CITY OF

WHYALLA

'Whyalla, Where the Outback Meets the Sea'

MEMBERSHIP

Mayor C McLaughlin	Cr I Adair
Cr S Stuppos	Mr A Rushbrook
Mr P Klobucar	

NOTICE OF AUDIT COMMITTEE MEETING

TO HER WORSHIP THE MAYOR & MEMBERS OF COUNCIL

NOTICE is hereby given pursuant to Section 126 of the Local Government Act that the Audit Committee Meeting will be held in the Council Chamber, Darling Terrace, Whyalla on Monday 19 July 2021 at 11.00 am.

The business of the meeting is:

- Interim Management Report
- Internal Financial Control Self-assessment
- Asset Accounting Policy
- Corporate Credit Card and Entertainment and Hospitality Policies
- Quarterly Report – Procurement

A copy of the Agenda for the above meeting is supplied as required.

JUSTIN COMMONS
CHIEF EXECUTIVE OFFICER
Dated: 15 July 2021

AGENDA

AUDIT COMMITTEE MEETING – MONDAY 19 JULY 2021

1. ACKNOWLEDGEMENT

"We acknowledge that this meeting is held on Barngarla Land and we give thanks for the use of this Land."

2. ATTENDANCE RECORD

Apologies – Nil
Leave of Absence – Nil

3. DECLARATION OF MEMBERS' CONFLICT OF INTERESTS

4. MINUTES OF PREVIOUS MEETING AND BUSINESS ARISING

4.1 Confirmation of the Minutes of the previous Audit Committee Meeting held on Monday 3 May 2021 *Page 3*

Recommendation

That the Minutes of the previous Audit Committee Meeting held on Monday 3 May 2021, as per copies supplied to Members, be adopted as a true and correct record to that meeting.

4.2 Business Arising *Page 6*

5. DEPUTATIONS / PRESENTATIONS – Nil

6. REPORTS – COUNCIL OFFICERS

6.1 Corporate Services– Ordinary Reports

6.1.1 Interim Management Report *Page 17*
6.1.2 Internal Financial Control Self-assessment *Page 43*
6.1.3 Asset Accounting Policy *Page 77*
6.1.4 Corporate Credit Card and Entertainment and Hospitality Policies *Page 96*
6.1.5 Quarterly Report – Procurement *Page 111*

7. CONSIDERATION OF CONFIDENTIAL ITEMS – Nil

8. CLOSE

9. DATE OF NEXT MEETING – Monday 27 September 2021

WHYALLA

MINUTES OF THE AUDIT COMMITTEE MEETING

HELD ON **MONDAY 3 MAY 2021** AT **11:02AM UNTIL 11:52AM** IN THE **COUNCIL CHAMBER**

PRESENT: Mr A Rushbrook *(Chair),* Mayor C McLaughlin, Cr S Stuppos, Mr P Klobucar

OBSERVERS:
Chief Executive Officer *(J Commons)*
Director Corporate *(K Jarrett)*
Director Infrastructure *(K Clark)*
Manager Finance *(G Jennings)*
Finance Coordinator *(S Vigar)*
Corporate Executive Coordinator *(D Edwards)*

1. ACKNOWLEDGEMENT

The Audit Committee acknowledged that this meeting was held on Barngarla Land and gave thanks for the use of this Land.

2. ATTENDANCE RECORD

Apologies – Nil
Leave of Absence – Nil

2.1 RESIGNATION OF CR. DAVID KNOX

The Chair of the Committee noted the resignation of Cr. Knox from the Committee.
It was further noted that a replacement Elected Member representative on the Committee will be sought at the next Council Meeting.

Moved Mayor Clare McLaughlin, seconded Cr Stuppos

AC303-2021

The Audit Committee thank Cr. Knox for his valuable contribution to the Committee over the years he was a member.

Carried

3. DECLARATION OF MEMBERS' CONFLICT OF INTERESTS - Nil

4. MINUTES OF PREVIOUS MEETING AND BUSINESS ARISING

4.1 *Confirmation of the Minutes of the Audit Committee Meeting held on Wednesday 7 April 2021*

Moved Cr Stuppos, seconded Mr Klobucar

AC304-2021

The Minutes of the Audit Committee Meeting held on Wednesday 7 April 2021 be adopted as a true and correct record of the meeting.

Carried

4.2 *Business Arising*

The Director Corporate provided a verbal update on Business Arising from previous meetings as follows:

4.2.1 Risk Profile/Action Plan – will be included in meetings moving forward
4.2.2 Governance Health Check – many items have been addressed and will flow to Council for adoption
4.2.3 Draft 2021/22 Annual Business Plan and Budget – additional 2% rate increase being considered at part of public consultation, which will bring the LTFP in line with the recent recommendation of the Audit Committee
4.2.4 Internal Controls Report – will be included in Business Arising ongoing, many items have been addressed

It was agreed that this item would be a standing item on all future Audit Committee agendas and will also include the Audit Committee's work program.

5. DEPUTATIONS/PRESENTATIONS - Nil

6. REPORTS – COUNCIL OFFICERS

Corporate – Ordinary Reports

6.1.1 *Quarterly Report - Procurement*

Moved Cr Stuppos, seconded Mr Klobucar

AC305-2021

The Audit Committee receive and note the Procurement Quarterly report.

Carried

6.1.2 *Budget Review 2020-21 – Quarter 3*

Moved Mr Klobucar, seconded Cr Stuppos

AC306-2021

The Audit Committee:

1. recommend to Council the adoption of the Quarter 3 Budget Review, identifying an adjusted operating deficit of $3,160,000 and an estimated cash position at the end of reporting period of $245,000;
2. recommend to Council that the 2020-21 Annual Business Plan and Budget and Long Term Financial Plan be amended to reflect the variances, inclusive of:
   - $50,000 to fund system modernisation in the area of payroll processing;
   - $24,000 brought forward from 2021/22 for the urgent replacement of the disability lifter at the Whyalla Recreation Centre;
   - $75,000 net increase for renewal works at the Civic Building, noting that the contract has been executed based on the critical nature of the works;
   - $60,000 allocate to replace the Chamber microphones.
3. recommend that Council reduce the provision for Covid rate remissions by a further $210,000, based on the current rate of applications.

Carried

6.1.3 Draft Fees and Charges Register 2021-22

Moved Cr Stuppos, seconded Mayor Clare McLaughlin

AC307-2021

The Audit Committee recommend to Council, that the Draft Fees and Charges Register 2021/22 be adopted.

Carried

6.1.4 Rating Policy

Moved Mr Klobucar, seconded Cr Stuppos

AC308-2021

The Audit Committee recommend to Council, the adoption of the Rating Policy.

Carried

6.1.5 Audit Committee Work Plan

Moved Mayor Clare McLaughlin, seconded Cr Stuppos

AC309-2021

The Audit Committee receive and note the Work Plan with the addition of the outcomes of any internal/external audits or reviews undertaken.

Carried

7. CONSIDERATION OF CONFIDENTIAL ITEMS

7.1.1 Draft Interim Management Report

It was noted that whilst this item was first presented in the agenda for consideration as a confidential item, the committee determined to consider the item in public. (Note that the report has now been published as part of the original agenda).

Moved Mayor Clare McLaughlin, seconded Cr Stuppos

AC310-2021

The Audit Committee receive and note the Draft Interim Management Report with the final version being provided to the Audit Committee at the next meeting.

Carried

8. DATE OF NEXT MEETING

Monday 19 July 2021 at 11:00am in the Whyalla Council Chamber

9. CLOSURE

*Meeting concluded at **11:52 am***

WHYALLA CITY COUNCIL

BUSINESS ARISING FROM AUDIT COMMITTEE MEETINGS AS AT 15 JULY 2021

APPENDIX 1

Source	#	Ref	Item	Responsible	Due	Status / % Complete
GHC	1	s.41	Review Terms of Reference of Council Committees:			
			- Audit Committee	Mgr Finance	30/07/2021	In Progress
			- Building & Fire Safety Committee	Mgr City Development	30/08/2021	In Progress
			- Airport Advisory and Security Committee	Dir Corporate	30/08/2021	In Progress
GHC	2	s.43	Review Charter of EPLGA	Dir Corporate	30/08/2021	In Progress
GHC	3	s.49	Review procurement policies and procedures	Mgr Finance	30/12/2021	In Progress / 10%
GHC	4	s.61	Develop Elected Member Access to Council Information Policy	Mgr Governance	13/08/2021	In Progress / 90%
GHC	5	s.90	Add the grounds for confidentiality to staff and Elected Member training program and then undertake training	Mgr Governance	30/10/2021	In Progress / 50%
GHC	6	s.103	Undertake a full review of Council’s suite of HR policies	Mgr People & Culture	30/12/2021	In Progress / 20%
GHC	7	s.109	Develop Complaints Handling Procedure for Complaints against Employees as a priority	Dir Corporate	30/07/2021	In Progress
GHC	8	s.120	Add training in conflict of interest for CEO and staff to training program, and then undertake training	Mgr Governance	30/10/2021	In Progress / 50%
GHC	9	s.125	Finalise Policy / Governance Framework and implement program of policy / procedure development	Mgr Governance	30/08/2021	In Progress / 70%
GHC	10	s.125	Suite of internal financial controls	Mgr Finance	31/07/2021	Completed
GHC	11	s.140	Review of investments	Mgr Finance	30/10/2021	Pending
GHC	12	s.143	Review of Debt Management Policy & Procedure	Mgr Finance		No Action Required
GHC	13	s.172	Add to list of procedures to be developed a new procedure for requests to suppress information from the Assessment Record	Mgr Governance	30/08/2021	In Progress / 50%
GHC	14	s.193	Exclusion of land from community land	Mgr City Development	tba	In Progress / 5%
GHC	15	s.194	Revocation of land from community land	Mgr City Development	tba	In Progress / 5%
GHC	16	s.196	Review of community land management plans	Mgr City Development	tba	In Progress / 5%
GHC	17	s.207	Review of Council’s register of community land management plans	Mgr City Development	tba	In Progress / 5%
GHC	18	s.210	Conversion of private road to a public road	Mgr City Development	tba	In Progress
GHC	19	s.221	Consider policy / procedure / new templates for permits and authorisation documents	Mgr Governance	30/12/2021	In Progress / 10%
GHC	20	s.232	Finalise draft documents in association with tree management	Mgr Operations	tba	In Progress

Source	#	Ref	Item	Responsible	Due	Status / % Complete
GHC	21	s.246	Complete By-law review	Mgr Governance	30/08/2021	In Progress / 80%
GHC	22	s.260	Review of Authorised Officers	Mgr Governance	30/07/2021	In Progress / 90%
EAMR	1	High	System Access Review - User Access Levels	Finance Coord	30/06/2021	In Progress
EAMR	2	High	Internal Controls Self-Assessment	Mgr Finance	31/07/2021	Completed
EAMR	3	Moderate	Supplier Audit Trail Report Review	Finance Officer	31/05/2021	Completed
EAMR	4	Moderate	Policy Register	Mgr Governance	30/08/2021	In Progress
EAMR	5	Moderate	Non-Rateable Listing Review	Rates Officer	31/05/2021	Completed
EAMR	6	Moderate	Aged Payables Review	No Action Required		No Action Required
EAMR	7	Moderate	Supplier Masterfile Access	Finance Coord	30/04/2021	Completed
EAMR	8	Moderate	Changes to Supplier Bank Details	Natalie	31/05/2021	Completed
EAMR	9	Moderate	Completeness of Timesheet data	Payroll Officer	31/12/2021	Pending
EAMR	10	Moderate	Rebated Rates Assessment Approval	Mgr Governance	31/05/2021	Completed
EAMR	11	Moderate	Bank Reconciliation – Manual Process	No Action Required		No Action Required
EAMR	12	Moderate	Statutory Registers	Mgr Governance	31/05/2021	Completed
EAMR	13	Moderate	Internal Plant hire – Documented Methodology	Mgr Finance	30/06/2021	In Progress
EAMR	14	Low	Loan Register	No Action Required		No Action Required
EAMR	15	Moderate	Credit Cards – Corporate Credit Card Agreements	Finance Coord	30/06/2021	Completed
EAMR	16	Moderate	Credit Cards – Approvals and Limits	Finance Coord	30/06/2021	Completed
EAMR	17	Moderate	Credit Cards – Compliance	Mgr Finance	31/07/2021	Completed
EAMR	18	Low	Credit Cards – Financial Delegations	Mgr Governance	31/05/2021	Completed
EAMR	19	Low	Aged Debtors – 90 days +	Finance Officer	30/06/2021	Completed
EAMR	20	Low	RDO and TOIL balances not recorded as a liability	Finance Coord	31/08/2021	Pending
EAMR	21	Low	Payment Summaries to Payroll General Ledger – Reconciliation	Finance Coord	31/07/2021	Pending
EAMR	22	Low	Payroll Termination Procedures	Payroll Officer	30/06/2021	In Progress
EAMR	23	Low	Audit Committee – Outstanding Items register	Dir Corporate	31/05/2021	Completed
EAMR	24	Low	Fines and interest on rates	Finance Coord	31/05/2021	Completed
EAMR	25	Low	General Ledger Maintenance – Documented procedures	Finance Coord	31/05/2021	Completed
EAMR	26	Low	Long-term Fixed Assets – Residual Values	Finance Officer	31/08/2021	In Progress
EAMR	27	Low	Green Asset Accounting	Mgr Finance	31/07/2021	Completed
EAMR	28	Low	Credit Card – Mayor	Finance Coord	31/05/2021	Completed
EAMR	29	Low	Landfill Provision Assumptions – Interim Cap	Mgr Finance	31/08/2021	Pending

WHYALLA CITY COUNCIL

BUSINESS ARISING FROM AUDIT COMMITTEE MEETINGS

AS AT 15 JULY 2021

	Date of Meeting	Item	Responsible	Due Date	Status	Completed
1.	3 May 2021	4.2 – Include 'Business Arising' as a standing agenda item on all future Audit Committee meeting agenda	Director Corporate	19/7/21	Item now included as a standing item on the agenda. This document has been developed to track business arising and will also incorporate: - Progress report against actions / improvements identified in external reviews (Appendix 1) - Schedule of meetings (Appendix 2) - Annual work program (Appendix 3) Items raised at the 3 May 2021 as 'Business Arising' matters have been included below	19/7/2021
2.	3 May 2021	4.2 – Governance Health Check	Manager Governance	31/12/21	Actions arising from the Governance Health Check have been included in the progress report combining all actions / improvements identified in external reviews. Refer to Appendix 1. Note that all items of a mandatory nature from the original report have been addressed with Council receiving 13 governance related policies for consideration at the 28 June 2021 Council meeting. This item will now	Referred to Appendix 1

	Date of Meeting	Item	Responsible	Due Date	Status	Completed
					be monitored via Appendix 1	
3.	3 May 2021	*4.2 – Draft 2021/22 Annual Business Plan and Budget – additional 2% rate*	Manager Finance	28/6/2021	Following extensive community consultation, Council adopted the Annual Business Plan and Budget at the 28 June 2021 with a rate increase of $4.3% plus a requirement to find $175,000 savings per annum commencing 2022/23. Modelling has demonstrated that this outcome will result in a break-even position in year 7 of the Long Term Financial Plan	28/6/2021
4.	3 May 2021	*4.2 - Risk Profile/Action Plan – update profile/action plan and actively manage on an ongoing basis*	Manager Governance	31/12/21	This item will be brought back on track over the next 5 months with anticipated resourcing levels improving	
5.	3 May 2021	*4.2 - Internal Controls Report (from UHY Haines Norton Report) - to be included in Business Arising ongoing*	Manager Finance	Ongoing	Refer to Item 6.1.2 for details of the original UHY Haines Norton Report. This report has now been superseded by the recent external audit undertaken by Dean Newbery. Note that actions / improvements identified by Dean Newbery have been included in a progress report combining all recommendations from external reviews. Refer to Appendix 1 of the 'Business Arising' report	19/7/2021
6.	3 May 2021	*7.1.1 – Final version of the Draft Interim Management Report to be provided to the next Audit Committee meeting*	Manager Finance	19/7/2021	Refer to Item 6.1.1	19/7/2021

∗ Completed items to be removed are shaded

APPENDIX 2

Whyalla City Council Audit Committee
Schedule of Meetings for 2021

SCHEDULE OF MEETINGS - 2021
Monday 1 February 2021
Monday 3 May 2021
Monday 19 July 2021
Monday 27 September 2021

Whyalla City Council Audit Committee
Work Program

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
Financial Reporting *7.1*	Review annual financial statements as required by Section 126(4) of the Local Government Act prior to its presentation to Council for adoption.	S 126 (4) (a)	Annually	September		September 2020	FC
Financial Reporting *7.1*	Monitor integrity of financial reports of the Council including:	S 126 (4) (a)					
	Budget Review	S 126 (4) (a)	Quarterly			April 2021	MF
	Full review of Long Term Financial Plan	S 122 (1a) (a) & (4) (b)	Within two years of a general election	February 2024		February 2020	MF
	Full review of Infrastructure Asset Management Plans	S 122 (1a) (b)	Within two years of a general election	February 2024		February 2020	MF
Financial Reporting *7.1*	Consider and review, where necessary, the consistency of improvement to and/or any changes to accounting policies.		Annual As required	July	Credit Card, Entertainment & Hospitality and Asset Accounting Policies presented at this meeting	April 2021	FC/MF

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
Financial Reporting *7.1*	Review and report to Council likely impact of ongoing financial sustainability due to changes in Strategic Management Plans.		As required	As required		April 2021	DC & MF
Annual Business Plan and Budget	Ensure the Annual Business Plan conforms to the Local Government Act.	S 123	Annually	April		April 2021	DC, MG & MF
Annual Business Plan and Budget	Recommend the draft Annual Business Plan prior to its formal consideration for adoption by Council.		Annually	April		April 2021	DC & MG
Annual Business Plan and Budget	Ensure the Annual Business Plan is consistent with relevant targets for Key Performance Indicators to Council.	S 123 (2) (b) (ii)	Annually	April		April 2021	DC

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
Internal Controls and Risk Management *7.2*	Review practice, policy and procedure for internal controls.	S 125	Annually	February	Report on Internal Financial Control Framework presented at this meeting Business arising provides a progress report on actions / improvements identified from external reviews (Appendix 1)	February 2020	CEO/EMT/FC
Internal Controls and Risk Management *7.2.3*	Regularly review the effectiveness of Council's internal controls and risk management and governance systems.	S 126 (4) (c)	As required	As required	Report on Internal Financial Control Framework presented at this meeting Business arising now provides progress report against actions / improvements identified from external reviews (Appendix 1)	April 2021	FC
Internal Controls and Risk Management *7.2*	Review and recommend the approval, where appropriate, of statements to be included in the Annual Report concerning internal controls, risk management and governance.	S 126 (4) (ab)	Annually	September		September 2020	MG & FC

APPENDIX 3

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
Internal Controls and Risk Management *7.2*	Review Business Continuity Plan and Disaster Management Action Plans.		Every 3 years	June 2022		July 2019	EMT
Internal Controls and Risk Management *7.2*	Review Councils Risk Plan & Strategic Risk Plan.	S 122	Every 3 years	September 2023		September 2020	EMT
Internal Controls and Risk Management *7.2*	Review reports from Procurement including recent tenders and high value purchases.		Quarterly	February, April, July & September	To be presented at this meeting	April 2021	MG
External Audit *7.5*	Ensure appointment of external auditor conforms with legislative provisions.	S 128 (2) & (4a)	Every five years	April 2025		April 2020	MG
External Audit *7.5.4*	Liaise with Council's external auditors.	S 126 (4) (b)	Yearly	September		April 2021	CEO/DC/FC
External Audit *7.5*	Receive the independent auditor's reports.		Twice yearly	April and September	Auditors report on internal controls to be presented at this meeting	September 2020	FC

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
External Audit *7.5*	Ensure actions proposed in the correspondence from the independent auditor's report are actioned.		As required	As required	Added to Business Arising documentation at Appendix 1	July 2021	DC
Public Interest Disclosure (formerly Whistle-blowing) *7.3*	Review the adequacy and awareness of the current Public Interest Disclosure Policy and Procedure.		Every 2 years	July 2023	Public Interest Disclosure Policy and Procedure reviewed at the 28 June 2021 Council meeting as part of the Governance Health Check update	July 2021	EMT
Reporting Responsibilities *9..7*	Report annually to Council outlining the outputs of the Audit Committee, any training needs, future work proposals and invite Council to comment.		Annually	September		September 2020	DC
Reporting Responsibilities *9*	Ensure urgent or significant matters are formally and promptly reported to Council.		As required	As required			DC

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
Reporting Responsibilities *9.2*	Ensure appropriate and timely training is provided to all members including inductions for new members.		As required	As required			DC
Economy and Efficiency Audits *7.6*	Ensure any matter relating to financial management, efficient or economy of Council is examined, reported and proposed actions monitored.	S 126 (4) (ac) & S 130A	As required	As required	Business arising provides a progress report on actions / improvements identified from external reviews (Appendix 1)	July 2021	DC

6.1 CORPORATE SERVICES

6.1.1 Interim Management Report

Audit Committee Meeting: 19 July 2021
Author's Title: Manager Finance **File No.:** 0-159
Directorate: Corporate Services

Annexures:
A – Interim Management Report

Officer Direct or Indirect Conflict of Interest: *In accordance with Local Government Act 1999, Section 120*	**Status:** *Information classified confidential under Section 90(2) of the Local Government Act*
☐ **Yes** ☑ **No**	☐ **Yes** ☑ **No**

Reason – not applicable

PURPOSE

To provide the Audit Committee with the Interim Management Report from Council's external auditor.

SUMMARY

The report does not list any items that would require the auditor to issue a qualified audit opinion. Instead, these are a list of improvements that will move Council towards a position of best practice. Only two of the items listed are classified as high priority.

The majority of the identified items have already been actioned and all but one or two items are expected to be completed prior to the end of August.

RECOMMENDATION

The Audit Committee receive and note the Interim Management Report.

6.1.1 Interim Management Report

REPORT

BACKGROUND

Council’s external auditor Dean Newbery undertook the first site visit of their contract from Tuesday 6 April to Thursday 8 April 2021. This interim visit was primarily to form an opinion on Council’s internal controls for 2020/21.

During this visit the audit partner attended the Special Audit Committee meeting held on 7 April 2021.

A draft version of the Interim Management Report was presented to the Audit Committee at the meeting held 3 May 2021. This draft did not yet include Management comments.

DISCUSSION

Refer **Annexure “A”** – Interim Management Report

The final version of the Interim Management Report includes management’s response to each item raised. From the feedback provided, one of the items listed in the draft version was removed, leaving 29 items in the final report.

The report does not list any items that would require the auditor to issue a qualified audit opinion. Instead, these are a list of improvements that will move Council towards a position of best practice. Only two of the items listed are classified as high priority.

All the items have been included on the listing of outstanding external review items as part of the Audit Committee Work Program. This shows that a total of 3 items from the list didn’t require any action and that another 17 items have now been completed. These items will be removed from this list prior to the next meeting.

The remaining 9 items can be broken down as follows:

- Items that were originally planned to be completed by the end of June, but are now being completed in July instead:
    - Work on the mapping for system access has almost been completed, but will then need to be implemented by IT.
    - A procedure on how to calculate updated plant hire rates will be developed when the process is actually undertaken for the year.
    - A procedure for calculating employee terminations will be developed one all year end payroll tasks are completed.

- Items that will be completed as part of the year end process:
    - Toil balances to be recognised in accrued expenses for the first time.
    - Payment Summaries reconciliation to include independent sign off.
    - Residual values to be removed from all assets except vehicles and plant.
    - Land fill provision to be updated for interim cap.
- Longer term items that are planned to take a number of months to complete:
    - The contract for electronic payroll has been executed and implementation will occur later in 2021.
    - Work on the policy register is occurring in a staged manner, with the highest priority policies adopted by Council in June.

Financial Implications

It is considered likely that Council can undertake the majority of actions highlighted by the report using internal resources. The major external cost relates to the implementation of electronic payroll, but this amount has already been included within Council's adopted budget.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adapt to the changing needs and expectations of the community

Legislation

The external auditor must provide an opinion on the operation of Council's internal controls under S 129(1)(b) of *the Local Government (Financial Management) Regulations 2011*.

Officer Direct or Indirect Interest – Nil

Risk Assessment

The auditor has not identified any issues that would require them to issue a qualified audit opinion. This means that no items listed are considered to create significant risk for Council. By implementing the identified improvements Council will continue to move towards best practice.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication - Nil

Conclusion

The implementation of process improvements identified by Council's External Auditors are well underway and will help to improve Council's internal financial control environment, which is already operating in a satisfactory manner.

Annexure "A"

Dean Newbery & Partners
CHARTERED ACCOUNTANTS

Whyalla City Council

External Audit Management Report

Interim Audit Findings

Financial Year Ending 30 June 2021

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Dean Newbery & Partners
CHARTERED ACCOUNTANTS

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20 May 2021

Mayor Clare McLaughlin
Whyalla City Council
PO Box 126
WHYALLA SA 5600

Dear Mayor McLaughlin

RE: External Audit Management Report - Financial Year Ending 30 June 2021

We recently completed our interim audit work as part of our 2020/21 financial year external audit of the Council.

Our commentary and recommendations arising from our audit work to date are outlined in this report. All matters raised have been discussed with the Administration prior to being issued and their responses included.

Please note that given this is the first year of our contract to undertake the external audit of your Council, we have undertaken a detailed review of financial policies, procedures and the internal control environment in place. Accordingly, there are many matters where we would like to see a strengthening of the internal control environment, within the existing resources of the Administration.

I would like to thank the Council Administration for their valued assistance and cooperation provided during our attendance on site.

Please feel free to contact me on 8267 4777 or sam@deannewbery.com.au if you require clarification on matters raised.

Yours sincerely
DEAN NEWBERY & PARTNERS

Samantha Creten
Partner

C. Chief Executive Officer
C. Council Audit Committee

Detailed Audit Findings

As a result of work completed, we have highlighted below key matters which have been identified for the Council and Management's further consideration and/or action. Draft findings were provided to Council's Management for review and their responses to each audit matter has been included below.

A summary of our key audit findings is summarised below:

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
1	System Access Review - User Access Levels	High	Given the importance of having appropriate segregated duties and system access levels, from an internal control environment perspective, we strongly recommend that Council now undertake a comprehensive review of all staff access and permission levels (including for terminated employees no longer have system access). Particular attention should be given to the following areas: • General Ledger • Payroll • Rates • Creditors • Asset Maintenance Review of staff system access levels should also extend to a review of network folders and files, to ensure that staff do not have inappropriate access to information that is not required for their role(s) (e.g. payroll data, confidential documents, supplier details, etc.). As a general rule, access levels across all employees should be formally reviewed annually.	This process has commenced and will be completed by the end of June 2021.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
2	Internal Controls Self-Assessment	High	Council engaged UHY Haines Norton to undertake an internal control review in September 2019. Their report was subsequently presented to Council's Audit Committee. There has been no further self-review of internal controls or follow up of progress of issues identified since that report. We recommend that the financial controls assessed as being extreme and high risk be formally reviewed annually. We also recommend that Council have a policy in place that requires these extreme and high risk controls be reviewed annually and the moderate and low risk controls reviewed on a less frequent basis – we suggest every two years.	Work will soon commence on setting up a self-review tool. As suggested, controls will be split by level of risk and assessed on different cycles accordingly. The initial UHY Haines Norton report will be used as a starting point. It will be reviewed in detail and updated in terms of progress against recommendations. This has been added to the Business Arising /Action Statement section of the Audit Committee Agenda to ensure that it is reported back on an ongoing basis and once completed.
3	Supplier Audit Trail Report Review	Moderate	The Administration advise that changes to the supplier Masterfile are reviewed, notwithstanding there is no documented evidence on file. Accordingly, we recommend that evidence of review be always recorded by way of dated signature on the document.	Audit Trail report being run fortnightly in line with pay run cycle showing changes to the Masterfile. This is checked by another officer and the process has been updated to include signing and filing.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
4	Policy Register	Moderate	As at the time of our attendance, Kelledy Jones Lawyers had recently completed a corporate compliance review which highlighted a number of Council Policies being past their review date. Example of financial policies we noted that require to be reviewed were as follows (not a complete list): • Financial Internal Control Policy • Asset Accounting Policy • Asset Management Policy We were unable to gather accurate statistics around the number of policies Council-wide that were past their due date as the Policy Register that Council maintains was significantly out of date. We recommend that the Policy Register be reviewed and updated appropriately to accurately reflect the review cycle of all Council Policies. This Register should be periodically monitored and Policies due for review flagged and reviewed in the appropriate timeframe.	A review of all policies is currently in progress. This work includes the development of a Policy Framework and the updating of Council's Policy Register. The Framework has been presented for consideration of the Audit Committee, and the updated Register will also be presented to the Audit Committee for review at the Committee's next meeting. This item has also been included on the Audit Committee's Business Arising / Action Statement to ensure that the matter remains actively monitored and addressed.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
5	Non-Rateable Listing Review	Moderate	There is no evidence on file that Non-rateable Property listings are formally reviewed prior to the generation of rates. We recommend that evidence always be held on file that the non-rateable properties list has been reviewed prior to rates being raised. Across all local governments, this is a key internal control for ensuring that all rateable property is included in the rates generation for the year.	The review for the 2020/21 financial year has now been completed. This included the creation of a register of non-rateable properties, outlining the reason for each one holding this status. Before rates are raised each year, the listing will be updated and reviewed, to identify any changes that would have impacted the status of these properties, and highlight any new properties that have been added to this list.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
6	Aged Payables Review	Moderate	Discussions with the Administration identified that invoices are only entered onto Synergy when they are due for payment. This practice leaves the council vulnerable to late payment of invoices and does not allow for any high level review of the Aged Payables listing. It also means that actual expenses in the finance system are in effect on a cash basis and therefore do not reflect the actual expenditure incurred by the Council at any point in time. We request that Council at the earliest opportunity upgrade invoice processing systems, to ensure that invoices are promptly processed into Synergy upon receipt.	Council are committed to supporting local business and so pay all invoices on 14-day terms wherever possible. This means that any invoices received are “due for payment” and are entered into the system at the earliest opportunity. Because of these short payment terms, the Aged Payable listing will show a very low balance after each payment run, which is considered an accurate reflection based on Council’s commitment to supporting local business. The only invoices that are not entered into the system are those that need further information before payment is to be authorised, such as where a valid purchase order is not quoted, or where costing codes are required for purchases under a standing order. The Creditors Officer sends follow up emails on a regular basis to allow these invoices to be actioned ASAP. Based on the above information we believe that Council’s current process is adequate in reflecting Council’s financial position in respect to expenses.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
7	Supplier Masterfile Access	Moderate	Discussions with Council's Administration identified that 'creation & amendment' access to the Supplier Masterfile is afforded to both Accounts Payable Officers and Procurement Officers. To strengthen internal controls, we request that only Accounts Payable Officers have the ability to create and amend the Supplier Masterfile. (We note that upon this being identified at our site visit, the access to the Supplier Masterfile by the Procurement Officers has since been removed.)	This change has been completed (April 2021).

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
8	Changes to Supplier Bank Details	Moderate	Discussions with the Administration identified that if supplier bank details have changed, contact is then made with the supplier for confirmation. We noted that if the Administration are unable to get in contact with the supplier using the system information, the new invoices contact details are then used to confirm the change in bank details. Council also do not maintain any evidence of contact being made to confirm the bank detail changes. To strengthen internal controls, we highly recommend Council only use known contact details which have previously been confirmed by the Supplier via the Council's EFT Application Form. This will ensure no fictitious invoices are confirmed by false contact details found on the 'new' invoice. Unfortunately it has become an increasingly common occurrence that fraudulent bank transfers are made by such unlawful practices. For best practice, we also recommend that all contact with Suppliers regarding bank detail changes be formally recorded/retained within Council's record management system.	Details are not changed within the system unless confirmed with supplier. Procedure updated to make it clear that only existing contact details should be used when confirming updated bank details. Memos are noted in Synergy – re changes made. Supporting paperwork is held on file. The change is also checked off with the Audit Trail in line with Item 3 above.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
9	Completeness of Timesheet data	Moderate	Discussions with the Administration identified that a number of timesheets are being presented without appropriate plant numbers/job codes and/or approval signatures by the employee's supervisor/manager. We identified this as a control breakdown as timesheets should include all appropriate information and approvals to accurately record employee costings based on work undertaken during the time period. As each timesheet is amended after the pay run has been processed, we were unable to obtain sufficient appropriate audit evidence to justify the level of control breakdown. We recommend that Council investigate this control breakdown to gain an understanding of the prevalence/extent to which this is occurring. Council should also consider implementing appropriate training/compensating controls to rectify this situation where appropriate.	Council is currently planning for the implementation of electronic timesheets, with a budget allocation made for their implementation. This will streamline much of the process, removing these blockages. Non-signed timesheets have a low instance rate and in most instances are the result of an oversight. As the majority of employees are full time, or on permanent hours, a correction required after the fact from a supervisors update usually consists of a transfer between leave types, not overpaid hours, with unpaid leave being quite a rare occurrence. In the main the controls around payroll are considered to be strong and will be further strengthened with the introduction / implementation of electronic timesheets.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
10	Rebated Rates Assessment Approval	Moderate	Discussions with the Administration identified that rates rebate assessments are approved by either the Director of Corporate Services or Manager of Finance. As per Council Delegations, only the Director of Corporate Services has the delegation authority to approve Discretionary Rate Rebates – any rebates approved by the Manager of Finance is in contravention of the Council Delegations. We recommend that rate rebates be only approved by the Director of Corporate Services, or have Council update their sub-delegations to reflect current practice, to ensure compliance with adopted sub-delegations.	The delegations have been updated to include a sub delegation to the Manager Finance to approve discretionary rate rebates.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
11	Bank Reconciliation – Manual Process	Moderate	Council are required to manually reconcile their bank each day through an excel spreadsheet, Synergy and bank reports. This presents a number of control environment risks. Firstly, the bank reconciliation may not reconcile based on timing of transactions entered into Synergy. Secondly, any manual reconciliation is potentially open to manipulation. We recommend that Council undertake a cost/benefit analysis of implementing system automation for the Bank reconciliation through the Synergy bank reconciliation module.	The use of the Synergy bank reconciliation module still requires the use of a spreadsheet to reconcile the timing differences between the Synergy GL balance and bank reports. It actually introduces an extra reconciliation, for timing differences between the bank reconciliation module and the GL. For this reason, the administration does not consider the introduction of the bank reconciliation module to offer any improvements in control and a reduction in efficiency. The administration believes that our current process has sufficient controls in place but are more than happy to discuss further any suggested strengthening of controls that could be introduced to the current process.
12	Statutory Registers	Moderate	Our inspection of the Elected Members Allowances and Benefits and the Gifts and Benefits registers for both employees and Elected Members at Council's main office found that they were either not available or were out of date. We recommend action be now taken to ensure these registers are updated and available to the public for inspection. (We acknowledge, at the time of preparing this report, that Council had made appropriate updates to the abovementioned Registers as requested.)	The identified registers have now been updated and are appropriately available for public inspection. Processes have also been implemented to ensure that the registers are maintained as required under the Local Government Act 1999.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
13	Internal Plant hire – Documented Methodology	Moderate	Discussions with the Administration identified that no documented methodology is maintained for the internal plant hire costing applied for budget accounting purposes. Given the complex nature of the methodology used by Council, we recommend that Council document the methodology applied to determine internal plant hire rates. This will also ensure that no critical corporate knowledge is lost should key personnel leave the employ of Council.	The documentation of this procedure will be completed by the end of June 2021.
14	Loan Register	Low	Discussions with the Administration identified that no Loan Register is maintained. We recommend that Council develop a Loan Register which includes reference to the resolution approving the loan, the loan application documentation, a schedule of the loan liability and loan repayments from the lender. All additions, deletions and other changes to the Loan Register and loan repayment data undertaken should always be compared to the applicable loan agreement.	All of Council's loans are CAD facilities and unless there is a change in Council's Treasury Management Policy, this will continue to be the case moving forward. For this reason, there are no loan schedules that require reference. A summary of Council's loans can be accessed at any time via the LGFA website. In addition a summary of all loans, including drawn down and available balances, is included in the Monthly Budget Report included on the Council Agenda. A detailed schedule of drawdowns and repayments is maintained.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
15	Credit Cards – Corporate Credit Card Agreements	Moderate	As per the Council's Corporate Credit Card Procedure, all cardholders must sign the Corporate Credit Card Agreement prior to the use of the Corporate Credit Card. It was identified that no Corporate Credit Card Agreement was signed by Council's Procurement Officer. We recommend Council review all Corporate Credit Card Agreements against registered Cardholders to ensure all Cardholders have agreed to the terms of use of the Corporate Credit Card. Any Cardholders found to not have an agreement signed, we recommend Council have these employees sign an agreement as soon as possible.	Credit Card Agreements have now been signed by the Procurement Officers, and it had been confirmed that all current card holders have signed agreements. The signing of the agreement is a mandatory condition of the card being issued to the officer and has been for a number of years, however the Procurement Officer's card was issued prior to this time.
16	Credit Cards – Approvals and Limits	Moderate	Council has an approved Credit Card Policy. The policy refers to credit cards being issued only with the approval of the Chief Executive Officer and that cardholders will be advised of their credit limit upon issue. No supporting documentation was available to confirm approval by the Chief Executive Officer or the defined credit limit of each Cardholder. We request that confirmation of approval and credit card limits be obtained from the Chief Executive Officer and retained prior to the issue of all credit cards.	The Credit Card Agreement template has been updated to include the credit limit, which will be signed off by the Chief Executive Officer when authorising a credit card to be issued. This will serve as confirmation of the approval of the card and limit from the Chief Executive Officer.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
17	Credit Cards – Compliance	Moderate	Our audit identified that some Cardholders were not compliant with Council's Credit Card Policy in the following ways: • did not acquit the transactions within 7 days after receipt of their statement • did not complete the appropriate template reconciliation of expenditure • did not provide appropriate GST invoices • did not provide job numbers, cost centre and element type for costing purposes Furthermore, testing identified that Corporate Credit Card statements and Reconciliations were not always signed by Cardholders, nor submitted for authorisation as required by Council's policy. We acknowledge that Council are in the process of undertaking a review and update of the current Credit Card Policy. We recommend that consideration be given to the above non-compliance when formulating the new Credit Card Policy.	This will be addressed by the new policy, which will be presented to the Audit Committee in July 2021.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
18	Credit Cards – Financial Delegations	Low	Council's Credit Card Policy requires holders to have appropriate financial delegation before being able to initiate expenditure. Our review of Cardholder's and respective financial delegations identified that Council's Senior Procurement Officer did not have the necessary financial delegation. We recommend Council review this and undertakes one of the following: 1. revoke the Senior Procurement Officers Credit Card, or; 2. update Council's Policies and Delegations to better reflect current practices. For example, updating the Financial Delegations listing to include a 'Corporate Credit Card Delegation' which is separate to the general financial delegations adopted.	The delegations have been updated to give the Senior Procurement Officer and Procurement Administration Officer delegation to process Credit Card transactions, only where an approved Purchase Order is in place. The Credit Card Policy will also be updated to reference this.
19	Aged Debtors – 90 days +	Low	A review of Council's outstanding debtors as at 31 March 2021 indicated that 83% were outstanding 90 days or more. We suggest that Council undertakes a comprehensive review of all outstanding debtors to ensure they all are recoverable.	This review is underway and will be completed before year end and the doubtful debts provision will be adjusted accordingly.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
20	RDO and TOIL balances not recorded as a liability	Low	RDO and TOIL balances represent a liability to Council that can be reliably measured. These amounts have not been previously brought to account as a liability. It is stipulated within the Model Financial Statements and is common for other Councils to record their RDO and TOIL balances as a liability as it meets the definition according to the Australian Accounting standards. We recommend that these liabilities be recorded in FY2021 Financial Statements in line with the Model Financial Statements and industry practice.	RDO balances are already recognised as a liability at year end. In line with this recommendation, Council will recognise TOIL balances as a liability at year end beginning this financial year. There will be a one off impact to expenditure on initial recognition, but the impact on operating results in future years is likely to be immaterial.
21	Payment Summaries to Payroll General Ledger – Reconciliation	Low	The Payroll Officer reconciles the total payment summaries for the year against the Payroll General Ledger, to ensure no variances are identified however, no review of this reconciliation occurs. To strengthen internal controls, we recommend that the reconciliation prepared by the Payroll Officer be reviewed by an officer independent of the Payroll function, to ensure all payroll expenses have been appropriately recorded in the correct general ledger accounts at year end.	The reconciliation will now be reviewed by the Finance Coordinator and signed off.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
22	Payroll Termination Procedures	Low	Council does not maintain a documented procedure relating to the calculation and review of termination pays. To strengthen internal controls and prevent loss of core corporate knowledge, we recommend that Council include in their documented procedures details of how to appropriately and accurately calculate employee terminations and the review process thereafter. This will ensure consistent and accurate termination pays are being processed through Council's General Ledger System and in accordance with legislative requirements.	The documentation of this procedure will be completed by June 2021.
23	Audit Committee – Outstanding Items register	Low	The Audit Committee agenda ideally should include each quarter an outstanding items register - items should remain on the register until they are completed. These outstanding items should come from any source including external audit, consultants and internal actions. Each outstanding item should have a responsible officer nominated, expected completion date and be updated each Audit Committee meeting.	The Audit Committee Agenda has been updated to include a Business Arising section, that will include all outstanding items for the Committee's review at each meeting of the Committee.
24	Fines and interest on rates	Low	There is no evidence of an independent review to the properties exempted/omitted from fines and interest. We recommend that evidence of review always be retained on file by way of a dated signature.	The review of fines and interest exempt is now reviewed by the Finance Coordinator monthly and signed.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
25	General Ledger Maintenance – Documented procedures	Low	We noted that Council's Administration have no documented procedures relating to General Ledger maintenance functions (e.g. creation, modification, removal and nature - capital or operating, GST status, etc.). Where documented procedures are not available, transactions could be posted into incorrect accounts, GST could be incorrectly treated, and the nature of the account (e.g. capital or operation accounting) could be inappropriately actioned. To enhance internal controls, we request that formal procedures be developed that document the maintenance processes for General Ledger accounts. The use of exception reports to identify and review any changes made to the General Ledger should also be undertaken (e.g. on a quarterly basis) to ensure all changes are bona-fide and processed in accordance with approved internal processes.	Draft procedures have been forwarded to auditors for review. Any suggested updates will be incorporated once received.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
26	Long-term Fixed Assets – Residual Values	Low	Discussions with the Administration identified that a number of long-term fixed assets held within Synergy have residual values. Any fixed assets classified at level 3 Fair Value should not have a residual value attached as there is no active market to receive the residual amount. We understand that the Administration will shortly undertake a full review of all long-term held fixed assets that have residual values and make adjustments accordingly.	All residual values will be removed at year end, with the exception of plant items, as these are expected to be traded-in. Any assets that reached their residual value a number of year ago will be written off, causing a one-off loss on disposal.
27	Green Asset Accounting	Low	Council capitalise green assets (e.g. Trees) in line with its trees program (annual program to plant more trees). Given the complications around the reliable valuation and measurement of green assets, we recommend that best practice across local governments is to annually expense the costs incurred for planting the green assets – not to capitalise.	It is the view of the administration that green assets meet the definition of an asset contained within the standards. As per past practice, these assets are held at cost (which can be easily measured) as a network asset and depreciated over a set life of 30 years. Green assets are actually likely to appreciate in value over time, so that even if some of the assets do fail, the total value of the combined asset is unlikely to be impaired at any time. While it may be hard to quantify the future economic benefit that will flow to Council from the asset, this is the case with a large number of public assets. The fact that Council is willing to invest in this type of asset signals that benefits do exist. For the reasons above, the administration believes that the capitalisation of green assets is still appropriate.

Item	Area	Audit Priority Rating	Audit Comment / Recommendations	Management Responses
28	Credit Card – Mayor	Low	The Mayor has a Council credit card issued to her. Under Section 101 of the Local Government Act 1999 a Council Member cannot be prescribed a financial delegation (only employees). We acknowledge Council are currently receiving legal advice on this matter. We request that we be informed of the outcome of that advice once received.	Following discussions with the Mayor, it has been identified that this card is rarely utilised and accordingly has been cancelled.
29	Landfill Provision Assumptions – Interim Cap	Low	We understand that Council is investigating the potential for an interim cap of Cell 2 for its Landfill. Should Council change the underlying assumptions of the landfill site, this may well have an impact on the Landfill Provision Liability taken up in the annual financial statements, budgetary planning and Long Term Financial Plan which will need to be considered.	This will be considered when the liability is reviewed as part of the year end process.

6.1 CORPORATE SERVICES

6.1.2 Internal Financial Control Self-assessment

Audit Committee Meeting: 19 July 2021
Author's Title: Manager Finance **File No.:** 0-159
Directorate: Corporate Services

Annexures:
A – Better Practice Model – *under separate cover*
B – UHY 2019 Assessment
C – Changes in Risk Assessment
D – Risks by Residual Risk

Officer Direct or Indirect Conflict of Interest:
In accordance with Local Government Act 1999, Section 120

☐ **Yes** ☑ **No**

Status:
Information classified confidential under Section 90(2) of the Local Government Act

☐ **Yes** ☑ **No**

Reason – not applicable

PURPOSE

To provide the Audit Committee with an update on how internal financial control self-assessments will be conducted in the future, building on work undertaken by UHY Haines Norton in 2019 and in line with recommendations made by the external auditor in their recent interim management letter.

SUMMARY

It is proposed that each of the risks outlined in the Better Practice Model be subject to self-assessment on a 1, 2 or 3 year-cycle based on the level of residual risk.

RECOMMENDATION

The Audit Committee endorse the proposed Internal Financial Control Self-assessment framework.

6.1.2 Internal Financial Control Self-assessment

REPORT

BACKGROUND

Refer **Annexure "A"** – Better Practice Model – *under separate cover*

The *Better Practice Model – Internal Financial Controls* (BPM) provides a framework of the risks that Council needs to consider when forming policies and procedures in relation to internal financial controls and the recommended controls that should be put in place. Section 19(3) of the *Local Government (Financial Management) Regulations 2011* makes it mandatory for the external auditor to base its opinion on a council's internal financial controls on this framework.

The BPM breaks down a total of 92 risks into 7 sections as shown in the table below (Section 1 is the Introduction) and then provides a number controls for each risk, with a total of 234 core controls and 59 additional controls listed.

Section	Description	Risks	Core Controls	Additional Controls
2	Strategic Financial Planning	12	40	5
3	Assets	27	74	22
4	Liabilities	14	26	13
5	Revenue	14	35	6
6	Expenses	19	46	12
7	External Services	3	9	1
8	Financial Governance	3	4	0
	Total	**92**	**234**	**59**

Refer **Annexure "B"** – UHY Assessment

In 2019, UHY Haines Norton (UHY) was engaged to undertake an assessment of Council's internal controls using this framework. This included an assessment of the intrinsic and residual risk for each of the risks listed in the frameworks and a list of improvements for controls that were not considered to be operating effectively.

In April, Dean Newbery undertook their interim audit visit for 2020/21, which focused solely on Council's internal financial controls. One of their recommendations was that Council implement a process for self-assessment of control effectiveness, with controls tested on different cycles based on the level of residual risk.

DISCUSSION

The list of suggested improvements from UHY was highly useful information to Council and assisted with highlighting some high priority work to be undertaken at that point in time. However, as the list of recommendations given by Dean Newbery in their interim management letter was formulated using a similar method over an intensive three-day visit, this list of improvements is considered to supersede the earlier one.

What the work undertaken by UHY does provide is an independent assessment for the risk assessment against each of the risks outlined in the BPM, which can be used as a basis for the frequency of review going forward.

It is proposed that going forward, risks with a residual risk of extreme or high are self-assessed on an annual basis, those that are moderate on a biennial basis and those that are acceptable on a triennial basis. This is in line with the recommendation of Dean Newbery, excepting that they didn't split acceptable from moderate.

It is also proposed that only the list of core controls be assessed at this stage, as these are wide in scope and considered sufficient to control for risk in an acceptable manner. If the review process highlights controls weakness in a particular area, then additional controls can be added as appropriate.

Refer **Annexure "C"** – Changes in Risk Assessment

An internal assessment was undertaken of the residual risks assigned by UHY and while the majority were considered to still be appropriate, 16 were updated as per the attachment. Most of these changes only resulted in movement between the extreme and high risk categories, which has no impact on the review cycle, with only 6 risks dropping into the moderate category. The total number of risks and controls per assessment cycle will be as follows:

Residual Risk	Risks	Controls
Extreme/High	37	101
Moderate	37	94
Acceptable	18	39
Total	**92**	**234**

Refer **Annexure "D"** – Risks by Residual Risk

This results in a split of the risks into 40% assessed annually, 40% biennially and 20% triennially. As the last assessment was undertaken in 2019, it is proposed that both the annual and biennial cycle commence in the current year and the triennial cycle next year. It is also proposed that this work be undertaken in the period of October/November each year and be reported to the first Audit Committee meeting of each calendar year.

The assessment process will be undertaken using a similar framework to ControlTrack but undertaken using template spreadsheets. This involves each control being assigned to an assessor, normally to officer directly responsible for the control's operation, who will assess the effectiveness of the control and provide commentary on how they reached this opinion. This will then be assigned to a reviewer who is independent of the process, who will review this information and make their own assessment of the control effectiveness and include commentary.

Controls that are assessed as effective or majority effective will be considered acceptable, but controls assessed as only partially effective or lower will require an action plan for improvement, which will be reported back to the Audit Committee.

This process will assist with making the external audit process run much more smoothly and also provide greater confidence in all facets of the audit process.

Financial Implications

All parts of the internal financial controls self-assessment process will be undertaken using internal resources and doesn't require any additional software, so there are no direct financial implications.

Legislation

Section 125 and 129 *Local Government Act (SA) 1999*
Section 19 *Local Government (Financial Management) Regulations 2011*

Officer Direct or Indirect Interest – Nil

Risk Assessment

The recent interim audit undertaken by Dean Newbery didn't highlight any areas for concern with council's internal financial control environment, instead including a number of areas for improvement. This suggests that the overall risk in this area is within reasonable limits based on current practices.

The implementation of this self-assessment framework will complement the work done by the external auditors, allowing further opportunity for improvements to be identified and also highlighting any areas where controls may have become less effective. This will ensure that the risk remains at an acceptable level and even reduces over time.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication - Nil

Conclusion

The information from the previous assessment of internal financial controls undertaken by UHY and the recommendations of the recent interim audit from Dean Newbery have been combined to form a framework for internal financial controls self-assessment moving forward.

UHY Haines Norton
Chartered Accountants

Annexure "B"

Internal Financial Controls

For the Whyalla City Council

September 2019

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Introduction

Legislation

Section 125 of the Local Government Act 1999 states that:

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

Internal Financial Controls

Internal Financial Controls are a framework of policies, procedures and practices that assist an organisation in directing, monitoring and measuring the use of their resources. Controls assist in preventing and detecting fraud and theft and also diminishing the effect of error.

Better Practice Model

The Local Government (Financial Management) Regulations 2011, S19(3) requires that an auditor must assess the internal controls of a Council based on the criteria in the *Better Practice Model – Internal Financial Controls".*

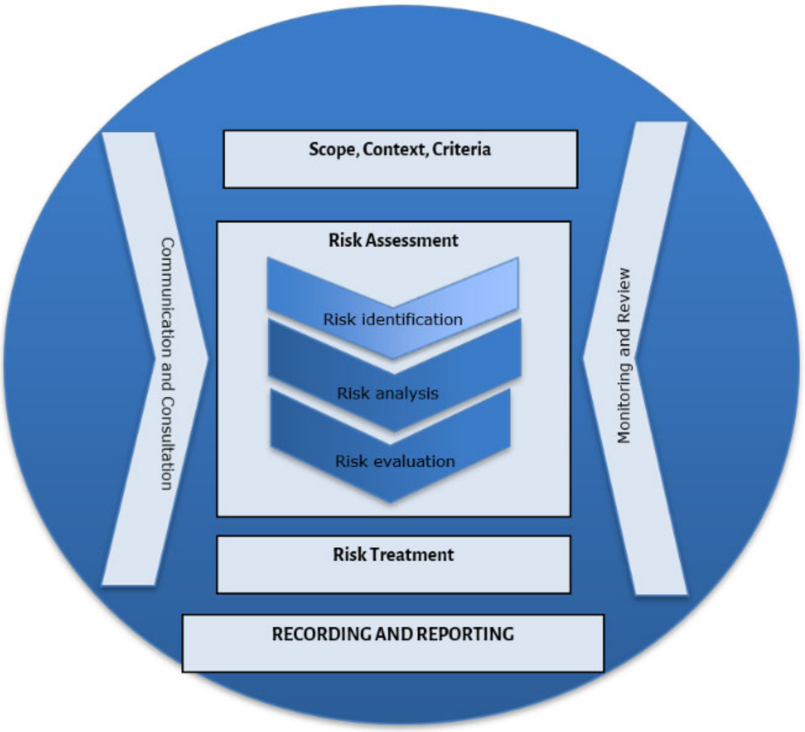
The 'Better Practice Model' outlines the key financial risks faced by Local Government in South Australia and suggested controls which assist in limiting exposure to these risks. This report has used the 'Better Practice Model' for assessing the financial controls for the Whyalla City Council.

Risk Management Standard

The Australia/New Zealand Risk Management Standard 31000-2018 outlines the process for risk management with the interacting process steps being: (see diagram following)

- Communication and Consultation
- Risk identification
- Risk analysis
- Risk evaluation
- Risk treatment
- Monitoring and review

The Better Practice Model identifies the normal risks in financial management along with possible controls.


Scope, Context, Criteria
Risk Assessment
Risk identification
Risk analysis
Risk evaluation
Risk Treatment
RECORDING AND REPORTING
Communication and Consultation
Monitoring and Review

Risk and Control Assessment Process

Assessing Risks

Assessing risks involves determining how likely it is that an event will occur and then the consequence if that event occurs, resulting in a risk 'level'.

Likelihood

The 'Better Practice Model' measures the likelihood of a risk occurring as:

E.	Almost Certain	Is expected to occur in most circumstances
D.	Likely to occur	Will probably occur in most circumstances
C.	Possible	Might occur at some time
B.	Unlikely	Could occur at some time
A.	Rare	May occur only in exceptional circumstances

Consequence

There are a number of consequences if an event occurs. The 'Better Practice Model' categorises the consequences of risks as:

- Socio-political & community issues
- Business Impact
    - Financial cost and delay in operations
- Legal issues
- Public Safety and Environment

Financial risks to Local Government entities for the purposes of Internal Financial Controls concentrate on the above except for public safety and environment. Although there can be a financial impact on Local Government entities resulting from public safety and environmental issues, those risks are not controlled in this framework. It is important to appreciate that Local

Government entities are subject to a variety of additional risks that are not covered in this framework.

Council Risk Frameworks

The ‘Better Practice Model’ outlines a standard risk matrix of the consequences of risk. Council’s need to consider their own businesses, communities and structures and determine if their risk ‘tolerance’ or consideration of consequence is different from this standard model.

Referring to the consequence table below, a smaller Council may consider the loss of $5,000 as a greater consequence than ‘insignificant’. A larger Council may consider that a higher financial impact than $100,000 would be termed catastrophic.

If the Council determines and resolves a different tolerance to risk than that outlined in the ‘Better Practice Model’, the Internal Financial Controls would need to be re-assessed against the new consequence table.

The consequences of risks occurring are graded as summarised in the table below (Refer: Appendix 1 for full consequence table from ‘Better Practice Model’):

Impact measurement	Political/Community – effect on public image or level of community concern	Cost/Financial Impact	Delay in routine tasks	Legal issues
1.Insignificant	Insignificant level	Less than $5k	up to ½ day	
2.Minor	Minor level	$5k to $20k	1 day	
3.Moderate	Moderate level	$20k to $50k	1-3 days	Noncompliance and breach of regulation
4.Major	Major/Significant	$50k to $100k	3-5 days	Serious breach, prosecution/fine
5.Catastrophic	Huge effect, community outrage	Over $100k	Over 5 days Failure of programs	Major breach, litigation

Risk Level

The following table shows the resulting risk level when the consequence and likelihood of an event occurring have been determined.

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	**E**	Moderate	High	High	Extreme	Extreme
Likely	**D**	Low	Moderate	High	Extreme	Extreme
Possible	**C**	Low	Low	Moderate	High	Extreme
Unlikely	**B**	Low	Low	Low	Moderate	High
Rare	**A**	Low	Low	Low	Moderate	High

The risk levels attained require management attention and actions need to be prioritised to address the risks with the highest levels first.

Risk level	Management Response
Extreme	Intolerable, immediate management attention required
High	Significant, management actions required
Moderate	Tolerable, specific monitoring or response procedures required
Acceptable	Manage by routine procedures.

Core and Additional Controls

The model suggests a number of controls which can be implemented to address risk levels. The controls suggested are divided between 'Core' and 'Additional'. Core controls are more critical, and the external auditors may place more emphasis on these.

An assessment has been undertaken on all controls for this report.

Once the Extreme and High-risk areas have been managed, organisations can move on to considering the Moderate risk areas.

Risk Levels

Evaluation of Effectiveness of Controls

The controls in the Model are assessed in the following manner:

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

Inherent/Raw Risk Assessment – Risk Levels Without Controls

The inherent or raw risks level is the level of risk without any controls in place. This assessment can assist organisations in understanding what their highest risk areas are.

The following table shows the level of risk without any of the controls outlined in the 'Better Practice Model' in place.

Risk Levels without any Controls

Risk level
Extreme
High
Moderate
Acceptable

	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	0	1	2	0	1
Likely	1	2	19	36	15
Possible	0	0	2	8	3
Unlikely	0	0	0	1	0
Rare	0	0	1	0	0

Level of risks with current controls in place

The following graph shows the level of risks for the Council with the current controls in place. Although controls currently in place have reduced the number of extreme risks, work needs to be undertaken to further reduce these risk levels.

Risk levels with Current Controls

	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	0	0	0	0	0
Likely	0	1	2	4	1
Possible	0	0	7	21	7
Unlikely	0	1	12	11	10
Rare	1	1	3	9	1

Actions to Improve Risk Levels.

It is recommended that the Council address the controls that result in an ‘Extreme’ risk level first and then those that result in a ‘High’ risk level. Council may then wish to consider ‘Moderate’ risk areas. A summary list of controls that need to be addressed to improve risk levels are listed in Appendix 2.

Categories of Risks and Business Processes

Risk Category	Business Process
Strategic Financial Planning	• Budgets • General Ledger • Statutory Reporting • Management Reporting
Assets	• Cash Floats & Petty Cash • Banking

	• Investments • Debtors • Inventory • Prepayments • Fixed Assets • Project Costing • Loans/Grants to Clubs/Community Groups
Liabilities	• Accounts Payable • Accrued Expenses • Borrowings • Employee Provisions • Taxation
Revenue	• Rate/Rate Rebates
	• Grants • User pay income – fee for services • Investment/interest income • Receipting • Other revenue
Expenses	• Purchasing & procurement • Payroll • Elected Member Expense • Credit cards / Store and Fuel Cards • Employee reimbursements • Other expenses
External Services	• Contracting

Suggested Improvements

Appendix 2 sets out recommendations for improvement of controls where the residual risk level is Extreme or High.

Methodology

Assessment of risk is a subjective exercise and the Standard places emphasis on communication and consultation. UHY Haines Norton's assessor consulted with relevant staff and management in discussing each risk, the possible controls within the Better Practice Model and the controls in place for Council. Management reviewed the inherent (raw) risk assessment (with no controls in place) along with the residual risk (with current controls in place) and the suggested improvements. Management's feedback has been used in preparing the final report.

Disclaimer

This baseline assessment has been prepared based on the information and feedback provided by Management and Staff of the Whyalla City Council. The controls identified by management and staff have not been tested as part of an internal audit process to confirm their effectiveness. Accordingly, the contents of this document cannot be regarded as definitive advice until a complete internal audit of the Council's internal financial controls is undertaken.

Appendix 1 Better Practice Model Consequence Table

Impact Scale	Socio-political & Community issues	Business Impact	Public Safety	Environment
1. Insignificant	• No adverse effect on public image • Insignificant level of community concern • Negligible adverse impact upon social health and well-being of the community, which has little or no impact upon established community relationships and links.	• Low financial loss – impact of less than $5k • Small delays in undertaking routine needs or tasks for ½ day.	• No injuries or no significant injuries • Negligible loss or damage to property / infrastructure.	• "Nuisance" category under the SA Environment Protection Act (1993) met • Contamination – on-site release immediately contained • Slight, quickly reversible damage to few species.
2. Minor	• Minor adverse effect on public image • Minor level of community concern • Minor adverse impact upon social health & well-being of the community that may have a minor impact upon established community relationships & links.	• Medium financial loss – impact of between $5k and $20k • Minor impact in undertaking routine needs or tasks for 1 day.	• First aid treatment required • Minor loss or infrastructure damage.	• "Nuisance" category under the SA Environment Protection Act (1993) met • Some minor adverse effects to few species/ ecosystem parts that are short term and immediately reversible.
3. Moderate	• Moderate adverse effect on public image • Moderate level of community concern • Social health and well-being of the community affected by moderately reduced opportunities for participation in community life and/or decision making, moderate incidences of increased isolation etc.	• High financial loss – impact of between $20k and $50k • Capability / production impaired, moderate impact on stakeholders & routine needs or tasks for 1 – 3 days. • Minor legal issues, non-compliances and breaches of regulation.	• Medical treatment required • Moderate loss/or infrastructure damage.	• "Material" category under the SA Environment Protection Act (1993) met • Contamination – on-site release contained with outside assistance • Temporary, reversible damage, loss of habitat and migration of animal population, plants unable to survive, pollution requires physical removal, land contamination localised and can be quickly remedied.

Impact Scale	Socio-political & Community issues	Business Impact	Public Safety	Environment
4. Major	• Major adverse effect on public image • Significant level of community concern • Social health and well-being of the community seriously affected by major community unrest and/or significant breakdown of established community relationships and links.	• Major financial loss - impact of between $50k and $100k • Loss of capability, disruption to production, major impact on stakeholders & routine needs or tasks for 3 – 5 days. • Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible.	• Serious & extensive injuries • Serious structural damage to infrastructure or serious loss of assets.	• “Serious” category under the SA Environment Protection Act (1993) met • Contamination – off-site release with no detrimental effects • Death of individual animals, large scale injury, loss of keystone species and widespread habitat destruction.
5. Catastrophic	• Huge effect on public image • Community outrage • Social health & well-being of the community hugely affected by major community unrest and/or significant breakdown of established community relationships & links.	• Huge financial loss/exposure – impact greater than $100k • Loss of production/capability, failure to meet stakeholder’s needs for more than 5 days • Projects & programs failure, inability to meet minimum acceptable standards, most objectives not met • Major breaches of regulation, major litigation.	• Fatalities • Critical loss, irreversible damage property / infrastructure.	• “Serious” category under the SA Environment Protection Act (1993) met • Toxic release off-site with detrimental effect • Death of animals in large numbers, destruction of flora species, air quality, requires evacuation, permanent and widespread land contamination, irreversible soil erosion or severe compaction, widespread introduction of weeds.

Appendix 2 Suggested Improvements

Extreme Risk Levels

Consequence	Catastrophic
Likelihood	Likely

Risk Number	Risk Description	Control to be improved		Suggested Improvement
		Control Number	**Control Description**	
8.1.2	Delegations of authority are not commensurate with job roles and responsibilities	8.1.2.1	Delegations of authority referenced in the Better Practice Model are reviewed for appropriateness, with changes approved as required.	S44(6) of the Local Government Act state that the council should review the delegations at least once in every financial year. The Delegation from Council to the CEO was last reviewed by Council on 19 June 2017. The sub delegations from the CEO to other staff have not been reviewed for many years - some since 2015 and some further to 2009.

Extreme Risk Levels

Consequence	Catastrophic
Likelihood	Possible

Risk Number	Risk Description	Control to be improved		Suggested Improvement
		Control Number	**Control Description**	
3.1.2	Cash Floats and Petty Cash transactions are either invalid, inaccurately recorded or not recorded at all	3.1.2.1	A register for cash floats and petty cash and custodians is maintained by authorised personnel to record all movements.	Document process
		3.1.2.2	Petty Cash to be approved in line with policy or procedure having regard to amounts, substantiation criteria and authorisation.	Document process
		3.1.2.3	Custodians of cash floats are informed of and undertake their responsibilities and obligations including reconciliations and accountability for cash movements.	Document process

		3.1.2.5	Cash floats and petty cash are reconciled and reviewed by a person other than the preparer.	Document process
3.4.2	Credit notes to debtors are either inaccurately recorded or not recorded at all	3.4.2.1	There is a process in place to review and approve all credit notes for sundry debtors in accordance with delegations of authority.	Develop a Write off/credit note policy with delegations from CEO to show who can write/off request Credit notes and in what circumstances
		3.4.2.2	All invoices raised and credit notes applied have an audit trail.	Audit log needs to be regularly checked by someone other than IT
5.1.3	The Property Masterfile date does not remain pertinent	5.1.3.1	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.	Consider printing audit trail for random testing by an officer other than input officer.
		5.1.3.2	Access to the Property master file is restricted to appropriately designated personnel, with a process in place to ensure changes are in line with policies and procedures.	Update synergy access
5.5.1	Receipts are either inaccurately recorded or not recorded at all	5.5.1.1	Customers are provided with a system-generated or pre-numbered (manual) sequential tax compliant receipt detailing payment made.	Document processes
		5.5.1.3	Officers who create debtors' invoices do not have access to receipting payments and/or reversing receipt transactions.	There is a cash handling policy dated Sept 2015 and was due for renewal in Sept 2017. Include requirement Customer Service officers need to get someone else to receive payments relating to themselves as per current practice
		5.5.1.4	Receipt transactions are reconciled to the daily takings, and out-of-balance banking is corrected promptly.	Document Process to ensure consistency
		5.5.1.5	There is a process in place to ensure that the third-party receipting downloads are reconciled to the third-party substantiation documents.	Document process

		5.5.1.7	There is a review process for the authorisation of the reversal of transactions.	A daily list of reversed receipts to be provided to Finance. IT to restrict ability of CS to reverse receipts.
6.2.1	Payroll expense is inaccurately calculated	6.2.1.2	There is a process to ensure all overtime is verified and approved by relevant appropriate staff.	Develop HR policy which includes the requirement for overtime to be approved prior to being undertaken.
		6.2.1.3	There is a process in place to ensure accurate data entry of payroll source documents.	Data on leave, codes and changes are copied from the leave forms onto input sheet, and then data is input into synergy from the input sheet. - double handling could result in increased likelihood of error. Leave forms are received earlier and not held at hand for input at actual payroll input. Moving to Electronic leave applications and electronic timesheets will eliminate this task and reduce risk of error and double handling
		6.2.1.4	All calculations for generating payroll payments are verified for accuracy.	Annually check calculation methodology
6.2.6	Employees termination payments are not in accordance with statutory and enterprise agreements	6.2.6.1	There is a process in place to ensure termination payments comply with relevant policies, procedures and legislation.	Include in procedures.
		6.2.6.2	There is adequate training of payroll staff to ensure they are up to date with relevant statutory and enterprise agreements.	Training needs analysis to be undertaken on staff, including keeping up with relevant legislation and changes to enterprise agreements. Training undertaken to be signed off.
6.4.2	Credit Cards are used for purchases of a personal nature	6.4.2.1	Credit cardholders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released.	Stronger compliance with procedure and declaration statements is required
		6.4.2.2	There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	Another director should sign the CEO's
		6.4.2.3	Cardholders are advised in the policy and procedures that improper use of the credit card, such as purchases of a personal nature, may result in disciplinary action in accordance with the Code of Conduct.	Add disciplinary action to Credit card declaration and create credit card policy that reflects this.

Extreme Risk Levels

Consequence	Major
Likelihood	Probably

Risk Number	**Risk Description**	**Control to be improved**		**Suggested Improvement**
		Control Number	**Control Description**	
3.9.2	Loans/Grants to Clubs/Community Groups are inaccurately recorded or not recorded at all	3.9.2.1	Loan receivable reconciliations are prepared and reviewed by appropriate staff with follow up of all outstanding receipts.	Develop Community Loan Policy to require loan receivable reconciliations to be prepared and reviewed
		3.9.2.2	All loans/grants to Clubs/Community Groups are approved in accordance with the policy.	Develop Community Loan Policy so that council is not presented with a request from the community without having any previous policy consideration on this topic. To avoid making decisions under pressure in the chamber, extend the Community Grant Guidelines to include Council's policy on Community loans - are they going to be provided, if yes - then what are the parameters and how will they be assessed
		3.9.2.4	A loan schedule is provided to the loan recipient.	Develop Community Loan Policy including procedure of providing loan schedule to loan recipient
3.9.3	Clubs/Community Groups not able to repay Loans/Grants to Council	3.9.3.1	Bad-debt write-offs for loans receivable are approved in line with relevant delegations.	Ensure that delegations for Bad Debt write-offs include how this will occur for community loans.
		3.9.3.2	Loan receivable reconciliations are prepared and reviewed by appropriate staff with follow up of all outstanding receipts.	Develop Community Loan Policy to require loan receivable reconciliations to be prepared and reviewed
		3.9.3.3	Council has a policy for issuing funds to Clubs/Community Groups. The Policy includes criteria for approval of funds with reference to the Delegations of Authority and conflicts of interest.	Develop Community Loan Policy so that council is not presented with a request from the community without having any previous policy consideration on this topic. To avoid making decisions under pressure in the chamber, extend the Community Grant Guidelines to include Council's policy on Community loans - are they going to be provided, if yes - then what are the parameters and how will they be assessed
6.4.1	Credit Cards are issued to unauthorised employees	6.4.1.1	There is a process in place to ensure there are appropriate approvals prior to the issuing of Credit Cards and limits.	Develop a credit card policy - endorsed by the Audit Committee/Council. This could be part of the procurement policy. Ensure that allocation of a credit card to the Mayor is supported by the Elected Members' Allowance and Benefits Policy

		6.4.1.2	Credit cardholders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released.	Stronger compliance with procedure and declaration statements is required
6.4.3	Credit Card limits are set at inappropriate levels	6.4.3.1	There is a process in place to ensure there are appropriate approvals set prior to the issuing of Credit Cards and limits.	Develop a credit card policy which sets out appropriate credit card limits
		6.4.3.2	There is a process in place to ensure credit card limits and usage is reviewed for operational efficiency.	Develop a credit card policy which sets out appropriate credit card limits

High-Risk Levels

Consequence Catastrophic

Likelihood Unlikely

Risk Number	**Risk Description**	**Control to be improved**		**Suggested Improvement**
		Control Number	**Control Description**	
2.2.1	General Ledger does not contain accurate financial information	2.2.1.2	Access to General Ledger maintenance is restricted to appropriately authorised personnel.	Review Synergy permissions at least annually. Access should be changed when staff change.
		2.2.1.3	Reconciliation of all balance sheet accounts is completed in accordance with a schedule of review and/or procedure.	Document Procedure
		2.2.1.4	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.	Document Procedure
		2.2.1.5	Journal entry access is restricted to appropriately authorised personnel.	Review Synergy permissions at least annually. Access should be changed when staff change.
		2.2.1.7	Amendments to the structure of the General Ledger framework and accounts are reviewed and approved by appropriately authorised personnel.	Project plan for the updating of the GL to be developed with testing and documentation incorporated.

		2.2.1.8	General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff.	Review GL Procedure.
		2.2.1.10	There is a process in place to review actual vs budget and significant variances investigated.	Document budget process
3.1.1	Cash Floats and Petty Cash are inadequately safeguarded	3.1.1.2	Access to the cash floats and petty cash is limited to authorised personnel.	Investigate mechanisms to automatically lock cashier drawers and have keys held on cashier person, consider potential automatic draw directed by synergy program on cashier computers which is controlled by login
		3.1.1.3	A register for cash floats and petty cash and custodians is maintained by authorised personnel to record all movements.	Document process
		3.1.1.4	I.O.U.'s are prohibited.	Include the prohibition of IOUs into cash handling procedure and consider the development of an overarching cash handling policy
		3.1.1.6	Cash floats and petty cash are reconciled and reviewed by a person other than the person responsible for the petty cash	Document process
		3.1.1.7	Spot cash float and petty cash counts conducted periodically by independent personnel.	Document process
3.2.2	Fraud	3.2.2.2	Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated.	Investigate using Synergy's bank reconciliation module.
		3.2.2.3	Cash transfers between bank accounts and investment bodies are undertaken by appropriate staff.	Document procedure
		3.2.2.4	There is a process in place to ensure all cash collected is adequately recorded and banked regularly.	Document procedure
3.4.4	Debtors are either not collected on a timely	3.4.4.1	Debtor's reconciliation is performed on a regular basis to the General	Document Process

	basis or not collected at all		Ledger and reviewed by appropriate staff, with consideration of segregation of duties.	
		3.4.4.2	Relevant staff reviews debtors ageing profile on a regular basis and investigates any outstanding items, and considers provisions for doubtful debts.	SFO to review contents of Provision of Doubtful debts each year.
3.7.5	Fixed Asset maintenance and/ or renewals are inadequately planned	3.7.5.1	Asset Management Plans are prepared, and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors.	Document process of adjusting Fixed Asset Register in regards to useful lives for 'depreciated assets'.
3.9.1	Council issues Loans/Grant without appropriate approval	3.9.1.1	Council has a policy for issuing funds to Clubs/Community Groups. The Policy includes criteria for approval of funds with reference to the Delegations of Authority and Conflicts of Interest.	Develop Community Loan Policy so that council is not presented with a request from the community without having any previous policy consideration on this topic. To avoid making decisions under pressure in the chamber, extend the Community Grant Guidelines to include Council's policy on Community loans - are they going to be provided, if yes - then what are the parameters and how will they be assessed
4.3.5	Lack of working capital to meet the Council's financial commitments	4.3.5.1	Cashflow forecasts are considered to ensure sufficient working capital is available	If invoices were entered into the system with due dates ongoing through month, cashflow forecasting would be improved
4.5.2	Council does not meet statutory reporting/lodgement deadlines	4.5.2.1	There is a process in place to ensure that all taxation returns are lodged within statutory timeframes.	Develop a financial calendar for the team for year
5.1.1	Council does not raise the correct level of rate income	5.1.1.3	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.	That the rating policy be reviewed with the Council to determine the principles behind the current rating process including amount of differential and that this should be reviewed annually as part of the ABP preparation process.
6.1.1	Council does not obtain value for money in its purchasing and procurement	6.1.1.3	The organisation has a process in place to ensure the use of preferred suppliers where relevant to maximise the best value for money to Council	Introduce a spot check process to check compliance with policies/procedures. Spot check to be based on risk, ie all open tenders would be checked while purchases under $5000 might not. Also

				undertake spending analysis to determine if suppliers are becoming major suppliers and require a different level of procurement
		6.1.1.4	All relevant staff should undertake training for the raising of orders, posting of goods received and the requirements of the creditors' process.	Ongoing annual training for relevant staff

High-Risk Levels

Consequence Catastrophic

Likelihood Rare

Risk Number	**Risk Description**	**Control to be improved**		**Suggested Improvement**
		Control Number	**Control Description**	
4.3.2	Loans are taken out without appropriate approval	4.3.2.1	The loan register and loan approvals are subject to management and/or internal audit review.	Controls are effective, so there are no suggested improvements. This risk remains at high due to the $ consequence. Where a risk level can't be further reduced, ongoing monitoring is required.
		4.3.2.2	All loans are in accordance with treasury management policy(ies) which outline appropriate approval mechanisms and authority required	

High-Risk Levels (18)

Consequence Major

Likelihood Possible

Risk Number	**Risk Description**	**Control to be improved**		**Suggested Improvement**
		Control Number	**Control Description**	
2.1.2	Unrealistic Budgets	2.1.2.1	Budgets and budget amendments are based on realistic and achievable assumptions at the time of preparation	Document budget process. All budget additions to use the Project Management Budget Application form and this form to be approved by relevant Director and EMT prior to being included in Draft Budget for Council consideration.
		2.1.2.2	The adopted budget and budget amendments approved by Council are	Document budget process

			reviewed and the impact on financial sustainability considered.	
2.2.2	Data contained within the General Ledger is permanently lost	2.2.2.3	Access to General Ledger maintenance is restricted to appropriately authorised personnel.	Review Synergy permissions at least annually. Access should be changed when staff change.
		2.2.2.4	General Ledger policies and/or procedures are appropriately created, updated and communicated to relevant staff.	Review GL Procedure.
		2.2.2.5	A formal disaster recovery plan is in place and communicated to relevant staff.	The plan needs to be updated including updating relevant staff and enabling access. i.e. SharePoint or accessible website storage
2.3.2	Council's statutory reports provide inaccurate financial information	2.3.2.1	There is a process in place to review actual compared to budget and significant variances investigated	Document budget process
		2.3.2.2	Statutory financial reports prepared by appropriate personnel; reviewed by senior management and/or Audit Committee.	Document process
		2.3.2.3	Reconciliation of all balance sheet accounts is completed in accordance with a schedule of review and/or procedure.	Document Procedure
		2.3.2.4	Financial policies and procedures and related guidance are reviewed and updated as required.	Review & document financial policy framework and develop a checklist for consistent and timely policy review
		2.3.2.5	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.	Reviewing/checking process to be reviewed in order to reduce checking to a sustainable level and enable the position to concentrate on resolving and improving processes.
		2.3.2.6	Liaison with external auditors to ensure completion and lodgement of statutory documents.	Document process
		2.3.2.7	Liaison with legal and tax advisors as required to assist in timely completion and lodgement of statutory documents.	Document process

2.4.1	KPIs are not consistent with Corporate Objectives, and accounting policies adopted by Council are not adhered to by Council administration	2.4.1.1	Council has adopted a set of key financial indicators and targets that are consistent with the corporate objectives	As part of reviewing strategic, operational and asset management plans, Council should consider the key financial targets that best work for their objectives and consider also adopting an average over a period of time to cope with individual years that may be outside targets but where averages are still within targets
		2.4.1.2	Council has a suite of accounting policies and procedures that are regularly reviewed, and updates are communicated to appropriate personnel.	Review & document financial policy framework and develop a checklist for consistent and timely policy review
		2.4.1.3	The long-term financial plan is reviewed in accordance with the Local Government Act 1999 and monitored in line with key financial targets.	Document process
3.3.4	Conflict of interest impacts negatively upon the investment decision	3.3.4.1	Council has a clear and comprehensive investment policy to assist when making any decisions to invest funds.	Review outdated Treasury management policy
		3.3.4.2	Staff involved in the investment decision-making process understands their obligations under the Investment Policy.	Include in the annual training plan
		3.3.4.3	There is a process in place to ensure compliance with Conflict of Interests and Code of Conduct.	Include in the annual training plan
3.4.3	An appropriate provision for doubtful debts is not recorded	3.4.3.1	Relevant staff reviews sundry debtors ageing profile on a regular basis and investigates any outstanding items, and considers provision for doubtful debts at year-end.	SFO to review contents of Provision of Doubtful debts each year.
		3.4.3.2	Bad debt write-offs and movements in the provision for doubtful debts for Sundry Debtors are processed in accordance with delegations of authority and Local Government Act	SFO to review contents of Provision of Doubtful debts each year. Debt management policy to include process and thresholds and delegations for writing off debts.
		3.4.3.3	Records of bad debt write-offs should be maintained.	Journal to include Council resolution for bad debt write off

3.4.5	The Debtors Masterfile data does not remain pertinent	3.4.5.1	Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by relevant staff for accuracy and on-going pertinence.	Separate Masterfile maintenance from transaction work
		3.4.5.2	There is a process in place to ensure changes to the debtor's master file are compared to source documents to ensure they are inputted accurately	IT access should be restricted so that the task of creating debtors' invoices is separate to creating credit notes and writing off.
		3.4.5.3	Debtors system provides an audit trail to record changes made to master file.	Audit log needs to be regularly checked by someone other than IT
3.5.2	Inventory is inadequately safeguarded	3.5.2.3	Inventory is appropriately insured.	That Council's Insurance Policy is adjusted to include inventory such as fuel and oil, items for sale and stock items at the depot
3.7.1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent	3.7.1.1	There is a process in place for the verification of fixed assets which is reconciled to the FAR.	Document process.
		3.7.1.2	Recorded changes to the FAR and/or Masterfile are approved by appropriate staff compared to authorised source documents and General Ledger to ensure accurate input.	Document process
		3.7.1.3	All fixed asset acquisitions and disposals are approved in accordance with the Delegation of Authority and relevant Procurement and Fixed Asset Policies.	Document disposal process in regards to the renewal of infrastructure
		3.7.1.4	Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties.	Document process.
		3.7.1.7	Asset register calculations are reviewed for accuracy.	Undertaken random check of depreciation calculations each year.
		3.7.1.8	Fixed assets are recorded on the acquisition, creation, or when provided free of charge to facilitate	Develop a process for Free of Charge assets to be brought into the asset register.

			accurate identification of assets and recording of details with regards to the Asset Accounting Policy.	
		3.7.1.9	Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans.	Complete review of Asset Service Levels
3.7.2	Fixed assets are inadequately safeguarded	3.7.2.1	Where appropriate, fixed assets are secured, and access is restricted to appropriate staff and authorised users.	Develop minor equipment register assets below the capitalisation threshold.
		3.7.2.3	Where appropriate, identification details are recorded for portable and attractive assets such as IT and fleet assets, on acquisition to facilitate accurate identification.	IT has identified that it will consider barcoding IT assets as the latest software allows this. Recommend that this project is undertaken
3.8.1	Projects are either inaccurately recorded or not recorded at all	3.8.1.1	Actual project costs are regularly compared to budgets; significant variances are investigated by relevant staff.	Managers and Finance team, workshop to discuss the provision, analysis and identification of issues in relation to budget reports. Project Managers be required to review and investigate variations on the budget reports and report to Executive Management team
		3.8.1.2	The project costing methodology is reviewed to ensure appropriate costs ae recorded.	Continue with the project to implement project management
3.8.2	Appropriate approvals are not received for the establishment and changes in project scope or costs	3.8.2.1	Actual project costs are regularly compared to budgets; significant variances are investigated by appropriate staff.	Managers and Finance team, workshop to discuss the provision, analysis and identification of issues in relation to budget reports. Project Managers be required to review and investigate variations on the budget reports and report to Executive Management team
		3.8.2.3	Exception report generated detailing all variances for project costs over a fixed threshold (i.e. a percentage or dollar amount). Exception report reviewed by appropriate staff and all significant variances are investigated.	Continue with exploring automatic budget variation report

		3.8.2.4	There is an on-going review of current projects having regard to project scope and delivery within budget and with variations communicated and endorsed within relevant Delegations of Authority.	Managers and Finance team, workshop to discuss the provision, analysis and identification of issues in relation to budget reports. Project Managers be required to review and investigate variations on the budget reports and report to Executive Management team
4.1.2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all	4.1.2.1	Separation of Accounts Payable and Procurement duties.	Check that financial delegation has been removed from AP Officer who had the previous delegation in former position
		4.1.2.2	Goods returned notes are matched to credit notes; differences are investigated promptly.	Get credit notes authorised.
		4.1.2.3	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable sub-ledger regularly and differences are investigated.	Document process
4.1.4	Accounts are not paid on a timely basis	4.1.4.1	Relevant staff to review aged payables listing on a predetermined basis and investigate where appropriate.	Input invoices as received with the due date.
		4.1.4.2	There is a system-generated report detailing supplier invoices due for payment at any one time.	Input invoices as received (authorised and returned) with a due date to limit number of payments made
		4.1.4.3	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable sub-ledger regularly and differences are investigated.	Document process
4.1.5	Supplier Masterfile does not remain pertinent and/or unauthorised changes are made to the supplier Masterfile	4.1.5.1	Access to the supplier Masterfile is restricted to authorised staff	AP should not be able to change Masterfile.
		4.1.5.2	Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately.	Undertake random checking

		4.1.5.3	Separation of accounts payable and procurement duties.	Check that financial delegation has been removed from AP Officer who had the previous delegation in former position
		4.1.5.4	There is a process in place to ensure the supplier master file is periodically reviewed for ongoing pertinence.	Develop a process to review supplier Masterfile for ongoing pertinence
		4.1.5.5	Requested changes or additions to supplier Masterfile are verified independently of source documentation.	Review changes to Masterfile.
4.3.1	Borrowings are either not recorded or are recorded inaccurately	4.3.1.1	A loan register is maintained including reference to Council resolution approving the loan and schedule of the loan liability and loan repayments from the lender. This also includes details of any Cash Advanced Debentures.	Document process
		4.3.1.4	All new loan repayment schedules and conditions are checked prior to accepting each loan.	Document process
4.4.1	Employee provisions are either inaccurately recorded or not recorded at all	4.4.1.1	Where appropriate, employee provisions are calculated by an automated process and the integrity of the calculations are verified for accuracy to ensure consistency with statutory reporting requirements.	Spot check annually to ensure leave liability is calculating correctly.
		4.4.1.2	There is an approval process for all staff requests for leave and leave taken recorded by somebody independent from the approval.	Develop HR Manual to inform staff of all processes to do with HR matters
		4.4.1.3	There is a process in place to ensure the accuracy and completeness of inputs into the calculation of the employee provisions.	Introduce annual spot checks
		4.4.1.4	Leave balances are recorded on pay advice slips for verification by staff.	Investigate printing of entitlement to LSL being printed on payslips once over 7yrs

6.1.2	Purchases of goods and services are made from non-preferred suppliers	6.1.2.1	Employees must ensure all purchases are in accordance with the Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.	Introduce a spot check process to check compliance with policies/procedures. Spot check to be based on risk, i.e. all open tenders would be checked while purchases under $5000 might not. Also undertake spending analysis to determine if suppliers are becoming major suppliers and require a different level of procurement
		6.1.2.2	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers.	
6.1.3	Purchase orders are either recorded inaccurately or not recorded at all	6.1.3.2	There is a process in place to ensure all invoices for payment are matched to relevant source documents such as purchase orders where applicable and are in line with Procurement Policy guidelines.	Managers to be taught procurement policies/procedures and be responsible for correct procurement being used in dept.
		6.1.3.3	There is a process in place to follow up and action incomplete purchase orders.	Add a process to review incomplete purchase order, to the procurement procedures to eliminate duplicate orders
		6.1.3.4	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers	Introduce a spot check process to check compliance with policies/procedures. Spot check to be based on risk, i.e. all open tenders would be checked while purchases under $5000 might not. Also undertake spending analysis to determine if suppliers are becoming major suppliers and require a different level of procurement
6.5.1	Employees are reimbursed for expenses of a personal nature	6.5.1.2	A policy or procedure is in place, setting guidelines for employee reimbursements.	Develop policy or procedure with guidelines on appropriate employee reimbursements
8.1.1	Policies and Procedures do not reflect current requirements	8.1.1.1	There is a process in place to ensure all policies and procedures referenced in the Better Practice Model are reviewed for appropriateness and relevance.	Improve the process for review of policies

High-Risk Levels (16)

Consequence Moderate

Likelihood Probable

Risk Number	Risk Description	Control to be improved		Suggested Improvement
		Control Number	Control Description	
2.4.2	Council's financial information is not reviewed in a timely manner to enable effective decision making	2.4.2.1	Council reviews and reports on its financial performance in accordance with relevant legislative requirements.	Document process
		2.4.2.2	There is a process in place to ensure relevant staff are clearly informed of their duties and responsibilities in relation to financial management reporting.	Calendar for the financial department to be developed and documented and managed by SFO, so all department is aware of key dates and actions
3.6.1	Prepayments are either inaccurately recorded or not recorded at all	3.6.1.1	Prepayment reconciliation performed in accordance with the schedule of review or procedure to the General Ledger and reviewed by the relevant staff, with consideration of segregation of duties.	Document process
		3.6.1.2	Procedures provide guidance as to the recognition, treatment and recording of prepayments.	Document to be prepared to provide guidelines

Annexure "C"

		UHY Assessment			Council Assessment			
Risk #	Risk Description	Outcome	Likelihood	Risk	Outcome	Likelihood	Risk	Comment
2.2.2	Data contained within the General Ledger is permanently lost	Major	Possible	High	Catastrophic	Possible	Extreme	Outcome was inconsistent with similar risks
2.3.2	Council's statutory reports provide inaccurate financial information	Major	Possible	High	Major	Unlikely	Moderate	Likelihood was inconsistent with other related risks
2.4.2	Council's financial information is not reviewed in a timely manner to enable effective decision making	Moderate	Likely	High	Moderate	Possible	Moderate	Extra resources have been added for this purpose
3.1.1	Cash Floats and Petty Cash are inadequately safeguarded	Catastrophic	Unlikely	High	Major	Unlikely	Moderate	Based on the value of these items, a catastrophic outcome did not seem appropriate
3.1.2	Cash Floats and Petty Cash transactions are either invalid, inaccurately recorded or not recorded at all	Catastrophic	Possible	Extreme	Major	Possible	High	Based on the value of these items, a catastrophic outcome did not seem appropriate
3.3.4	Conflict of interest impacts negatively upon the investment decision	Major	Possible	High	Major	Unlikely	Moderate	Likelihood appeared too high
3.9.2	Loans/ Grants to Clubs / Community Groups are inaccurately recorded or not recorded at all	Major	Likely	Extreme	Major	Possible	High	Likelihood appeared too high
3.9.3	Clubs/Community Groups not able to repay Loans/Grants to Council	Major	Likely	Extreme	Moderate	Likely	High	It is unlikely that Council would approve loans to a value that would cause major risk to Council
4.1.4	Accounts are not paid on a timely basis	Major	Possible	High	Moderate	Possible	Moderate	Not paying accounts on time does not pose significant risk to Council
4.5.2	Council does not meet statutory reporting/lodgement deadlines	Catastrophic	Unlikely	High	Major	Unlikely	Moderate	While not meeting statutory reporting timeframes in not ideal, it is unlikely to be catastrophic
5.5.1	Receipts are either inaccurately recorded or not recorded at all	Catastrophic	Possible	Extreme	Major	Possible	High	If a receipt of a value high enough to cause catastophic risk was incorrectly recorded, it is safe to assume the sender would follow up with sufficent evidence of the transaction
6.2.1	Payroll expense is inaccurately calculated	Catastrophic	Possible	Extreme	Major	Possible	High	If payroll expense was being calculated incorrectly enough to create a catastrophic risk, it is safe to assume that another control would pick this up
6.2.6	Employees termination payments are not in accordance with statutory and enterprise agreements	Catastrophic	Possible	Extreme	Major	Possible	High	Even if this risk eventuated, it is highly unlikley that the value would be anywhere near catastrophic
6.4.1	Credit Cards are issued to unauthorised employees	Major	Likely	Extreme	Major	Possible	High	Likelihood appeared too high, especially based on updated processes
6.4.2	Credit Cards are used for purchases of a personal nature	Catastrophic	Possible	Extreme	Major	Possible	High	Due to the credit limits, financial risk would not be catastrophic, and even legal and resputational risks are not likely to be catastrophic
6.4.3	Credit Card limits are set at inappropriate levels	Major	Likely	Extreme	Major	Possible	High	Likelihood appeared too high, especially based on updated processes

Risk #	Risk Description	Outcome	Likelihood	Risk
2.2.2	Data contained within the General Ledger is permanently lost	Catastrophic	Possible	Extreme
3.4.2	Credit notes to debtors are either inaccurately recorded or not recorded at all	Catastrophic	Possible	Extreme
5.1.3	The Property master file data does not remain pertinent	Catastrophic	Possible	Extreme
8.1.2	Delegations of authority are not commensurate with job roles and responsibilities	Catastrophic	Likely	Extreme
2.1.2	Unrealistic Budgets	Major	Possible	High
2.2.1	General Ledger does not contain accurate financial information	Catastrophic	Unlikely	High
2.4.1	KPIs are not consistent with Corporate Objectives and accounting policies adopted by Council are not adhered to by Council administration	Major	Possible	High
3.1.2	Cash Floats and Petty Cash transactions are either invalid, inaccurately recorded or not recorded at all	Major	Possible	High
3.2.2	Fraud	Catastrophic	Unlikely	High
3.4.3	An appropriate provision for doubtful debts is not recorded	Major	Possible	High
3.4.4	Debtors are either not collected on a timely basis or not collected at all	Catastrophic	Unlikely	High
3.4.5	The Debtors master file data does not remain pertinent	Major	Possible	High
3.6.1	Prepayments are either inaccurately recorded or not recorded at all	Moderate	Likely	High
3.7.1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent	Major	Possible	High
3.7.2	Fixed assets are inadequately safeguarded	Major	Possible	High
3.7.5	Fixed Asset maintenance and/or renewals are inadequately planned	Catastrophic	Unlikely	High
3.8.1	Projects are either inaccurately recorded or not recorded at all	Major	Possible	High
3.8.2	Appropriate approvals are not received for the establishment and changes in project scope or costs	Major	Possible	High
3.9.1	Council issues Loans/Grants without appropriate approvals	Catastrophic	Unlikely	High
3.9.2	Loans/ Grants to Clubs / Community Groups are inaccurately recorded or not recorded at all	Major	Possible	High
3.9.3	Clubs/Community Groups not able to repay Loans/Grants to Council	Moderate	Likely	High
4.1.2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all	Major	Possible	High
4.1.5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file	Major	Possible	High
4.3.1	Borrowings are either not recorded or are recorded inaccurately	Major	Possible	High
4.3.2	Loans are taken out without appropriate approval	Catastrophic	Rare	High
4.3.5	Lack of working capital to meet Council’s financial commitments	Catastrophic	Unlikely	High
4.4.1	Employee provisions are either inaccurately recorded or not recorded at all	Major	Possible	High
5.1.1	Council does not raise the correct level of rate income	Catastrophic	Unlikely	High
5.5.1	Receipts are either inaccurately recorded or not recorded at all	Major	Possible	High
6.1.2	Purchases of goods and services are made from non-preferred suppliers	Major	Possible	High
6.1.3	Purchase orders are either recorded inaccurately or not recorded at all	Major	Possible	High
6.2.1	Payroll expense is inaccurately calculated	Major	Possible	High

Risk #	Risk Description	Outcome	Likelihood	Risk
6.2.6	Employees termination payments are not in accordance with statutory and enterprise agreements	Major	Possible	High
6.4.1	Credit Cards are issued to unauthorised employees	Major	Possible	High
6.4.2	Credit Cards are used for purchases of a personal nature	Major	Possible	High
6.4.3	Credit Card limits are set at inappropriate levels	Major	Possible	High
8.1.1	Policies and Procedures do not reflect current requirements	Major	Possible	High
2.1.1	Budgets do not reflect strategic objectives	Major	Unlikely	Moderate
2.1.4	Budgets are not compliant with relevant legislation	Major	Rare	Moderate
2.3.1	Council does not comply with statutory reporting requirements and deadlines	Major	Rare	Moderate
2.3.2	Council’s statutory reports provide inaccurate financial information	Major	Unlikely	Moderate
2.4.2	Council’s financial information is not reviewed in a timely manner to enable effective decision making	Moderate	Possible	Moderate
2.4.3	Council’s management reports provide inaccurate financial information	Major	Unlikely	Moderate
2.4.4	Significant budget variances are either not investigated on a timely basis or not investigated at all	Major	Unlikely	Moderate
3.1.1	Cash Floats and Petty Cash are inadequately safeguarded	Major	Unlikely	Moderate
3.2.1	Banking transactions are either inaccurately recorded or not recorded at all	Major	Unlikely	Moderate
3.3.1	Council makes poor investment decisions	Moderate	Possible	Moderate
3.3.4	Conflict of interest impacts negatively upon the investment decision	Major	Unlikely	Moderate
3.4.1	Debtors are either inaccurately recorded or not recorded at all	Major	Unlikely	Moderate
3.5.2	Inventory is inadequately safeguarded	Moderate	Possible	Moderate
3.7.4	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals	Major	Unlikely	Moderate
4.1.1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all	Major	Unlikely	Moderate
4.1.3	Disbursements are not authorised properly	Major	Rare	Moderate
4.1.4	Accounts are not paid on a timely basis	Moderate	Possible	Moderate
4.3.3	Loans are not repaid in accordance with the agreed terms	Major	Rare	Moderate
4.3.4	Loan repayments are not recorded at all or are recorded inaccurately	Major	Rare	Moderate
4.5.2	Council does not meet statutory reporting/lodgement deadlines	Major	Unlikely	Moderate
5.1.4	Rates are not collected on a timely basis	Moderate	Possible	Moderate
5.2.1	Council loses recurrent Grant funding to provide existing service	Major	Unlikely	Moderate
5.2.2	Grant funding is not claimed by Council on a timely basis or not claimed at all	Moderate	Possible	Moderate
5.3.1	The fee charged does not reasonably reflect the value of the services provided	Moderate	Possible	Moderate
5.3.2	Council does not apply User Pay principles consistently	Minor	Likely	Moderate
6.1.1	Council does not obtain value for money in its purchasing and procurement	Major	Unlikely	Moderate
6.1.4	Purchase orders are made for unapproved goods and services	Major	Unlikely	Moderate
6.1.5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file	Major	Rare	Moderate

Risk #	Risk Description	Outcome	Likelihood	Risk
6.2.2	Payroll disbursements are made to incorrect or fictitious employees	Major	Rare	Moderate
6.2.3	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all	Major	Unlikely	Moderate
6.2.4	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file	Major	Rare	Moderate
6.3.2	Elected Members obtain unauthorised private benefit from Council	Moderate	Possible	Moderate
6.5.1	Employees are reimbursed for expenses of a personal nature	Major	Rare	Moderate
7.1.1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process	Major	Rare	Moderate
7.1.2	Council does not obtain value for money in relation to its Contracting	Major	Unlikely	Moderate
7.1.3	Commitments are made for unapproved goods and services	Major	Unlikely	Moderate
8.1.3	Staff are not aware of their responsibilities to ensure good governance including compliance with policies, procedures and relevant legislation	Moderate	Possible	Moderate
2.1.3	Budgets are inaccurately recorded due to variances between the budget adopted by Council and its finance system	Moderate	Rare	Acceptable
3.3.2	Investment transactions are either not recorded or are recorded inaccurately	Moderate	Unlikely	Acceptable
3.3.3	Investment income is inaccurately calculated or not recorded in the appropriate period	Moderate	Unlikely	Acceptable
3.5.1	Inventory received is either recorded inaccurately or not recorded at all	Moderate	Unlikely	Acceptable
3.5.3	Inventory held by Council becomes obsolete	Minor	Rare	Acceptable
3.7.3	Fixed Assets are not valued correctly initially or on subsequent revaluation	Moderate	Rare	Acceptable
4.2.1	Accrued Expenses are either inaccurately recorded or not recorded at all	Moderate	Unlikely	Acceptable
4.5.1	Tax liabilities are either inaccurately recorded or not recorded at all	Moderate	Unlikely	Acceptable
5.1.2	Rates and rate rebates are either inaccurately recorded or not recorded at all	Moderate	Rare	Acceptable
5.2.3	Grants are either inaccurately recorded or not recorded at all	Moderate	Unlikely	Acceptable
5.3.3	User pay income is either inaccurately recorded or not recorded at all	Moderate	Unlikely	Acceptable
5.4.1	Investment income is either inaccurately recorded or not recorded at all	Moderate	Unlikely	Acceptable
5.5.2	Receipts are not deposited at the bank on a timely basis	Insignificant	Rare	Acceptable
5.6.1	Other Revenue is either inaccurately recorded or not recorded at all	Moderate	Unlikely	Acceptable
6.2.5	Voluntary and statutory payroll deductions are inaccurately processed or without authorisation	Minor	Unlikely	Acceptable
6.3.1	Elected Member expenses and allowances are inaccurately recorded or not recorded at all	Moderate	Unlikely	Acceptable
6.5.2	Employee reimbursements are either inaccurately recorded or not recorded at all	Moderate	Unlikely	Acceptable
6.6.1	Other Expenses are invalid, inaccurately recorded or not recorded at all	Moderate	Unlikely	Acceptable

6.1 CORPORATE SERVICES

6.1.3 Asset Accounting Policy

Audit Committee Meeting: 19 July 2021
Author's Title: Manager Finance **File No.:** 0-159
Directorate: Corporate Services

Annexures:
A – Asset Accounting Policy with track changes
B – Updated Asset Accounting Policy

Officer Direct or Indirect Conflict of Interest:
In accordance with Local Government Act 1999, Section 120

☐ **Yes** ☑ **No**

Status:
Information classified confidential under Section 90(2) of the Local Government Act

☐ **Yes** ☑ **No**

Reason – not applicable

PURPOSE

To inform the Audit Committee of a number of minor changes proposed to the Asset Accounting Policy to ensure it reflects current practices.

SUMMARY

The main changes relate to adding componentised irrigation assets into the policy, in line with work recently undertaken to undertake a revaluation of this asset class for the first time and the addition of reference to green assets, which council currently capitalises and depreciates over a period of 30 years.

RECOMMENDATION

The Audit Committee recommend the updated Asset Accounting Policy to Council for adoption.

6.1.3 Asset Accounting Policy

REPORT

BACKGROUND

Council undertakes a revaluation of each material class of non-current asset on a 5 year rolling cycle in accordance with AASB 116, in line with the requirements of Section 12 of the *Local Government (Financial Management) Regulations 2011*.

Previously this has applied to the following asset classes:

- Transport (Roads, kerbs, footpaths and runway assets)
- Stormwater
- Land and Buildings
- Open Space Structures
- Playground equipment

During the last cycle of revaluations, a concerted effort has gone into improving the quality of the data collected during the revaluation process, including detailed componentisation, to ensure that the planning process can be undertaken with much more confidence.

As part of the improvement in data, it was decided to include irrigation assets into the revaluation schedule at the end of this cycle. This occurred during 2020/21, with a revaluation date of 30 June 2021 and will be reflected in the financial statements when they are presented to the Audit Committee. Previously, this asset class was held at cost. The overall value of irrigation assets is not high enough to meet the materially threshold to require this change. Instead, much like playground equipment, the materially of this asset class is driven by its importance to the city and the benefit that improved data will have on forward planning.

Council currently capitalise the planting of street trees and depreciate them over 30 years, holding them at depreciated historical costs. One of the recommendations Dean Newbery made as part of their recent interim management report was that Council should consider ceasing this practice due to complications with measuring value.

It was the opinion of the Administration that this practice was justified as follows:

- The assets are held at cost, which is easily measured.
- The asset is capitalised as a network asset and depreciated over a set period of 30 years.
- Green assets are actually likely to appreciate in value over time (a point made by the auditors in their detailed correspondence), so that even if a portion of the assets do fail, the total value of the combined network asset is unlikely to be impaired at any time.
- While it may be hard to quantify the future economic benefit that will flow to Council from the asset, this is the case with a large number of public assets. The fact that Council is willing to invest in this type of asset signals that benefits do exist.

DISCUSSION

Refer **Annexure "A"** – Asset Accounting Policy with track changes

As the irrigation network has now been componentised, it was necessary to reflect the standard useful lives with the policy. The policy has also been updated to show the capitalisation threshold of irrigation assets separately to remove any confusion. Previously this was picked up under the general threshold of $5,000.

To ensure that the current practice of capitalising green assets is formalised, it has been added into the policy. A higher threshold has been included for this asset class, based on the fact that it is capitalised as a network asset, to ensure that immaterial amounts are not picked up.

Other changes include some minor wording updates to better reflect how assets are shown in the financial statements. This included moving showing Street Furniture under Other Assets, as this asset class is held at historical cost only, not periodically revalued. Wording on residual values was updated to reflect that they are only recognised for vehicles and plant items.

Financial Implications

The componentisation of irrigation assets and initial revaluation is likely to have some impact on annual depreciation. This will be reported in line with the year end results and first quarter budget review for 2021/22. However, irrigation assets are currently held with a standard life of approximately 30 years, and the componentisation will result in both longer and shorter lived assets, so it is unlikely that this process will result in a large change.

Legislation

Section 12 *Local Government (Financial Management) Regulations 2011*

Officer Direct or Indirect Interest – Nil

Risk Assessment

The Asset Accounting Policy outlines that all material asset classes will be held at fair value, reducing the risk that the reported value of Council's assets is materially incorrect and also ensuring that the calculation of annual depreciation in accurate. As Local Government operations are so asset intensive, it is important that long term asset costs are understood, to ensure that revenue and resource decisions made by Council are well informed.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication - Nil

Conclusion

The Asset Accounting Policy has been updated to reflect the capitalisation of green assets, the componentisation of irrigation assets and other minor changes to better reflect current practices and reporting structure.

Annexure "A"

WHYALLA CITY COUNCIL

ASSET ACCOUNTING POLICY	
Type	Financial
GDS Category	Financial Management – Public
Responsible Officer	~~Senior~~ Finance ~~Officer~~Coordinator
Policy Adopted	~~July~~ **** 2021~~0~~
Review Period	Two years
Last Reviewed	July~~ne~~ 2020~~18~~
Next Review Date	July 2023~~2~~
Policy Version Number	6~~5~~
Applicable Legislation	• Australian Accounting Standards • Local Government Act 1999
Related Documents	• Accounting Procedure
Public Consultation Required	No
Purpose	To ensure Councils' non-current assets are recognised, capitalised and revalued in accordance with Australian Accounting Standards and this policy.

1. Introduction

Council has an obligation to ensure its assets are recognised, capitalised and revalued in accordance with relevant legislation and to efficiently manage new, existing and surplus assets.

2. Policy Objective

To provide a framework that ensures Councils' assets are recognised and accounted for in accordance with Australian Accounting Standards and the Local Government Act and Regulations.

3. Scope

This policy covers the acquisition and accounting treatment of non-current assets to ensure they are managed in an efficient and financially responsible manner. Financial information relating to non-current assets is to be presented consistently to enable users of Councils' financial information to make informed decisions.

4. Definitions

Asset – a resource controlled by Council, as a result of past events, from which future economic benefits are expected to flow.

Asset Class – a group of non-current assets having a similar nature or function in the operations of Council.

Capitalisation Threshold – sets the expenditure limit. Amounts below this limit are expensed as and amounts equal to or above are capitalised.

Capital Expenditure – amounts spent to acquire, renew or upgrade assets which is expected to provide benefits for a period greater than 12 months.

Capital Renewal – expenditure on an existing asset, or on replacing an existing asset, without enhancement of the service capability (except where this is incidental and unavoidable).

Capital New – in additional to Councils' existing asset base.

Capital Upgrade – replaces a previously existing asset with enhanced capability or functionality.

Carrying Amount – the value of the asset after deducting any accumulated depreciation and accumulated impairment losses.

Fair Value – the price that would be received if an asset was sold.

Residual Value – the estimated amount to be obtained when an asset is disposed of to another party at the end of its useful life.

5. Policy Statement

Recognition of an Asset

An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost that can be measured reliably.

Council has elected not to recognise land under roads in accordance with AASB 1051 Land Under Roads, as it is not possible to attribute a value reliably for these assets to qualify for recognition. Land acquired for road purposes during the year, is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

Assets with a useful life of less than 12 months will not be capitalised.

Capitalisation thresholds have been determined to provide a guide on minimum asset capitalisation levels.

Asset	Capitalisation Threshold
Office furniture and equipment	$2,000
Other plant and equipment	$5,000
Buildings – new construction/extensions	$10,000
Open space structures	$10,000
Street furniture~~Park~~ and playground ~~furniture and~~ equipment	$5,000
Green assets – street trees	$20,000
Road construction and reconstruction	$10,000
Paving and footpaths, kerbs and gutters	$5,000
Drains and culverts	$5,000
Reticulation extensions	$5,000
Sidelines and household connections	$5,000
Irrigation	$5,000
Artworks	$5,000

Some segmented assets may be treated as network assets where appropriate to ensure capital expenses are appropriately recognised throughout the capitalisation process.

Measurement at Recognition

The initial valuation basis for an asset is its cost. Cost is determined as the fair value of the asset given as consideration, plus costs incidental to the acquisition and all other costs incurred in getting the asset ready for use.

Where an asset is acquired at no, or a nominal cost, the cost is its deemed fair value at the date of acquisition.

The cost of an asset constructed by Council includes the cost of all materials, direct labour and an appropriate portion of overhead costs.

Library books are written-off in the year of purchase / receipt.

AASB 113 requires the use of a Fair Value hierarchy where assets are reported as Level 1, Level 2 or Level 3 inputs. This refers to how the value of the asset has been determined. The following table outlines the fair value hierarchy disclosure classification by asset class for Council.

Hierarchy	Description
Level 1 Inputs	**Quoted Prices – Active Markets**
Financial Assets	A Level 1 input will be available for many financial assets and financial liabilities, some of which might be exchanged in multiple active markets (e.g. on different exchanges).
Level 2 Inputs	**Observable Inputs**
Land Council Buildings on non-community land and are able to be used commercially (e.g. offices, libraries and shops, plant, furniture and equipment	Level 2 inputs include the following: a) Quoted prices for similar assets or liabilities in active markets b) Quoted prices for identical or similar assets or liabilities in markets that are not active c) Inputs other than quoted prices that is observable for the asset or liability.
Level 3 Inputs	**Unobservable Inputs**
Buildings on community land, community land and all infrastructure assets	An adjustment to a Level 2 input that is significant to the entire measurement might result in a fair value measurement categorised within Level 3 of the fair value hierarchy if the adjustment uses significant unobservable inputs such as the entity's own forecasts. An entity shall develop unobservable inputs using the best information available in the circumstances, which might include the entity's own data and shall adjust that data if reasonably available information indicates that other market participants would use different data.

Asset depreciation

All non-current assets, with the exception of land, are depreciated over their determined useful lives. Depreciation of an asset commences when the asset is available for use and is calculated on a straight-line method using the standard estimates for useful lives below. The actual useful life for specific assets may be varied where asset quality, environmental and/or operational conditions warrant.

Plant, Furniture and Equipment	**Useful Life**
Office equipment	5 to 10 years
Office furniture	10 to 20 years
Vehicles and road-making equipment	5 to 8 years
Other plant and equipment	5 to 15 years
Building and Other Structures	**Useful Life**
Buildings – masonry (overall)	50 to 100 years
Buildings – other construction	20 to 40 years
Buildings – roofing	40 to 60 years
Buildings - Services	20 to 40 years
Buildings - Interior	20 to 40 years
Buildings – Sub Structure	50 to 120 years
Buildings - Super Structure	50 to 100 years
~~Park~~ Open Space Structures – masonry	50 to 100 years
~~Park~~ Open Space Structures – other construction	20 to 40 years
Playground equipment	5 to 20 years
~~Benches, seats, etc.~~	~~10 to 20 years~~
Transport Infrastructure	**Useful Life**
Sealed Roads – Surface	15 to 30 years
Sealed Roads – Pavement Base	65 to 100 years
Sealed Roads – Pavement Sub-Base	100 to 400 years*
Unsealed roads	10 to 20 years
Paving and footpaths, kerb and gutters	25 to 65 years
Stormwater Infrastructure	**Useful Life**
Drains	70 to 100 years
Culverts	70 to 100 years
Flood control structures	70 to 100 years
Dams and reservoirs	70 to 100 years
Bores	20 to 40 years
Reticulation pipes – PVC	70 to 80 years
Reticulation pipes – other	25 to 75 years
Pumps and telemetry	15 to 25 years
Irrigation	**Useful Life**
Primary Supply Lines	80 years
Secondary Supply Lines	50 years
Sub-Surface Supply Lines (Tertiary)	25 years

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Pump Stations & Controls	15 to 20 years
Sprinklers, Drippers and Valves	15 to 20 years
Miscellaneous	25 to 50 years
Other Assets	**Useful Life**
Artworks	indefinite
Street furniture	10 to 20 years
Green assets – street trees	30 years

**Useful life for Pavement Sub-Base renewal is projected based on renewal occurring after approximately every 2-3 Pavement Base renewals. This projection will be cross-checked at the time of transport condition assessment.*

Asset revaluation
Non-current assets are revalued regularly to ensure that the carrying amount does not differ materially from that which would be determined using fair value at reporting date in accordance with Australian Accounting standards and Regulations under the Local Government Act 1999.

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Plant, furniture~~ and~~, equipment and other assets are not revalued and will remain at cost.

Land held for development and/or resale is valued at the lower of cost and net realisable value.

Asset Revaluation Condition Assessment Schedule

Asset Class	**Upcoming**	**Subsequent**
Land & Buildings	2025	2030
Open Space	2025	2030
Irrigation	2021	2026
Transport	2024	2029
Stormwater	2024	2029

Residual Values

The residual value of ~~buildings, ~~vehicles and ~~, ~~plant~~, furniture and fittings~~ that are traded at the end of their useful lives can be calculated via AASB 13 Fair Value Measurement.

Residual values are not recognised for ~~infrastructure ~~all other asset classes.~~s.~~

Asset Impairment

Assets that have an indefinite life are not subject to depreciation and are reviewed annually for impairment.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets carrying value exceeds its recoverable amount in accordance with AASB 136 impairment of Assets.

Disposal or Sale of Assets

The disposal or sale of Council assets must be made in accordance with Councils' "Disposal Policy".

Asset Management

Council is committed to implementing asset management decisions based upon the following key principles:

- assets meet the needs of the community needs and support the service level delivery adopted by Council;
- legislative, political, social, environmental and economic requirements are considered in asset management decision making;
- new asset investments consider public value, benefits, risks, life cycle and costs;
- asset renewals are identified in Councils' Asset Management ~~Plans~~Strategy; and
- the Long Term Financial Plan aligns with the adopted Asset Management ~~Plans~~ Strategy to ensure adequate funding is set aside to meet forecast asset management requirements.

6. Authority

Adopted by Council – ~~27 July~~**** 2021~~0~~

7. History

- Version 5: Asset Accounting Policy – adopted July 2020
- Version 4: Asset Accounting Policy – adopted July 2018
- Version 3: Asset Accounting Policy – adopted June 2016
- Version 2: Asset Accounting Policy – adopted June 2014
- Version 1: Asset Accounting Policy – adopted May 2012

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Annexure "B"

WHYALLA

WHYALLA CITY COUNCIL

ASSET ACCOUNTING POLICY	
Type	Financial
GDS Category	Financial Management – Public
Responsible Officer	Finance Coordinator
Policy Adopted	**** 2021
Review Period	Two years
Last Reviewed	July 2020
Next Review Date	July 2023
Policy Version Number	6
Applicable Legislation	• Australian Accounting Standards • Local Government Act 1999
Related Documents	• Accounting Procedure
Public Consultation Required	No
Purpose	To ensure Councils' non-current assets are recognised, capitalised and revalued in accordance with Australian Accounting Standards and this policy.

1. Introduction

Council has an obligation to ensure its assets are recognised, capitalised and revalued in accordance with relevant legislation and to efficiently manage new, existing and surplus assets.

2. Policy Objective

To provide a framework that ensures Councils' assets are recognised and accounted for in accordance with Australian Accounting Standards and the Local Government Act and Regulations.

3. Scope

This policy covers the acquisition and accounting treatment of non-current assets to ensure they are managed in an efficient and financially responsible manner. Financial information relating to non-current assets is to be presented consistently to enable users of Councils' financial information to make informed decisions.

4. Definitions

Asset – a resource controlled by Council, as a result of past events, from which future economic benefits are expected to flow.

Asset Class – a group of non-current assets having a similar nature or function in the operations of Council.

Capitalisation Threshold – sets the expenditure limit. Amounts below this limit are expensed as and amounts equal to or above are capitalised.

Capital Expenditure – amounts spent to acquire, renew or upgrade assets which is expected to provide benefits for a period greater than 12 months.

Capital Renewal – expenditure on an existing asset, or on replacing an existing asset, without enhancement of the service capability (except where this is incidental and unavoidable).

Capital New – in additional to Councils' existing asset base.

Capital Upgrade – replaces a previously existing asset with enhanced capability or functionality.

Carrying Amount – the value of the asset after deducting any accumulated depreciation and accumulated impairment losses.

Fair Value – the price that would be received if an asset was sold.

Residual Value – the estimated amount to be obtained when an asset is disposed of to another party at the end of its useful life.

5. Policy Statement

Recognition of an Asset

An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost that can be measured reliably.

Council has elected not to recognise land under roads in accordance with AASB 1051 Land Under Roads, as it is not possible to attribute a value reliably for these assets to qualify for recognition. Land acquired for road purposes during the year, is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

Assets with a useful life of less than 12 months will not be capitalised.

Capitalisation thresholds have been determined to provide a guide on minimum asset capitalisation levels.

Asset	Capitalisation Threshold
Office furniture and equipment	$2,000
Other plant and equipment	$5,000
Buildings – new construction/extensions	$10,000
Open space structures	$10,000
Street furniture and playground equipment	$5,000
Green assets – street trees	$20,000
Road construction and reconstruction	$10,000
Paving and footpaths, kerbs and gutters	$5,000
Drains and culverts	$5,000
Reticulation extensions	$5,000
Sidelines and household connections	$5,000
Irrigation	$5,000
Artworks	$5,000

Some segmented assets may be treated as network assets where appropriate to ensure capital expenses are appropriately recognised throughout the capitalisation process.

Measurement at Recognition

The initial valuation basis for an asset is its cost. Cost is determined as the fair value of the asset given as consideration, plus costs incidental to the acquisition and all other costs incurred in getting the asset ready for use.

Where an asset is acquired at no, or a nominal cost, the cost is its deemed fair value at the date of acquisition.

The cost of an asset constructed by Council includes the cost of all materials, direct labour and an appropriate portion of overhead costs.

Library books are written-off in the year of purchase / receipt.

AASB 113 requires the use of a Fair Value hierarchy where assets are reported as Level 1, Level 2 or Level 3 inputs. This refers to how the value of the asset has been determined. The following table outlines the fair value hierarchy disclosure classification by asset class for Council.

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Buildings – roofing	40 to 60 years
Buildings - Services	20 to 40 years
Buildings - Interior	20 to 40 years
Buildings – Sub Structure	50 to 120 years
Buildings - Super Structure	50 to 100 years
Open Space Structures – masonry	50 to 100 years
Open Space Structures – other construction	20 to 40 years
Playground equipment	5 to 20 years
Transport Infrastructure	**Useful Life**
Sealed Roads – Surface	15 to 30 years
Sealed Roads – Pavement Base	65 to 100 years
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Pumps and telemetry	15 to 25 years
Irrigation	**Useful Life**
Primary Supply Lines	80 years
Secondary Supply Lines	50 years
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Pump Stations & Controls	15 to 20 years
Sprinklers, Drippers and Valves	15 to 20 years
Miscellaneous	25 to 50 years

Other Assets	Useful Life
Artworks	indefinite
Street furniture	10 to 20 years
Green assets – street trees	30 years

**Useful life for Pavement Sub-Base renewal is projected based on renewal occurring after approximately every 2-3 Pavement Base renewals. This projection will be cross-checked at the time of transport condition assessment.*

Asset revaluation
Non-current assets are revalued regularly to ensure that the carrying amount does not differ materially from that which would be determined using fair value at reporting date in accordance with Australian Accounting standards and Regulations under the Local Government Act 1999.

Plant, furniture, equipment and other assets are not revalued and will remain at cost.

Land held for development and/or resale is valued at the lower of cost and net realisable value.

Asset Revaluation Condition Assessment Schedule

Asset Class	Upcoming	Subsequent
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Stormwater	2024	2029

Residual Values

The residual value of vehicles and plant that are traded at the end of their useful lives can be calculated via AASB 13 Fair Value Measurement.

Residual values are not recognised for all other asset classes.

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- legislative, political, social, environmental and economic requirements are considered in asset management decision making;
- new asset investments consider public value, benefits, risks, life cycle and costs;
- asset renewals are identified in Councils' Asset Management Strategy; and
- the Long Term Financial Plan aligns with the adopted Asset Management Strategy to ensure adequate funding is set aside to meet forecast asset management requirements.

6. Authority

Adopted by Council – **** 2021

7. History

- Version 5: Asset Accounting Policy – adopted July 2020
- Version 4: Asset Accounting Policy – adopted July 2018
- Version 3: Asset Accounting Policy – adopted June 2016
- Version 2: Asset Accounting Policy – adopted June 2014
- Version 1: Asset Accounting Policy – adopted May 2012

6.1 CORPORATE SERVICES

6.1.4 Corporate Credit Card and Entertainment and Hospitality Policies

Audit Committee Meeting: 19 July 2021
Author's Title: Manager Finance **File No.:** 0-159
Directorate: Corporate Services

Annexures:
A – Updated Corporate Credit Card Policy
B – Updated Corporate Credit Card Procedure
C – Proposed Entertainment and Hospitality Policy

Officer Direct or Indirect Conflict of Interest:
In accordance with Local Government Act 1999, Section 120

☐ **Yes** ☑ **No**

Status:
Information classified confidential under Section 90(2) of the Local Government Act

☐ **Yes** ☑ **No**

Reason – not applicable

PURPOSE

To inform the Audit Committee of the proposed Corporate Credit Card Policy and Procedure, which has been updated to ensure it reflects current best practice. An Entertainment and Hospitality Policy is also proposed for adoption.

SUMMARY

In the recent past, increased levels of scrutiny has been placed on credit card use by the Local Government sector in South Australia. Some Councils had a high level of credit card use and failed to put in place sufficient measures to define and monitor appropriate use.

During their recent visit, the External Auditor identified a number of suggested improvements to the overall credit card process.

Based on these factors, it was decided to review the Corporate Credit Card Policy and Procedure to ensure they reflects current best practice, as well as propose the adoption of an Entertainment and Hospitality Policy.

RECOMMENDATION

The Audit Committee recommend:

1. **the updated Corporate Credit Card Policy and Procedure to Council for adoption; and**
2. **the proposed Entertainment and Hospitality Policy to Council for adoption.**

6.1.4 Corporate Credit Card and Entertainment and Hospitality Policies

REPORT

BACKGROUND

Council’s existing Credit Card Policy was very simple in nature, reflecting the fact that credit card use is very low, with only a small number of cards in use.

The system mainly exists to allow for the booking of flights and accommodation which can’t be procured using traditional methods, with the Council’s size and location meaning that the number of these types of transactions may be higher than average.

The vast majority of credit card usage is through a centralised card held by the procurement team, with approval occurring though the existing purchase order system before purchases are made.

DISCUSSION

Refer **Annexure “A”** – Updated Corporate Credit Card Policy

The updated version of the Corporate Credit Card Policy is presented for review by the Audit Committee. It has not been presented using track changes, as would normally be the case for policy updates, because almost all of the policy has been updated.

The updated version has been based on the policy recently adopted by Burnside Council. Burnside were investigated by the Ombudsman for historical improper credit card use and so have implemented an updated policy that is considered to be best practice.

Refer **Annexure “B”** – Updated Corporate Credit Card Procedure

In line with the changes to the policy, the Corporate Credit Card Procedure has been updated for consistency. Some additional information was included for clarity.

It should be noted that the majority of issues with credit card use by Councils that has been reported in the media has related to improper expenditure. There is no suggestion that this is the case for Whyalla. We have a very low number of credit cards compared to the industry average, and a low level of usage for all cards with the exception of the one held by procurement. Instead, Council is being proactive in implementing best practice.

Refer **Annexure “C”** – Proposed Entertainment and Hospitality Policy

However, based on the risks that do exist, it is proposed that Council should adopt an Entertainment and Hospitality Policy. This is also based on a policy recently adopted by Burnside Council, as part of the suit of updates to strengthen their financial accountability. The policy outlines what is considered to be acceptable expenditure in relation to food and beverages, which can be an area of interest to external observers and has been identified as a grey area for many councils from a policy perspective.

The updated suite of policies adopted by Burnside were reviewed by the Ombudsman and considered to be appropriately outline what is and isn't acceptable behaviour in relation to Council spending.

Financial Implications

There are no direct financial implications of implementing this policy change.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adapt to the changing needs and expectations of the community

Legislation

Local Government Act 1999
Local Government (Financial Management) Regulations 2011

Officer Direct or Indirect Interest – Nil

Risk Assessment

Due to the limits on Council's credit cards, the financial risk to Council from misuse is unlikely to be significant, as long as controls are in place to monitor use. Instead, the main risk to Council is reputational, as misuse of credit cards has shown itself to be of high community interest. It is important that Council strengthen its policy position in relation to credit card use to meet best practice.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication - Nil

Conclusion

The updated version of the Corporate Credit Card Policy and proposed Entertainment and Hospitality Policy has been based on the policy recently adopted by Burnside Council and is considered to be best practice.

Annexure "A"

WHYALLA CITY COUNCIL

Corporate Credit Card Policy

Type	Financial
GDS Category	Financial Management – Public
Responsible Officer	Finance Coordinator
Policy Adopted	**** 2021
Review Period	Three Years
Last Reviewed	June 2020
Next Review Date	July 2024
Policy Version Number	2
Applicable Legislation	• Independent Commissioner Against Corruption (ICAC) Act 2012 • Local Government Act 1999 • Financial Sustainability Papers
Related Documents	• Procurement Policy • Financial Internal Control Policy • Corporate Credit Card Procedure • Corporate Credit Card Agreement Declaration • Corporate Credit Card Reconciliation Template • Financial Delegations • Entertainment and Hospitality Policy
Public Consultation Required	No
Purpose	To establish guidelines for the issue and use of Corporate Credit Cards.

1. Introduction

Council operates a Corporate Credit Card system which permits cards to be issued to Executive Management, Procurement employees and authorised persons within Council.

2. Policy Objective

The Corporate Credit Card system exists to allow for purchases where purchase orders are not accepted or upfront payment is required, e.g. flights, accommodation or in the event of an emergency.

Corporate Credit Card holders must have either financial or delegated authority to commit Council to expenditure. Expenditure must be undertaken within the limits of the cardholders' allocated budget or by a resolution of Council. All purchases must be in accordance with Councils' Procurement Policy and the Corporate Credit Cardholder Agreement. It is the responsibility of the cardholder to acquit all purchases within the required timeframe.

3. Scope

This policy encompasses Executive Management, employees and other persons who have authority to use a Corporate Credit Card. The cardholder is responsible for the correct use of the card at all times.

4. Definitions

Australian Business Number (ABN) – a registered number that identifies a supplier to the government and community. An ABN is not a Tax File Number (TFN) or an Australian Company Number (ACN).

Credit Card – a payment card issued by financial institutions enabling the cardholder to allowing goods and services to be purchased on credit for future payment.

Card Issuer – the bank or financial institution issuing the card to the Account Holder.

Genuine Business Expenses – activities conducted to achieve business objectives for the Council.

Monthly Credit Limit – The maximum credit allowed to be accumulated on a credit card before requiring repayment over any given period.

Personal Expenses – any expense undertaken to receive a personal benefit and not related to work or business activities.

Taxation Receipt or Taxation Invoice – a record of the purchase provided by the Merchant or Vendor that states a supplier's Australian Business Number.

5. Policy Statement

Corporate Credit Card Limits and Approvals

Cards will only be issued to staff members with the approval of the Chief Executive Officer. Cards will not be provided to Elected Members.

By the adoption of this Policy, the Council approves the Chief Executive Officer being issued a credit card.

Recipients must agree to comply with the conditions set out in *the Corporate Credit Card Agreement* form prior to a card being issued. This form will also include the monthly credit limit for the card and will be authorised by the Chief Executive Officer and updated in the Corporate Credit Card Procedure.

Expenditure limits will be reviewed annually with all recommended adjustments approved by the Chief Executive Officer.

Corporate Credit Card Terms of Use

Use of the Corporate Credit Card should be restricted to goods and services where purchase orders are not accepted or upfront payment is required, e.g. flights, accommodation or in the event of an emergency. For all purchases over $1,000 an assessment should be undertaken as to whether a more appropriate form of procurement is available.

The Corporate Credit Card may only be used for official Council business. Personal purchases must not be made, under any circumstances.

Prior to using the corporate credit card for a transaction, the Account Holder should turn their mind to the appropriateness of the expenditure, and ensure it is in line with Council's policies and justified as a genuine business expense.

Corporate credit card purchases for food or beverages must only be made in accordance with Council's Entertainment and Hospitality Policy.

Cash advances are strictly prohibited.

Personal expenses of any kind are not to be incurred by a staff member on a corporate credit card. If this occurs unintentionally, the card holder must inform the Finance Coordinator immediately and will be required to reimburse Council.

Corporate credit cards are not to be linked to any form of loyalty points or rewards program.

All transactions are to be verified with a taxation receipt/invoice on completion. The documents are required for statement verification, transaction audits and to confirm input tax credits accumulated by Council for Goods and Services Tax reporting. An EFTPOS receipt is not an acceptable form of verification and will not be accepted.

The Account Holder is required to reconcile their transaction expenses using the approved template, and code all items appropriately. By signing the reconciliation, the card holder is declaring that all expenses are of an appropriate business nature.

The narration for each transaction must clearly identifies the business purpose of the transaction.

The reconciliation must be forwarded to the Finance Department within 14 days of the statement being available.

The credit card reconciliation must be reviewed and approved by the appropriate officer, as per the Corporate Credit Card Procedure.

Any breaches of conditions may lead to disciplinary action, the immediate withdrawal of the facility and possible action under the Criminal Code Act 1995.

In the event of loss or theft through cardholder negligence, or failure to comply with the Corporate Credit Card Policy, Procedure or Agreement, financial liability may be passed to the cardholder.

Disputed Transactions and Lost Cards

Should the account holder identify a disputed or suspicious transaction, including where an incorrect value has been processed, they must report this to the Finance Coordinator immediately. In the case of an incorrect transaction value the card holder should follow up with the vendor in the first instance, but failing this or in any other circumstances, the transaction must be lodged as disputed with the card issuer, with the assistance of the Finance Coordinator.

A lost card must be reported to the Finance Coordinator immediately.

5. Availability of Policy

This policy will be available for inspection at Councils’ Principal Office during ordinary business hours and on Councils’ web-site www.whyalla.sa.gov.au.

Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Councils’ Schedule of Fees and Charges.

7. Authority

Adopted by Council – **** 2021

Annexure "B"

WHYALLA CITY COUNCIL

Corporate Credit Card Procedure	
Type	Financial
GDS Category	Financial Management – Internal
Responsible Officer	Finance Coordinator
Procedure Adopted	**** 2021
Review Period	Three Years
Last Reviewed	June 2020
Next Review Date	July 2024
Policy Version Number	2
Applicable Legislation	• Independent Commissioner Against Corruption (ICAC) Act 2012 • Local Government Act 1999 • Financial Sustainability Papers
Related Documents	• Procurement Policy • Financial Internal Control Policy • Corporate Credit Card Policy • Corporate Credit Card Agreement Declaration • Corporate Credit Card Reconciliation Template • Financial Delegations
Public Consultation Required	No
Purpose	To establish terms and conditions relating to the use of Corporate Credit Cards.

1. Objective

To establish principles for the use of corporate credit cards issued by Council. All cardholders must have either financial or delegated authority to commit Council to expenditure.

2. Issue of Cards and Limits

- The Chief Executive Officer has a card approved under the Corporate Credit Card Policy, with a limit of $2,000
- Cards will only be issued to staff members with the approval of the Chief Executive Officer.
- Approved cards will be organised by the Finance Coordinator from the card issuer.
- Recipients must agree to comply with the conditions set out in the Corporate Credit Card Agreement form prior to a card being issued.
- The Chief Executive Office will approve the monthly credit limit of each card issued, using the following guide:
    - Directors - $1,000
    - Human Resources (training) - $5,000
    - Procurement (corporate) - $15,000
- The maximum monthly credit limit of the approved facility is $37,000.
- Credit limits can only be changed via the approval of the Chief Executive Officer.

Current issued cards are:

Account Holder	Limit
Chief Executive Officer	$2,000
Director Infrastructure	$1,000
Human Resources Advisor	$5,000
Senior Procurement Officer	$10,000
Procurement Administration Officer	$15,000

- The card will also be issued with an accompanying PIN that must be memorised and destroyed by the Account Holder. Account Holders are personally responsible for the security and confidentiality of the card, PIN and CCV number, and for adherence to the Card Issuer’s terms and conditions of use.

3. Corporate Credit Card Reconciliation

- Purchases are to be made in accordance with the Corporate Credit Card and Procurement Policies.

- All purchases made via the Procurement Credit Card must have an approved Purchase Order.

- Corporate credit card statements will be issued to cardholders who will, within fourteen days, acquit the transactions on their statement.

- The reconciliation is to be completed on the supplied template (refer Appendix A Corporate Credit Card Reconciliation Template).

- Transactions will be supported by a GST invoice, stating the type of goods purchased, amount of goods purchased and the price paid for the goods. The receipt shall meet the requirements of the Goods and Services Tax Act 1999 to enable a GST rebate to be applied.

- If a taxation receipt/invoice is lost, the Account Holder will request a copy of the taxation receipt/invoice from the merchant or vendor. If this is not possible, the Account Holder must complete a statutory declaration and use this in place of the taxation receipt/invoice.
- Transactions shall be accompanied by a job number, cost centre and element type for costing purposes.
- The narration for each transaction must clearly identifies the business purpose of the transaction.
- Should approval of expenses be denied by the Chief Executive Officer, recovery of the expense shall be met by the cardholder.
- The cardholder shall sign and date the credit card statement with supporting documentation attached stating ‘all expenditure is of a business nature’.
- Corporate credit card statements and reconciliations must be submitted as follows for authorisation:

Chief Executive Officer:	authorised by Director Corporate
Directors:	authorised by Chief Executive Officer
Human Resources:	authorised by Director Corporate
Procurement:	authorised by Director Corporate

- The Finance Coordinator will ensure that the all credit card transactions are correctly posted to the ledger.

4. Use of Cards

- Corporate Credit Cards must not be used to purchase fuel products for Council vehicles, unless in exceptional circumstances – a fuel card should be used for this purpose where possible.
- The credit card is to be utilised for official Council business only and is not to be used to obtain personal items under any circumstances.
- The credit card must remain in the possession of the cardholder at all times, or in the safe facility in Finance.
- The cardholder is the person authorised to conduct transactions on the card.

5. Disputed Transactions and Lost Cards

- Should the account holder identify a disputed or suspicious transaction, including where an incorrect value has been processed, they must report this to the Finance Coordinator immediately. In the case of an incorrect transaction value the card holder should follow up with the vendor in the first instance, but failing this or in any other circumstances, the transaction must be lodged as disputed with the card issuer, with the assistance of the Finance Coordinator.

- A lost card must be reported to the Finance Coordinator immediately.

6. Cancelled Cards

- Corporate Credit Cards will be cancelled immediately if:
  - employment is terminated; or
  - the card is no longer required.

- Corporate Credit Cards may be cancelled if:
  - the cardholder changes job position;
  - the cardholder does not comply with requirements set out in the Corporate Credit Card Policy and Procedure; or
  - the card is misused.

7. Corporate Credit Card Use Review

- All receipts and transactions are reviewed. Expenses that do not appear to represent fair and reasonable business transactions, will be referred to the Chief Executive Officer for a decision.

9. Availability of Procedure

Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Councils’ Schedule of Fees and Charges.

Annexure "C"

WHYALLA CITY COUNCIL

Entertainment and Hospitality Policy

Type	Financial
GDS Category	Financial Management – Public
Responsible Officer	Finance Coordinator
Policy Adopted	**** 2021
Review Period	Three Years
Last Reviewed	Initial
Next Review Date	July 2024
Policy Version Number	1
Applicable Legislation	• Independent Commissioner Against Corruption (ICAC) Act 2012 • Local Government Act 1999 • Financial Sustainability Papers
Related Documents	• Procurement Policy • Financial Internal Control Policy • Corporate Credit Card Policy • Corporate Credit Card Procedure
Public Consultation Required	No
Purpose	To establish guidelines for incurring of hospitality expenses.

1. Introduction

This policy outlines the circumstances where hospitality related expenses may be incurred by Council.

2. Policy Objective

Council recognises there are occasions when it is appropriate and legitimate to provide hospitality related expenses at the Council's/ratepayer's expense.

This Policy clarifies the circumstances when Council believes that it is appropriate, reasonable, and justifiable to use Council funds for hospitality related expenses.

3. Scope

This policy encompasses Executive Management, employees and other persons who have authority to commit Council to expenditure. The Policy relates to all circumstances is which staff provide hospitality and/or entertainment for meetings, events or travel.

4. Definitions

Civic Event – an event involving the Mayor and/or Elected Members which is coordinated and funded by Council such as Citizenship ceremony, Mayoral events.

Community Event – a structured community event which is authorised as part of an approved project or program, for example tourism.

Corporate Event – an event organised for employees which is authorised by the Administration of Council.

Hospitality – the activity of providing food, drinks (alcoholic and non-alcoholic) or entertainment.

5. Policy Statement

Principles

Hospitality, gifts, travel, transport, accommodation and associated expenditure must be within the approved Council budget, be approved within Council's endorsed delegations and authorisation framework and in accordance with Council's Procurement Policy. Where credit cards are used as the preferred payment method, expenditure must also be in accordance with Council's Credit Card Policy and Credit Card Procedure.

Prior to expending Council funds on entertainment / hospitality type activities, employees must turn their mind towards the following:

- The benefit (real or perceived) gained by the public from the expenditure.
- The public's expectations of councils / government agencies.
- The business purpose of the expenditure is clearly necessary.
- The appropriateness of the amount of the expenditure.

- Whether the expenditure was reasonably necessary for the carrying out of the council's functions.

Staff are to ensure the cost and level of hospitality and/or entertainment is reasonable, is not excessive, not merely for social purposes and can stand up to public scrutiny.

Types of Hospitality

The following are the types of hospitality events which Council generally undertakes as part of its business activities:

- Employee training sessions.
- Meetings with clients / service providers / external stakeholders.
- Council/Committee meetings and workshops.
- Advocacy and or strategic relationship building.
- Corporate events.
- Civic events.
- Community events.

Examples of entertainment expenditure which will not be funded from Council sources include, but are not limited to:

- Staff only meetings: regular team or 1:1 meetings, including those held in coffee shops, will not be funded by Council.
- Functions for staff over and above existing and approved organisation wide or department wide arrangements.
- Staff club memberships for social and recreational purposes will not be funded such as sporting, social or business clubs.
- Lunches, morning and afternoon teas, tea and coffee (excluding those provided in the council's staff room) for Council staff for social purposes. There are exceptions for one-off events provided by the CEO to all staff as part of a special occasion (e.g. Christmas, celebration of a significant achievement).
- Meals and/or beverages for staff and/or other stakeholders at a public establishment.
- Alcohol will not be funded by Council.
- Barista made coffee will not be funded by Council, unless it constitutes refreshments as part of an organisational wide event.

Expenditure must not provide a personal benefit to staff members or their family or friends with the exception of an organised event as outlined above.

Gifts (including flowers)

The provision of gifts can play an important role in building and maintaining and a sense of community and organisational culture by acknowledging key contributions or circumstances within the community, building strategic relations and as part of good business practices.

Expenditure of up to $75 per head (excluding awards provided in line with reward and recognition and volunteer achievements) is acceptable on ceremonial gifts, gifts of thanks/commiseration or other formal gifts or benefits to be given by Council.

All gifts should be appropriate for the occasion and purchased within existing budget allocations and approved by the relevant line manager.

Gifts will not include alcohol.

Travel and accommodation

Travel expenses are expenses incurred during authorised work-related travel.

They include accommodation, transport, meals, and expenses incidental to travel.

Travel expenses must be reasonable and an efficient use of public funds.

Reimbursement for meal expenses incurred while undertaking approved travel are covered by the Enterprise Bargaining Agreement. This is done via reimbursement up to a defined maximum per meal, with valid tax receipts required. The amount may be advanced to the employee on request (14 days' notice to Finance required), with receipts and unexpended funds to be returned to Council as soon as practical after the travel has concluded.

If travel by taxi is required during approved travel, Cabcharge vouchers will be supplied. (14 days'-notice to Finance required).

Meal reimbursements and Cabcharge vouchers will only be issued with supervisor approval.

Travel expenses must not include:
- any expenses for unauthorised travel, especially flights and accommodation.
- traffic or parking infringements.
- alcohol, in-room movies, minibar and other similar expenses of a private nature.
- expenses for any other person who is not a Council employee.
- membership subscriptions for airline clubs or loyalty programs.

Travel should be as economical and efficient as is possible e.g. economy class, where time and availability allow, unless the cost differential is paid by the individual over and above the economy rate.

Authorisation by the CEO

The CEO will maintain ultimate discretion to determine where and when it is appropriate to provide an exemption from this Policy.

5. Availability of Policy

This policy will be available for inspection at Councils' Principal Office during ordinary business hours and on Councils' web-site www.whyalla.sa.gov.au.

Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Councils' Schedule of Fees and Charges.

7. Authority

Adopted by Council – **** 2021

6.1 CORPORATE SERVICES

6.1.5 Quarterly Report – Procurement

Audit Committee Meeting: 19 July 2021
Author's Title: Procurement Co-Ordinator **File No.:** 0-159
Directorate: Corporate

Annexures – Nil

Officer Direct or Indirect Conflict of Interest:
In accordance with Local Government Act 1999, Section 120

☐ **Yes** ☑ **No**

Status:
Information classified confidential under Section 90(2) of the Local Government Act

☐ **Yes** ☑ **No**

Reason – not applicable

PURPOSE

The purpose of this report is to provide information regarding Council's procurement activities during the period 1 April to 30 June 2021.

SUMMARY

Clause 7 of the Procurement Policy requires quarterly reporting on procurement exemptions to the Audit Committee.

This report also provides a snapshot of the following procurements which have been undertaken by Council during the period 1 April to 30 June 2021:

- tenders undertaken;
- use of local vs non-local goods, works and services; and
- comparison of purchase orders and local vs non-local spend to same quarter of the previous year.

All figures included in this report are GST exclusive, in line with the budget.

RECOMMENDATION

The Audit Committee receive and note the Procurement Quarterly report.

6.1.5 Quarterly Report – Procurement

REPORT

BACKGROUND

In adopting better governance practices, this report is prepared to ensure Audit Committee and Elected Members are informed about procurement outcomes achieved by the Council.

In addition to this, Council's Procurement Policy requires the following to be reported quarterly to the Audit Committee and Council:

- Clause 7 requires exemptions from the policy to be appropriately approved and are to be recorded and reported to the Audit Committee quarterly.

DISCUSSION

1. TENDERS (greater than $200,000):

The following tenders were undertaken or in progress for the period 1 April to 30 June 2021:

PROCUREMENT	TENDERS REQUESTED	TENDERS RECEIVED	STATUS
Civic Building Repairs	Advertised via Tenders SA website	2	Tenders currently being evaluated.
Walls/Wallack Terrace Roadworks	Advertised via Tenders SA website	0	No tenders received. Walls Street/Wallack Terrace roadworks included stormwater as a component of the works. Since no tenders were received Council's Depot staff will undertake the stormwater component themselves; and the existing contracts for Roads, Kerbs and Footpaths will be used to install those components after stormwater is installed.

2. POLICY EXEMPTIONS:

From 1 April to 30 June 2021 the following 3 procurement exemptions were made:

PROJECT TITLE	VALUE (GST EX)	NATURE & REASON FOR EXEMPTION (Clause 7 of Procurement Policy)
Minor Works MWO 2021-005 - Supply & Install Wireless Microphones in Council Chambers	$49,551	Desk microphones are remaining components of the original audio-visual system installed in 2006, now 15 years old and not providing integration with other equipment which has since been progressively replaced, nor providing good quality pick-up. This work can be considered stage 2 of works undertaken last year, and the work has been undertaken by the same contractor who provided quotes at that time.
Professional Services PSA 2021-006 - Altus Payroll Implementation	$48,870	Minimum 3 Quotes Required. Due to the specialised nature of the software product involved quotes were only able to be sourced from 2 vendors. The 2 quotes received were of a high quality and the selected product is considered to be capable of meetings all of Councils requirements, while also being custom made to integrate with the existing corporate system.
Minor Works MWO 2021-010 Maritime Museum Model Railway Maintenance	$15,600	Specialised services not available elsewhere.

Note that only the Chief Executive Officer can authorise exemptions from undertaking procurement processes as specified in Council's Procurement Policy.

The following is a summary of Policy exemptions for the 2020/2021 year:

Exemptions by Department	Amount	Percentage
City Growth	1	10.00%
Corporate	6	60.00%
Infrastructure	3	30.00%
Executive	0	0.00%
Total	**10**	**100.00%**

Exemptions by Procurement Thresholds ($)	Amount	Percentage
0 – 5,000	0	0%
5,001 – 30,000	2	20.00%
30,001 – 200,000	7	70.00%
200,001 +	1	10.00%
Total	**10**	**100.00%**

3. LOCAL PURCHASES:

As a contributor to Whyalla's economy, Council is committed to purchasing from local suppliers where possible, as well as ensuring value for money procurement outcomes.

Out of a total of 871 purchase orders raised for goods, works or services for the quarter

- 534 were local; and
- 337 were non-local

There was an overall spend of $2,824,974 broken down as follows:

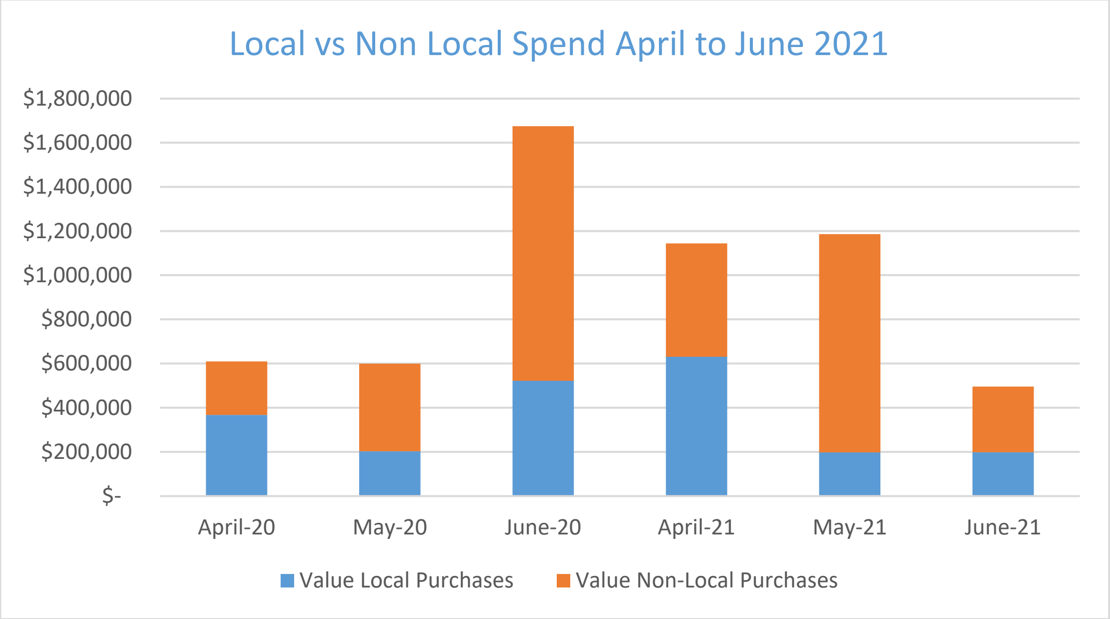
- Local spend $1,026,540; and
- Non-local spend $1,798,434

A total of 61.3% were local purchases and 38.7% were non-local purchases for goods, works or services. Non-local purchases for this period were reviewed and were for the following reasons:

- Specialised products or services not available locally
- Training not available locally
- Events (UneARTh Festival)
- Conferences/Meetings/Accommodation not local
- Membership renewals
- Subscription renewals
- Continuing Contracts

The following tables represent local vs non-local purchase order number and value comparison for April to June 2021 and includes a comparison with the previous year.

2021	April	May	June	Total
Local Purchases	174	196	164	**534**
Non-Local Purchases	112	111	114	**337**
Value Local Purchases	$630,750	$197,394	$198,396	**$1,026,540**
Value Non-Local Purchases	$513,134	$988,347	$296,953	**$1,798,434**
2020	**April**	**May**	**June**	**Total**
Local Purchases	161	187	246	**594**
Non-Local Purchases	96	95	133	**324**
Value Local Purchases	$367,116	$202,776	$522,059	**$1,091,951**
Value Non-Local Purchases	$242,069	$396,374	$1,152,934	**$1,791,377**



Non-local spend for April 2021 was higher than usual due to the following tendered works:

- Crushing of Concrete & Site Clean-up at old Landfill Site
- Development of Foreshore Revitalisation Master Plan

Non-local spend for May 2021 was higher than usual due to the following tenders:

- Major Plant Purchase
- Civic Building Repairs

Legislation

Local Government Act (SA) 1999

Officer Direct or Indirect Interest – Nil

Risk Assessment

Non-compliance with the Procurement Policy and Local Government Act (SA) 1999 may expose Council to reputation and financial risks.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication - Nil

Conclusion

61.3% of purchase orders raised during the period 1 April to 30 June 2021 were for goods and services from local suppliers.

7. CONSIDERATION OF CONFIDENTIAL ITEMS – Nil

8. CLOSE

9. DATE OF NEXT MEETING

Monday 27 September 2021