year, Council is planning to conduct a Request for Quote/tender process for the provision of engineering consultancy service.</p>
Value of the purchase	Method of procurement	Decision Making responsibility												
\$10,001 - \$100,000	Three (3) Written Quotations or one (1) Written Quotation from Panel	Chief Executive Officer and General Managers – within the limit of their delegated purchasing authority and the approved budget												
\$100,001 - \$500,000	Open Tender or Select Tender (minimum three (3) tenderers)  Where justification exists or three (3) Written Quotations from Panel.  Also includes Request for Expression of Interest	Chief Executive Officer.  Where the CEO determines that a tender is of commercial or community sensitivity, approval must be obtained by Council resolution.												
\$500,001 and above	Open Tender	Council resolution												

The Procurement Procedure provides examples of documents where Council can record and summarise the evaluation method, results and recommendation for acceptance by an appropriate delegate. These include:

- RFQ Evaluation Report (for purchases between \$10,001 and \$100,000)
- Tender Evaluation Matrix / Tender Evaluation Panel report (for purchases over \$100,000).

For purchases over \$100,000, the Procurement Framework also provides that if the purchase amount is budgeted, the CEO can approve the execution of the agreement. If the purchase amount is not budgeted, Council must approve the execution of the agreement.

Audit selected a sample of suppliers based on total cumulative spend for the 2021/22 financial year and noted an instance of a purchase for which evidence of procurement procedures undertaken was not provided (**supplier #1025** - 2021/22 total cumulative spend \$91,318).

The following supporting documents were not provided to the auditors:

- RFQ evaluation report, tender evaluation matrix or tender evaluation panel report summarising the results of the procurement procedures undertaken
- CEO approval for the award of the agreement.

In addition, audit was informed that the Council has been using the supplier for the last seven years because the supplier offered extremely good value for money and has substantial local knowledge of the Council area. However, no evidence of a waiver approved by the CEO exempting the supplier from procurement processes was provided.

## 2.2 GENERAL LEDGER

### 2.2.1 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>Audit noted that there are no processes in place to ensure that balance sheet reconciliations are independently reviewed.</p> <p>Currently, most balance sheet reconciliations are performed 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>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.</p> <p>More frequent independent review is recommended for key accounts and higher risk accounts, including but not limited to bank and suspense accounts.</p>	<p>Council has recently finalised the appointment of an Accountant.</p> <p>Therefore, it is expected that going forward, all balance sheet reconciliations will be reviewed independently.</p>

## 2.3 ACCOUNTS PAYABLE

### 2.3.1. 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	Recommendations	Management Response																
<p>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.</p> <table border="1" data-bbox="107 743 958 855"> <thead> <tr> <th>Supplier</th> <th>Invoice</th> <th>Amount</th> <th>Services</th> </tr> </thead> <tbody> <tr> <td>3807</td> <td>0298</td> <td>\$17,229.30</td> <td>Soft marketing support</td> </tr> <tr> <td>3661</td> <td>23849</td> <td>\$2,148.96</td> <td>Wheel Loader hire</td> </tr> <tr> <td>3496</td> <td>0090</td> <td>\$3,762.00</td> <td>Water Cart Hire</td> </tr> </tbody> </table>	Supplier	Invoice	Amount	Services	3807	0298	\$17,229.30	Soft marketing support	3661	23849	\$2,148.96	Wheel Loader hire	3496	0090	\$3,762.00	Water Cart Hire	<p>Management monitors non-compliance with purchase order usage. This could include reviewing system reports comparing purchase order dates to invoice dates, analysing the nature of non-compliances and speaking to regular offenders to understand the reasons for non-compliance.</p> <p>Depending on the outcome of this review, Council may determine that:</p> <ul style="list-style-type: none"> <li>- additional education and training in the Policy is warranted to improve compliance; and/or</li> <li>- there is an opportunity to amend the Policy on purchase order use to better reflect the desired use of purchase orders by staff (with consideration to risk). This could, for example include updating the list of exemptions for purchase order use within the policy and/or introducing a threshold value for purchases not requiring a purchase order.</li> </ul>	<p>When the Procurement Policy and the procedures are reviewed, recommendations from the auditors will be taken in to consideration.</p>
Supplier	Invoice	Amount	Services															
3807	0298	\$17,229.30	Soft marketing support															
3661	23849	\$2,148.96	Wheel Loader hire															
3496	0090	\$3,762.00	Water Cart Hire															



## 2.4 RATES

### 2.4.1 A list of adjustments processed for amounts charged to rate payers after the initial rates generation is not independently reviewed

Better Practice

<b>Control</b>	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.
<b>Risk</b>	The property master file data does not remain pertinent.

Finding	Recommendations	Management Response
<p>Last year we reported that 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>A follow up of this matter performed during our 2021/22 interim audit revealed that Management developed a report that captures all rates adjustments occurring during the entire financial year.</p> <p>Whilst the general manager reviews the report on an ad hoc basis, the review of this report was not formally documented during the 2021/22 financial year.</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><i>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.</i></p>	<p>Independent review will be document as during 2021/2022 Financial Year</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. |
|----|---|

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


 <p><b>Adelaide Plains Council</b></p>	<b>8.1 Confidential Item</b>
<b>8 August 2022</b>	

8.1 Cyber Security Briefing

## **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, General Manager – Finance and Business, Acting General Manager – Governance and Executive Office, Accountant, Administration and Executive Support Officer/Minute Taker and Information Technology Officer be excluded from attendance at the meeting of the Audit Committee for Agenda Item 8.1 – *Cyber Security Briefing*;
2. The Audit Committee is satisfied that pursuant to section 90(3)(e) of the *Local Government Act 1999*, Item 8.1 – *Cyber Security Briefing* concerns matters affecting the security of the council, members or employees of the council, or council property, or the safety of any person, being a verbal briefing by the Information Technology Officer in relation to cyber security;
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.”

 <b>Adelaide Plains Council</b>	<b>8.2 Confidential Item</b>
<b>8 August 2022</b>	

8.2 Crown Land, Two Wells – August 2022 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, General Manager – Finance and Business, Acting General Manager – Governance and Executive Office, Accountant, Administration and Executive Support Officer/Minute Taker and Information Technology Officer be excluded from attendance at the meeting of the Audit Committee for Agenda Item 8.2 – *Crown Land, Two Wells – August 2022 Audit Committee Update*;**
- 2. The Audit Committee is satisfied that pursuant to section 90(3)(b) of the *Local Government Act 1999*, Item 8.2 – *Crown Land, Two Wells – August 2022 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.”**