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 WEDNESDAY 27 JUNE 2018 at 1.30 pm.

The business of the meeting is:

- Action Report
- Council Policies and Procedures

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

CHRIS COWLEY
CHIEF EXECUTIVE OFFICER
Dated: 22 June 2018
AGENDA

AUDIT COMMITTEE MEETING – WEDNESDAY 27 JUNE 2018

1. ATTENDANCE RECORD
   Apologies – Nil
   Leave of Absence – Nil

DECLARATION OF MEMBERS’ CONFLICT OF INTERESTS

2. MINUTES OF PREVIOUS MEETING
   2.1 Confirmation of the Minutes of the Audit Committee Meeting held on
       Tuesday 15 May 2018

       Recommendation

       That the Minutes of the Audit Committee Meeting held on Tuesday 15 May 2018, as per
       copies supplied to Members, be adopted as a true and correct record to that meeting.

3. REPORTS – COUNCIL OFFICERS
   3.1 Corporate Department – Ordinary Reports
      3.1.1 Action Report
      3.1.2 Council Policies and Procedures

4. CONSIDERATION OF CONFIDENTIAL ITEMS – Nil

5. CLOSURE

6. DATE OF NEXT MEETING – to be advised
MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON TUESDAY 15 MAY 2018 AT 1.30 PM IN THE COUNCIL CHAMBER

PRESENT: Mr S Coates (Chair), Mayor Breuer, Crs T Breuer and C Carter

OBSERVERS: Cr T Antonio
Chief Executive Officer (Mr C Cowley)
Director Corporate (Ms R Dunstall)
Senior Finance Officer (Mrs S Vigar)

1. Attendance Record
Apologies – Mr J Hayward
Leave of Absence – Nil

Declaration of Members’ Conflict of Interests – Nil

2. Minutes of Previous Meeting – 11 October 2017
2.1 Confirmation of the Minutes of the Audit Committee Meeting held on Wednesday 11 October 2017

Moved Cr Carter, seconded Cr T Breuer

AC201-2018
That the Minutes of the Audit Committee Meeting held on Wednesday 11 October 2017, as per copies supplied to Members, be adopted as a true and correct record to that meeting.

Carried unanimously

3. Reports – Council Officers
3.1 Corporate Department – Ordinary Reports
3.1.1 March Budget Review

Moved Mayor Breuer, seconded Cr Carter

AC202-2018
That the Audit Committee recommend to Council the adoption of the March 2018 Budget Review.

Carried unanimously
3.1.2 2018/19 Draft Annual Business Plan and Budget

Moved Cr T Breuer, seconded Mayor Breuer

AC203-2018
That the Audit Committee:

1. endorse the Draft 2018/19 Annual Business Plan and Budget and Long Term Financial Plan; and
2. recommend that Council release for public consultation in accordance with Council’s Public Consultation Policy.

Carried unanimously

Notes:

- Cr Carter expressed concerns regarding the proposed 5% rate increase and would like to keep the increase at CPI or no greater than 2.5%.
- Cr T Breuer expressed concerns relating to the 88% asset sustainability ratio not falling within the range of between 90 – 110%, and therefore the 5% rate increase is justified.

3.1.3 Draft Fees and Charges Register

Moved Mayor Breuer, seconded Cr T Breuer

AC204-2018
That the Audit Committee recommend to Council that the Draft Fees and Charges Register 2018/19 (as presented in Annexures “A” and “B”) be released for public consultation in accordance with Council’s Public Consultation Policy.

Carried unanimously

3.1.4 Action Report

Moved Cr Carter, seconded Cr T Breuer

AC205-2018
That the Audit Committee receive and note the Action Report.

Carried unanimously
3.1.5 Auditor Correspondence

Moved Mayor Breuer, seconded Cr Carter

AC206-2018
That the Audit Committee receive and note the Auditor’s Correspondence report.

Carried unanimously

4. Consideration of Confidential Items – Nil

5. Closure

The Chair declared the meeting closed at 1.44 pm

6. Date of Next Meeting – Wednesday 27 June 2018
3.1 CORPORATE

3.1.1 Action Report

Audit Committee Meeting: 27 June 2018
Author’s Title: Senior Finance Officer
Department: Corporate
Director: Robyn Dunstall
File No.: 0-159, 0-209

Annexures:
A – Audit Committee Work Program (2017/18)
B – Audit Committee Action List
C – Auditors Correspondence Action List

Officer Direct or Indirect Conflict of Interest: Yes
Status: Information classified confidential under Section 90(2) of the Local Government Act

Reason – Not applicable

PURPOSE

To allow the Audit Committee to monitor activities within their responsibility by providing accurate and relevant information.

SUMMARY

This report details the specific actions taken in respect to all motions of the Audit Committee, the Audit Committee Work Program and the Auditors Correspondence Action List.

RECOMMENDATION

That the Audit Committee receive and note the Action Report.
3.1.1 Action Report

REPORT

BACKGROUND

This report details updates relating to the outstanding actions under the guidance and responsibility of the Audit Committee for the current year.

DISCUSSION

A summary of actions undertaken relating to the three key action areas for the Audit Committee is provided to assist the Committee in their monitoring of activities within their responsibility.

Work Program

The Work Program for 2017/18 is attached at Annexure “A”. The Internal Audit Program will be reviewed in consultation with the external auditors following the end-of-year audit.

Resolution Action List

Information on the actions taken in relation to each resolution of the Audit Committee are summarised in Annexure “B”.

Auditors Correspondence Action List

There have been no additional actions added to the Auditor Correspondence Action list for the period.

Financial Implications – Nil

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Regularly inform the community of Council activities, decisions and actions
Promote positive stories, positive image

Legislation – Nil

Officer Direct or Indirect Interest

No officer involved in the preparation of this report has any conflicts of interest.

Risk Assessment – Not applicable
Social Considerations – Not applicable

Community Engagement – Not applicable

Environmental Implications – Applicable

Communication – Not applicable

Conclusion

Council are to ensure that the Audit Committee are kept informed of appropriate information within their responsibilities.
<table>
<thead>
<tr>
<th>Terms of Reference</th>
<th>Proposed Activity</th>
<th>Audit Committee Next Review Date</th>
<th>Follow Up Actions</th>
<th>Date Reviewed / Completed</th>
<th>Responsible Council Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Reporting</td>
<td>Review annual financial statements as required by Section 126(4)(a) of the Local Government Act prior to its presentation to Council for adoption</td>
<td>September 2017</td>
<td></td>
<td>Completed September 2017</td>
<td>SFO</td>
</tr>
<tr>
<td>Financial Reporting</td>
<td>Monitor integrity of financial reports of the Council including:</td>
<td>May 2018</td>
<td></td>
<td>Completed June 18</td>
<td>SFO</td>
</tr>
<tr>
<td></td>
<td>- Budget Review</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Long Term Financial Plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Infrastructure Asset Management Plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Reporting</td>
<td>Consider and review, where necessary, the consistency of improvement to and / or any changes to accounting policies.</td>
<td>November 2018</td>
<td>June 2018</td>
<td>SFO</td>
<td></td>
</tr>
<tr>
<td>Financial Reporting</td>
<td>Review and report to Council likely impact of ongoing financial sustainability due to changes in Strategic Management Plans</td>
<td>May 2018</td>
<td></td>
<td>Refer to reports relating to strategic plans previously updated</td>
<td>DC</td>
</tr>
<tr>
<td>Annual Business Plan</td>
<td>Ensure Annual Business Plan conforms to the Local Government Authority (LGA) template</td>
<td>May 2018</td>
<td></td>
<td>June 2018</td>
<td>DC</td>
</tr>
<tr>
<td>Annual Business Plan</td>
<td>Comment on draft business plan prior to its formal consideration for adoption by Council</td>
<td>May 2018</td>
<td></td>
<td>June 2018</td>
<td>DC</td>
</tr>
<tr>
<td>Annual Business Plan</td>
<td>Recommend appropriate targets for key performance indicators to Council</td>
<td>May 2018</td>
<td></td>
<td>To be updated in accordance with Section 122 of LGA</td>
<td>DC</td>
</tr>
<tr>
<td>Annual Business Plan</td>
<td>Review budget papers prior to their presentation prior to Council</td>
<td>May 2018</td>
<td></td>
<td>June 2018</td>
<td>DC SFO</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>Review internal audit program for 2017-18 to assess extent and relevance to current requirements</td>
<td>September 2017</td>
<td></td>
<td>Current</td>
<td>CEO/EMT/SFO</td>
</tr>
</tbody>
</table>
## CITY OF WHYALLA – AUDIT COMMITTEE WORK PROGRAM

<table>
<thead>
<tr>
<th>Terms of Reference</th>
<th>Proposed Activity</th>
<th>Audit Committee Next Review Date</th>
<th>Follow Up Actions</th>
<th>Date Reviewed / Completed</th>
<th>Responsible Council Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Audit</strong></td>
<td>Monitor and review actions arising out of internal audit requirements</td>
<td>As required</td>
<td></td>
<td>Completed for 17/18</td>
<td>SFO</td>
</tr>
<tr>
<td><strong>Internal Audit</strong></td>
<td>Regularly review the effectiveness of Councils’ internal controls and risk management and governance systems</td>
<td>As required</td>
<td>Report attached</td>
<td>Ongoing</td>
<td>SFO</td>
</tr>
<tr>
<td><strong>Internal Audit</strong></td>
<td>Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls, risk management and governance</td>
<td>September 2017</td>
<td></td>
<td>Completed November 2017</td>
<td>SFO</td>
</tr>
<tr>
<td><strong>External Audit</strong></td>
<td>Ensure appointment of external auditor conforms with legislative provisions</td>
<td>Next Due 2020</td>
<td></td>
<td>n/a</td>
<td>SFO</td>
</tr>
<tr>
<td><strong>External Audit</strong></td>
<td>Meet with Councils’ external auditors</td>
<td>August 2018</td>
<td></td>
<td>Completed May 2018</td>
<td>CEO/SFO/DC</td>
</tr>
<tr>
<td><strong>External Audit</strong></td>
<td>Review correspondence with auditors regarding audit findings</td>
<td>As required</td>
<td></td>
<td>Completed for 17/18</td>
<td>SFO</td>
</tr>
<tr>
<td><strong>External Audit</strong></td>
<td>Monitor actions proposed in the correspondence with auditors</td>
<td>As required</td>
<td></td>
<td>Completed for 17/18</td>
<td>DC</td>
</tr>
<tr>
<td><strong>External Audit</strong></td>
<td>Review outcomes of the Governance Audit</td>
<td>June 2017</td>
<td></td>
<td>June 2017</td>
<td>EMT</td>
</tr>
<tr>
<td><strong>Risk Management</strong></td>
<td>Council Risk Plan Strategic Risk Plan</td>
<td>June 2019</td>
<td></td>
<td>Not due</td>
<td>EMT</td>
</tr>
<tr>
<td><strong>Whistle-Blowing</strong></td>
<td>Survey and report to Committee the adequacy and awareness of the current whistle-blowing arrangements</td>
<td>September 2018</td>
<td>Policy review date Feb 2019</td>
<td>Not due</td>
<td>EMT</td>
</tr>
</tbody>
</table>
Internal Financial Controls

Status Report – June 2018

For the City of Whyalla

June 2018
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<td>Methodology</td>
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<td>Disclaimer</td>
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</table>

Appendix 1 - Better Practice Model – Likelihood & Consequence Tables

Appendix 2 - Assessment

Appendix 2 - Action List
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.

Internal Financial Controls are instrumental in;

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

Fraud
Although a system of Internal Financial Controls can assist in preventing and detecting fraud and theft it is important to understand that there are three aspects that tend to exist for fraud to occur;

- Pressure or incentive – actual or perceived need that provides a reason or motive;
  o Need to achieve organisational performance targets or financial goals
  o Personal struggles or external stressors (financial problems, health issues, or addictions)
  o Desire to gain power, influence, esteem
- Opportunity – combination of circumstances or conditions that enable fraud to occur
  o Poor control design, lack of controls, insufficient security or segregation of duties
  o Level of trust, authority, knowledge, access to control processes that enable personal to circumvent or override existing controls
  o Inadequate supervision, training or communication regarding policies of professional conduct and the consequences of violations
- Rationalisation – A concocted, convincing and plausible justification (to the perpetrator)
  o Feelings of entitlement due to organisational commitment
  o Belief that actions are acceptable because ‘others probably do it to’
  o Belief that actions are acceptable because they are culturally commonplace or were considered acceptable in previous organisations or under previous management
  o Belief that policies and procedures do not make sense or are not justified
  o Reasoning that actions are temporary and a one-time event (borrowing money and will pay it back or ‘just this once’)

Belief that the action is victimless or so insignificant that no-one would notice
and/or care.

There are a number of ‘red flags’ which can indicate

Internal Financial Controls are predominantly designed to address ‘Opportunity’. Council can
draw the other components of fraud through managing the;

- Structure of the organisation by providing adequate resources to ensure that employees
  have appropriate knowledge, skills and experience and that processes are able to be
  undertaken in a robust and thorough manner.
- Culture of the organisation ensuring that it is one of high standards of ethics and expectation
  of professional behaviour

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 Council.

Risk Management Standard
The Australia/New Zealand Risk Management Standard 31000-2009 outlines the process for risk
management with the interacting process steps being: (see diagram following)
Internal Control Environment
Managing the Internal Control Environment of Council is set out in the following diagram as per the Better Practice Model;

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 such as
  - Financial cost and delay in operations
  - Legal issues
- Public Safety and Environment

Risks to Local Government for the purposes of Internal Financial Controls, concentrate on the above except for public safety and environment. Although there can be a financial impact to Local Government 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 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 to 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 not be termed catastrophic.

If 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 risk table from ‘Better Practice Model’):

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

**Risk Level**

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

<table>
<thead>
<tr>
<th>Consequence</th>
<th>Insignificant</th>
<th>Minor</th>
<th>Moderate</th>
<th>Major</th>
<th>Catastrophic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Likelihood</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Almost Certain</td>
<td>Moderate</td>
<td>High</td>
<td>High</td>
<td>Extreme</td>
<td>Extreme</td>
</tr>
<tr>
<td>Likely</td>
<td>Low</td>
<td>Moderate</td>
<td>High</td>
<td>Extreme</td>
<td>Extreme</td>
</tr>
<tr>
<td>Possible</td>
<td>Low</td>
<td>Low</td>
<td>Moderate</td>
<td>High</td>
<td>Extreme</td>
</tr>
<tr>
<td>Unlikely</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td>Rare</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Moderate</td>
<td>High</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Risk level</th>
<th>Management Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extreme</td>
<td>Intolerable, immediate management attention required</td>
</tr>
<tr>
<td>High</td>
<td>Significant, management actions required</td>
</tr>
<tr>
<td>Moderate</td>
<td>Tolerable, specific monitoring or response procedures required</td>
</tr>
<tr>
<td>Acceptable</td>
<td>Manage by routine procedures.</td>
</tr>
</tbody>
</table>
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.

The City of Whyalla is undertaking an initial assessment of their core and additional controls for this report.

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.

Methodology
Assessment of risk is a subjective exercise and the Standard places emphasis on communication and consultation. UHY Haines Norton’s assessor is consulting with relevant staff and management in discussing each risk, the possible controls within the Better Practice Model and the controls in place.

Once the assessment is completed, management will be provided with a draft report listing suggestions for improvement in the form of an action plan based on addressing the highest levels of risk first. Management feedback will be included in the final report to the Audit Committee.

Disclaimer
This baseline assessment is being prepared based on the information and feedback provided by Management and Staff of 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 Council’s internal financial controls is undertaken.
Status Report

The assessment is undertaken on controls in a number of risk categories and business processes. These are listed in the table below which also shows the status of assessment at this point.

### Categories of Risks and Business Processes

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Business Process</th>
<th>Assessment Status</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Strategic Financial Planning</td>
<td>Budgets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>General Ledger</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Statutory Reporting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Management Reporting</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>Cash Floats &amp; Petty Cash</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Banking</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Debtors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inventory</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prepayments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fixed Assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Project Costing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loans/Grants to Clubs/Community Groups</td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td>Accounts Payable</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accrued Expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Borrowings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee Provisions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Taxation</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>Rate/Rate Rebates</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Grants</td>
<td></td>
</tr>
<tr>
<td></td>
<td>User Pay Income – Fee for Services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investment/Interest Income</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Receipting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other Revenue</td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>Purchasing &amp; Procurement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Payroll</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Elected Members’ Expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Credit Cards</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee Reimbursements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other Expenses</td>
<td></td>
</tr>
<tr>
<td>External Services</td>
<td>Contracting</td>
<td></td>
</tr>
<tr>
<td>Financial Governance</td>
<td>Governance</td>
<td></td>
</tr>
</tbody>
</table>

**Key Learnings to Date**

**Complex Processes**

It appears that there was a number of changes to processes made at management level a number of years ago that resulted in complex processes that take time to undertake, are not streamlined and do not assist in highlighting issues. Our assessor is working with staff during this assessment to identify where these occur and consider and suggest improvements that enable additional transparency and streamline activities.
Documentation of Processes
Documenting processes ensures that staff undertake their roles consistently addressing all aspects of legislation and Council Policy. Documented processes also assist when there is staff turnover and ensures that new staff are aware of how to undertake a task, how it fits into the whole process and why it is undertaken.

Documentation should be accompanied by a calendar detailed when processes are required to be completed. This assists in processes being undertaken in accordance with legislation and Council timeframes.

Training and Networking
It is important that staff undertake ongoing training. This can be formal or informal by attendance at Local Government professional functions and conferences. This assists staff in being aware of changing legislation or industry issues. Formal training and professional development plans would assist in ensuring that this occurs.

Council Financial Reporting
Local Government in South Australia has set three key financial indicators with suggested targets. These are the Operating Surplus Ratio, Net Financial Liabilities Ratio, Asset Sustainability Ratio. Councils can use the Local Government Association (LGA) suggested targets but it is more useful for Councils to set these targets for their own situations. A number of Councils in the State are also setting average target ranges for periods of time. For instance, a Council may set an Operating Surplus Ratio that must be between -2% and 5% as an average over any 5-year period.

Reviewing of Policies
There are a number of policies that are overdue for review. There have been considerable changes amongst senior management over the past few years which may have led to this shortfall. A register of policies and review dates which is managed would assist in ongoing review and update of key policies.

Other Relevant Assessments
UHY Haines Norton undertook an assessment of the integrity of the Infrastructure Financial Data in 2015.

This current Internal Financial Control review will incorporate an update on the status of recommendations included in that report.

External Challenge – Rate Capping
The media has recently reported that Rate Capping Legislation will be consider in Parliament in the near future. It appears that the process may be managed by the Essential Services Commission of South Australia (ESCOSA) and that Councils may be able to increase rates above the % set by ESCOSA in the following circumstances;

- Development growth
- An application to ESCOSA with reasons why an additional increase is required by a Council.
During our assessment to date there are a number of issues that we have noticed that face Council which would inhibit the ability for the City of Whyalla to use the above circumstances to argue for additional rate increases.

**Rating Structure**

Council’s current rating structure is based on Site Valuation. This means that a property which is a vacant block of land will not increase its valuation when a building is completed. The value of a property with a building on it is known as Capital Value. Rating on Capital Value instead of Site Value would allow Council to receive additional rates. Councils that use Capital Valuation are able to count this increase in value and rates as growth which would appear to be allowable as additional rates income for Councils.

The Local Government Act 1999 sets out that a Council can review its rating methodology and can review the valuation method used for rating. The Act sets out the details of how the process needs to be undertaken. The City of Whyalla may wish to undertake such a review to address this issue in the near future as the Rate Capping Legislation develops.

**Asset Management Plans and Project Costing**

We have not yet completed the assessment of Asset Management and Project Costing however it will become very important to have very robust information about Council’s assets and also have robust project costing methodologies to ensure that any request to ESCOSA for additional rates is able to be backed up with sound argument.
## Appendix 1

<table>
<thead>
<tr>
<th>Likelihood Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Almost Certain</td>
<td>Is expected to occur in most circumstances</td>
</tr>
<tr>
<td>D. Likely</td>
<td>Will probably occur in most circumstances</td>
</tr>
<tr>
<td>C. Possible</td>
<td>Might occur at some time</td>
</tr>
<tr>
<td>B. Unlikely</td>
<td>Could occur at some time</td>
</tr>
<tr>
<td>A. Rare</td>
<td>May occur only in exceptional circumstances</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impact Scale</th>
<th>Socio-political &amp; Community issues</th>
<th>Business Impact</th>
<th>Public Safety</th>
<th>Environment</th>
</tr>
</thead>
</table>
| 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 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. |
<table>
<thead>
<tr>
<th>Impact Scale</th>
<th>Socio-political &amp; Community Issues</th>
<th>Business Impact</th>
<th>Public Safety</th>
<th>Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Major</td>
<td>• 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.</td>
<td>• Major financial loss - impact of between $50k and $100k • Loss of capability, disruption to production, major impact on stakeholders &amp; 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.</td>
<td>• Serious &amp; extensive injuries • Serious structural damage to infrastructure or serious loss of assets.</td>
<td>• “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.</td>
</tr>
<tr>
<td>5. Catastrophic</td>
<td>• Huge effect on public image • Community outrage • Social health &amp; well-being of the community hugely affected by major community unrest and/or significant breakdown of established community relationships &amp; links.</td>
<td>• Huge financial loss/exposure – impact greater than $100k • Loss of production/capability, failure to meet stakeholder’s needs for more than 5 days • Projects &amp; programs failure, inability to meet minimum acceptable standards, most objectives not met • Major breaches of regulation, major litigation.</td>
<td>• Fatalities • Critical loss, irreversible damage property / infrastructure.</td>
<td>• “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.</td>
</tr>
<tr>
<td>Motion Number</td>
<td>Resolution</td>
<td>Actioned by</td>
<td>Completed / Ongoing Actions</td>
<td>Expected Completion Date</td>
</tr>
<tr>
<td>---------------</td>
<td>------------</td>
<td>-------------</td>
<td>-----------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>AC117-2013 26/03/2014</td>
<td>Operational Efficiency Audit&lt;br&gt;That a cross-functional team be set up to undertake a project scoping exercise aimed at identifying those activities to be included in the process and the resources needed to undertake the review and to ultimately design the scope of the internal audit process.</td>
<td>DC</td>
<td>Set up team&lt;br&gt;Identify processes to be subject to audit&lt;br&gt;Develop audit schedule&lt;br&gt;First audits to Committee</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>Item / Potential Issue</td>
<td>Responsible Officer</td>
<td>Actions</td>
<td>Completion Date</td>
</tr>
<tr>
<td>--------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>---------------------</td>
<td>-------------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>1</td>
<td>Key Performance Indicators Receipting, payments and payroll</td>
<td>DC</td>
<td>Consult with Director</td>
<td>30/06/2018</td>
</tr>
<tr>
<td>2</td>
<td>YMCA Funding of Operating Losses Funding to be checked against audited financial statements at end of year</td>
<td>SFO</td>
<td></td>
<td>Completed 30/09/2017</td>
</tr>
<tr>
<td>3</td>
<td>Cuttlefish Viewing Platform Grant Eligible expenditure only to be included in acquittals</td>
<td>GMCD&amp;G</td>
<td>Acquittal</td>
<td>30/06/2018</td>
</tr>
</tbody>
</table>
3.1 CORPORATE

3.1.2 Council Policies and Procedures

Audit Committee Meeting: 27 June 2018
Author's Title: Senior Finance Officer
Department: Corporate
Director: Robyn Dunstall
File No.: 0-209, 0-159

Annexures:
A Asset Accounting Policy
B Treasury Management Policy
C Financial Internal Control Policy
D Debt Management Policy

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 – Nil

PURPOSE

Policies are clear, simple statements of how Council intends to conduct its services, actions or business. Procedures describe how the policies will be put into action.

SUMMARY

Policies and procedures provide clarity, consistency and clear communication to Council Management and employees in carrying out their duties.

RECOMMENDATION

That the Audit Committee receive and note the Council Policies and Procedures report and recommend to Council the adoption of the following:

- Asset Accounting Policy
- Treasury Management Policy
- Financial Internal Control Policy
- Debt Management Policy
3.1.2 Council Policies and Procedures

REPORT

BACKGROUND

This report updates the following policies:

- Asset Accounting Policy
- Treasury Management Policy
- Financial Internal Control Policy
- Debt Management Policy

DISCUSSION

Policies and procedures are a necessary tool for sound financial management and provide the following benefits:

Public accountability and transparency – policies and procedures document the Councils’ position on which it will base its decisions.

Ensuring a considered approach – policies and procedures ensure each issue is carefully considered, having regard to alternative approaches and the wider policy and statutory context.

Consistency of decision-making – policies and procedures provide a consistent basis for decision-making.

Clear guidance for employees – policies and procedures set out the required approach, responsibilities and processes for employees to properly administer the financial business of council in accordance with statutory requirements and sound financial management practices.

Council must review its policies and procedures on a regular basis. The following policies have been reviewed:

1. Asset Accounting Policy

   The Asset Accounting Policy covers the acquisition and accounting treatment of non-current assets to ensure they are managed in an efficient and financially responsible manner and any financial information related to non-current assets is presented consistently to enable users of Councils’ financial information to make informed decisions.
2. **Treasury Management Policy**

The Treasury Management Policy covers the investments and borrowings of Council and is an important financial management tool that assists Councils’ processes relating to borrowings and investments.

3. **Financial Internal Control Policy**

The Financial Internal Control Policy is designed to help safeguard Council by minimising risks and protecting assets through accurate record keeping, operational efficiency and adherence to policies, rules, and regulations.

4. **Debt Management Policy**

The purpose of the Debt Management Policy is to minimise the amount of monies owed to Council, assist debtors in financial stress and/or hardship, whilst complying with the Local Government Act 1999 (the “Act”) and covers management of the following classes of Debtors:

- Rate Debtors
- General Debtors
- Landfill Debtors
- Library Debtors
- Animal Management Debtors
- Child Care Centre Debtors
- Cemetery and Crematorium Debtors

**Financial Implications** – Nil

**Strategic Plan**

*Objective 1.1 – Unearth community pride within the city*

Strategy 1.1.1 – Regularly inform the community of Council activities, decisions and actions

Promote positive stories, positive image

**Legislation**

Local Government Act 1999
Australian Accounting Standards

**Officer Direct or Indirect Interest**

No officer involved in the preparation of this report has any conflicts of interest.

**Risk Assessment** – Not applicable

**Social Considerations** – Not applicable

**Community Engagement** – Not applicable
Environmental Implications – Applicable

Communication – Not applicable

Conclusion

Councils’ policies and procedures help to guide the actions of Management and employees in performing their required duties.
Asset Accounting Policy

<table>
<thead>
<tr>
<th>Type</th>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDS Category</td>
<td>Financial Management – Public</td>
</tr>
<tr>
<td>Responsible Officer</td>
<td>Senior Finance Officer</td>
</tr>
<tr>
<td>Policy Adopted</td>
<td>*** 2018</td>
</tr>
<tr>
<td>Review Period</td>
<td>Two years</td>
</tr>
<tr>
<td>Last Reviewed</td>
<td>June 2016</td>
</tr>
<tr>
<td>Next Review Date</td>
<td>*** 2020</td>
</tr>
<tr>
<td>Policy Version Number</td>
<td>4</td>
</tr>
<tr>
<td>Applicable Legislation</td>
<td>• Australian Accounting Standards</td>
</tr>
<tr>
<td></td>
<td>• Local Government Act 1999</td>
</tr>
<tr>
<td>Related Documents</td>
<td>• Accounting Procedure</td>
</tr>
<tr>
<td>Public Consultation Required</td>
<td>No</td>
</tr>
<tr>
<td>Purpose</td>
<td>To ensure Councils’ non-current assets are recognised, capitalised and revalued in accordance with Australian Accounting Standards and this policy.</td>
</tr>
</tbody>
</table>
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

The objective of this policy is to ensure that Councils’ non-current 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 and any financial information related to non-current assets is 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.

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, where an option existed for replacement without the 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.

<table>
<thead>
<tr>
<th>Asset</th>
<th>Capitalisation Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>$2,000</td>
</tr>
<tr>
<td>Other plant and equipment</td>
<td>$5,000</td>
</tr>
<tr>
<td>Buildings – new construction/extensions</td>
<td>$10,000</td>
</tr>
<tr>
<td>Park and playground furniture and equipment</td>
<td>$5,000</td>
</tr>
<tr>
<td>Road construction and reconstruction</td>
<td>$10,000</td>
</tr>
<tr>
<td>Paving and footpaths, kerbs and gutters</td>
<td>$5,000</td>
</tr>
<tr>
<td>Drains and culverts</td>
<td>$5,000</td>
</tr>
<tr>
<td>Reticulation extensions</td>
<td>$5,000</td>
</tr>
<tr>
<td>Sidelines and household connections</td>
<td>$5,000</td>
</tr>
<tr>
<td>Artworks</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

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.
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.

<table>
<thead>
<tr>
<th>Hierarchy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level 1 Inputs</strong></td>
<td></td>
</tr>
<tr>
<td>Financial Assets</td>
<td>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).</td>
</tr>
<tr>
<td><strong>Level 2 Inputs</strong></td>
<td></td>
</tr>
<tr>
<td>Land Council Buildings on non-community land and are able to be used commercially (e.g. offices, libraries and shops, plant, furniture and equipment</td>
<td>Level 2 inputs include the following:</td>
</tr>
<tr>
<td></td>
<td>a) Quoted prices for similar assets or liabilities in active markets</td>
</tr>
<tr>
<td></td>
<td>b) Quoted prices for identical or similar assets or liabilities in markets</td>
</tr>
<tr>
<td></td>
<td>that are not active</td>
</tr>
<tr>
<td></td>
<td>c) Inputs other than quoted prices that is observable for the asset or liability.</td>
</tr>
<tr>
<td><strong>Level 3 Inputs</strong></td>
<td></td>
</tr>
<tr>
<td>Buildings on community land, community land and all infrastructure assets</td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Plant, Furniture and Equipment</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office equipment</td>
<td>5 to 10 years</td>
</tr>
<tr>
<td>Office furniture</td>
<td>10 to 20 years</td>
</tr>
<tr>
<td>Vehicles and road-making equipment</td>
<td>5 to 8 years</td>
</tr>
<tr>
<td>Other plant and equipment</td>
<td>5 to 15 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Building and Other Structures</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings – masonry</td>
<td>50 to 100 years</td>
</tr>
<tr>
<td>Buildings – other construction</td>
<td>20 to 40 years</td>
</tr>
<tr>
<td>Buildings – roofing</td>
<td>40 to 60 years</td>
</tr>
<tr>
<td>Park Structures – masonry</td>
<td>50 to 100 years</td>
</tr>
<tr>
<td>Park Structures – other construction</td>
<td>20 to 40 years</td>
</tr>
<tr>
<td>Playground equipment</td>
<td>5 to 20 years</td>
</tr>
<tr>
<td>Benches, seats, etc.</td>
<td>10 to 20 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transport Infrastructure</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sealed Roads – surface</td>
<td>15 to 30 years</td>
</tr>
<tr>
<td>Sealed Roads – pavement</td>
<td>65 to 100 years</td>
</tr>
<tr>
<td>Unsealed roads</td>
<td>10 to 20 years</td>
</tr>
<tr>
<td>Paving and footpaths, kerb and gutters</td>
<td>25 to 65 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stormwater Infrastructure</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drains</td>
<td>70 to 100 years</td>
</tr>
<tr>
<td>Culverts</td>
<td>70 to 100 years</td>
</tr>
<tr>
<td>Flood control structures</td>
<td>70 to 100 years</td>
</tr>
<tr>
<td>Dams and reservoirs</td>
<td>70 to 100 years</td>
</tr>
<tr>
<td>Bores</td>
<td>20 to 40 years</td>
</tr>
<tr>
<td>Reticulation pipes – PVC</td>
<td>70 to 80 years</td>
</tr>
<tr>
<td>Reticulation pipes – other</td>
<td>25 to 75 years</td>
</tr>
<tr>
<td>Pumps and telemetry</td>
<td>15 to 25 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Assets</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Library Books</td>
<td>10 to 15 years</td>
</tr>
<tr>
<td>Artworks</td>
<td>indefinite</td>
</tr>
</tbody>
</table>
**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.

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

**Residual values**

The residual value of buildings, vehicles, 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 assets.

**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”.

6. **Authority**

Adopted by Council – *** 2018

7. **History**

## Treasury Management Policy

<table>
<thead>
<tr>
<th>Type</th>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDS Category</td>
<td>Financial Management – Public</td>
</tr>
<tr>
<td>Responsible Officer</td>
<td>Senior Finance Officer</td>
</tr>
<tr>
<td>Policy Adopted</td>
<td>*** 2018</td>
</tr>
<tr>
<td>Review Period</td>
<td>Two years</td>
</tr>
<tr>
<td>Last Reviewed</td>
<td>September 2015 (now archived)</td>
</tr>
<tr>
<td>Next Review Date</td>
<td>*** 2020</td>
</tr>
<tr>
<td>Policy Version Number</td>
<td>5</td>
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<tr>
<td>Applicable Legislation</td>
<td>• Local Government Act 1999</td>
</tr>
<tr>
<td></td>
<td>Section 44, Section 47, Section 122, Section 134, Section 139, Section 140</td>
</tr>
<tr>
<td></td>
<td>• Local Government (Financial Management) Regulations 2011 5(1)</td>
</tr>
<tr>
<td>Related Documents</td>
<td>• LGA Financial Sustainability (paper 15)</td>
</tr>
<tr>
<td>Public Consultation Required</td>
<td>No</td>
</tr>
<tr>
<td>Purpose</td>
<td>To provide clear direction to Management, staff and Council in relation to the treasury function.</td>
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</table>
1. Introduction

This policy underpins Councils’ decision-making regarding the financing of its operations as documented in its Annual Budget and Long Term Financial Plan and associated projected and actual cash flow receipts and outlays.

Council is committed to operating in a financially sustainable manner and maintains a Long Term Financial Plan to assist it to determine affordable service levels and revenue raising needs. This Plan also provides projections of future cash flow availability and needs.

2. Policy Objective

This Treasury Management Policy establishes a decision framework to ensure that:

- funds are available as required to support approved outlays;
- interest rates and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed; and
- the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.

3. Scope

The Treasury Management Policy covers the investments and borrowings of Council and is an important financial management tool that assists Councils’ processes relating to borrowings and investments.

4. Definitions – Nil

5. Policy Statement

5.1 Treasury Management Strategy

Councils’ operating and capital expenditure decisions are made on the basis of:

- identified community need and benefit relative to other expenditure options;
- cost-effectiveness of the proposed means of service delivery; and
- affordability of proposals having regard to Councils’ long term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Councils’ Net Financial Liabilities ratio).
Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:

- maintain target ranges for its Net Financial Liabilities ratio;
- not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties;
- borrow funds in accordance with the requirements set out in its Long Term Financial Plan; and
- apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

5.2 Interest Rate Risk Exposures

Council has a set range of limits for both fixed and variable interest rate borrowings in order to minimise net interest costs on average over the longer term and at the same time manage interest rate movement risk within acceptable limits.

5.2.1 Fixed Interest Rate Borrowings

When interest rates are low, Council may consider long term fixed interest rate borrowings. When interest rates are increasing, interest rate exposure may be minimised with a mix of short and long-term borrowings. This mix would also include fixed and variable interest rates.

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

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

- have a fixed interest rate; and
- require interest rate and principal repayments.

5.2.2 Variable Interest Rate Borrowings

Council has established and makes extensive use of the Local Government Association’s Finance Authority ‘Cash Advance Debenture’ facility). This facility requires interest-only payments and enables any amount of principal to be repaid or redrawn at call. This provides Council with access to liquidity when needed and flexibility to pay down borrowings with excess funds.
5.2.3 Investments

Council funds that are not immediately required for operational needs, and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings, will be invested. The balance of funds held in any operating bank account that does not provide investment returns at least consistent with “at call” market rates shall be kept at a level that is not greater than is required to meet immediate working capital requirements.

Council funds available for investment will be lodged ‘at call’ or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term. In the case of fixed term investments, the term should not exceed a point in time where the funds otherwise could be applied to cost-effectively either defer the need to raise a new borrowing or reduce the level of Councils’ variable interest rate borrowing facility.

When investing funds, Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.

Council Management may, from time to time, invest surplus funds in:

- deposits with the Local Government Finance Authority; and/or
- bank interest bearing deposits.

A report is to be provided to Council by the Chief Executive Officer covering all the aspects in Section 139(3) for any other investment that requires the specific approval of Council.

5.2.4 Reporting

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

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

   Adopted by Council – *** 2018

7. **History**

   Version 4 – adopted by Council 21 September 2015
   Version 1 – adopted by Council 19 July 2010
   Investment Policy subsumed – 19 July 2010
# Financial Internal Control Policy

<table>
<thead>
<tr>
<th>Type</th>
<th>Financial</th>
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<tbody>
<tr>
<td>GDS Category</td>
<td>Financial Management – Public</td>
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<tr>
<td>Responsible Officer</td>
<td>Senior Finance Officer</td>
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<tr>
<td>Policy Adopted</td>
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<td>Review Period</td>
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<td>Last Reviewed</td>
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<td>4</td>
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<tr>
<td>Applicable Legislation</td>
<td>• Local Government Act 1999 –Section 125</td>
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</table>
| Related Documents | • Accounting Procedures and Policy  
|                  | • Rating Procedures  
|                  | • Asset Management Policy  
|                  | • Leasing Procedures  
|                  | • Internal Control Procedures  
|                  | • Procurement Procedures  
|                  | • Annual Business Plan and Budget Procedure  
|                  | • Quarterly Budget Review Procedure  
|                  | • Authorised Officers Register |
| Public Consultation Required | No               |
| Purpose        | To provide direction to Management, Staff and Council in relation to the financial internal control function. |
1. Introduction

Internal control is part of Councils’ Corporate Governance Framework and covers areas such as strategic management, business development, project management, finance, etc. It comprises procedures to mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded, legislation and Council policies/ruleds are complied with and financial reporting is accurate and reliable.

A complete risk management and Corporate Governance Framework for the financial component of internal controls are required to ensure Council resources are used prudently and in an efficient, effective and economical manner. These include accounts payable, payroll, budgeting, management reporting, banking, purchasing and contracting. Financial internal controls are critical to effective risk management of a Councils’ operations and promote the achievement of its goals and objectives.

Council is committed to maintaining an effective financial internal control environment.

2. Policy Objective

Councils’ objectives of this policy are:

- risks relating to the stewardship of public resources are adequately managed through effective internal controls;
- a framework for an effective financial internal control system which conveys to Managers that they are responsible for ensuring that internal controls are established, documented, maintained, utilised and adhered to across the Council, and to all employees that they are responsible for utilising and adhering to those internal controls; and
- to ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

3. Scope

Internal control is an important function designed to help safeguard Council by minimising risks and protecting assets through accurate record-keeping, operational efficiency and adherence to policies, rules, and regulations.

4. Definitions – Nil

5. Policy Statement

Councils’ internal control framework identifies risks which may prevent Council from meeting its objectives or not maximising its opportunities. It is recognised that all risks cannot be eliminated, however, the application of internal controls should reduce the likelihood of the risk occurring to within acceptable limits of risk.

Council will develop a culture that emphasises integrity, ethical values and competence.
5.1 Roles and Responsibilities

Council is responsible for approval of the Financial Internal Control Policy and the Chief Executive Officer is responsible for developing and maintaining a financial internal control framework, which ensures Council objectives are achieved efficiently, accountably and effectively. Updates on changes to the framework will be presented to the audit Committee.

The Executive Management Team must adopt a risk management approach to identifying and assessing risks and apply cost/benefit analysis in the development of internal controls. Council employees must conduct their duties in accordance with all financial internal control policies, procedures and practices of Council.

5.2 Elements of an Internal Control Framework

The essential elements of an effective internal control framework are:

- structure and culture of Council;
- delegations of authority;
- policies and procedures;
- trained and properly qualified staff;
- information technology controls;
- review processes, e.g. internal audit;
- liaison with auditors and legal advisors;
- senior management compliance assurance; and
- risk identification and assessment.

5.3 Risk Management Process

*Establish Goals and Contexts* – effective risk management requires a thorough understanding of the goals and context of Council to assist in establishing the assessment criteria for risk management.

*Identify Risks* – identify the risks most likely to impact on the achievement of Councils’ objectives.

*Analyse Risks* – assess the effectiveness of risks in terms of likelihood and consequence to identify the current risk level.

*Evaluate Risks* – determine whether the risks are acceptable or unacceptable and document findings.

*Treat Risks* – Discontinue the activity that generates the risk, reduce the likelihood of occurrence, reduce the consequence of occurrence, transfer the risk or retain the risk.

*Consultation/Communication* – important elements to ensure that all stakeholders, including employees and Elected Members, understand why actions are required.
Monitor/Review – responsible officers must be identified for each internal control. Managers monitor and report progress to the Executive Management Team and the Audit Committee on a regular basis.

5.4 Review of Database of Internal Controls

Internal reviews will be reviewed annually to ensure they are current and appropriate. The Executive Management Team and the Audit Committee will be updated regularly on the progress of any action plans identified during the review process.

6. Authority

Adopted by Council – *** 2018

7. History

Superseded Version 1
# Debt Management Policy

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<th><strong>Type</strong></th>
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<tr>
<td><strong>GDS Category</strong></td>
<td>Financial Management – Public</td>
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<td><strong>Responsible Officer</strong></td>
<td>Director Corporate</td>
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<td><strong>Policy Adopted</strong></td>
<td>*** 2018</td>
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<td><strong>Review Period</strong></td>
<td>Two years</td>
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<td><strong>Last Reviewed</strong></td>
<td>June 2015 <em>(now archived)</em></td>
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<td><strong>Next Review Date</strong></td>
<td>*** 2020</td>
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<td><strong>Policy Version Number</strong></td>
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<td><strong>Applicable Legislation</strong></td>
<td>• Local Government Act 1999 – Chapter 10</td>
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| **Related Documents** | • Rating Policy  
• Debtor Management Guidelines/Procedure |
| **Public Consultation Required** | No |
| **Purpose** | To provide is to minimise the amount of monies owed to Council, assist debtors in financial stress and/or hardship whilst complying with the Local Government Act 1999 (the “Act”)* |
1. Introduction

Council depends on income from rates and fees and charges to fund services and facilities for the community. The purpose of this policy is to minimise the amount of monies owed to Council, assist debtors in financial stress and/or hardship, whilst complying with the Local Government Act 1999 (the “Act”).

2. Policy Objective

Council undertakes recovery action for overdue rates and debtors to ensure the fair, equitable and consistent collection of outstanding monies in an effective and timely manner. Council will attempt to recover all costs, interest and expenses incurred by Council, while recognising the need to identify and consider individual cases of genuine hardship.

The Act allows Council to remit a whole or part of any rate or charge or interest if a person is suffering financial hardship. Council may defer, in whole or part, any payment due on the grounds of hardship.

Council aims to:

- provide the community with assistance and options to pay their accounts in a timely and acceptable manner;
- provides equitable treatment to all members of the community; and
- maintain legislative compliance.

3. Scope

The Debt Management Policy covers management of the following classes of Debtors:

- Rate Debtors;
- General Debtors;
- Landfill Debtors;
- Library Debtors;
- Animal Management Debtors;
- Child Care Centre Debtors; and
- Cemetery and Crematorium Debtors.

4. Definitions

*Debtor* – any person, corporation, business or other entity owing money to Council.

*Provision for Doubtful Debts* – an estimate of the amount of debt raised that is unlikely to be collected.

*Financial Hardship* – means a circumstance of experiencing a lack of financial means, which may be either on going or temporary, but does not include circumstances where a person chooses not to meet a liability for an unpaid debt.
Financial Stress – means a circumstance of experiencing reduced financial means

Financial Hardship – means a circumstance of experiencing a lack of financial means, which may be either on going or temporary, but does not include circumstances where a person chooses not to meet a liability for an unpaid debt.

A “deferment” of payment can be provided in whole or in part and be for a specified period and subject to any conditions determined by Council. When rates are deferred, payment is not required until the Council sends the person a notice requiring payment.

A “remission” removes the liability to pay and may be offered to include the whole or part of any interest or where applicable part of rates and charges. The variance between a remission and a deferral is that a deferral suspends payment for a period of time whereas a remission permanently excuses payment.

The interest referred to is in accordance with the Act.

The “Prescribed Percentage” is the percentage rate advised by Local Government Finance Authority each financial year.

5. Policy Statement

Council rates become overdue when not paid in accordance with a rate notice that is issued pursuant to Section 180 of the Act. Debtors become overdue when not paid in accordance with the terms on the invoice issued by Council. Councils’ standard payment terms for debtors is 30 days.

Council may apply interest and penalty for overdue rates to debtors that are overdue.

Council may commence its legal recovery process through a debt collection agent on all overdue amounts for rates or debtors.

Where Council incurs legal costs the legal costs may be recoverable from the ratepayer or debtors.

Payment plans and flexible payment arrangements will be made available to ratepayers and debtors for overdue amounts upon application.

The Council may, at its discretion, under delegated authority, remit penalties and related expenses for late payment of rates and debtors, including where genuine hardship can be substantiated.

Writing-off debts will only be considered when all reasonable attempts have been made to recover the outstanding amount.

Where rates on a property become more than three years in arrears, Council may commence proceedings to sell the property in accordance with Chapter 10, Section 184 of the Local Government Act 1999.
Assessing genuine financial hardship

Council will rely on the advice of an accredited financial counsellor or recognised welfare agency to identify if a person/s is experiencing genuine financial hardship.

An individual who is experiencing financial hardship is someone who is identified by an accredited financial counsellor, or by a welfare agency as having the intention, but not the financial capacity, to make required payments in accordance with our payment terms.

There are two types of financial hardship: ongoing and temporary. Depending on the type of hardship being experienced, hardship individuals will have different needs and will require different solutions.

Individuals who are identified as experiencing ongoing hardship are generally those on low or fixed incomes. These individuals may require ongoing assistance and management.

Individuals who may be identified as experiencing temporary hardship are those who have experienced a short-term change in circumstances, such as serious illness, disability or death in the family, loss or change in income, separation, divorce or other family crisis, a loss arising from an accident, or some other temporary financial difficulty. These customers generally require flexibility and temporary assistance, such as an extension of time to pay or an alternative payment arrangement.

The extent of hardship will be determined by an external body, such as an accredited financial counsellor.

Where we assess an individual’s eligibility for hardship assistance, we will consider indicators including (but not limited to) whether the individual:

- is on a Centrelink income and holds a Pensioner Concession Card or holds a Centrelink Low Income Health Care Card;
- is eligible for a South Australian Government concession;
- has been referred by an accredited financial counsellor or welfare agency;
- advises they have previously applied for emergency relief (irrespective of whether or not their application was successful);
- payment history indicates that they have had difficulty meeting their rates bills in the past; and
- through self-assessment, has identified their position regarding their ability to pay.

Where an individual has been identified as experiencing financial hardship, we will offer them, as soon as is reasonably practicable, flexible payment options that have regard to their capacity to pay and current financial situation.

We will work with the individual’s financial counsellor to determine the payment arrangement and instalment amount that best suits them and their individual circumstances.
Postponement of Rates, Charges and Interest
(Section 182 of the Local Government Act 1999)

Ratepayers may have rates and charges, or part thereof, postponed although rates and charges will continue to be levied subject to compliance with the following conditions and Council’s Rating Policy:

- the ratepayer must be experiencing undue and unavoidable hardship;
- an application in writing must be submitted by the ratepayer or the ratepayer’s representative providing evidence from an approved Financial Counsellor or recognised welfare agency;
- the postponement can be for a fixed period or ongoing basis until the property is disposed of or sold; and
- in accordance with provisions of Section 182A of the Local Government Act 1999, persons who hold a current Seniors Card may apply to postpone any rate amount in excess of $500 ($125 per quarter) less any concession entitlement for their principal place of residence. Interest will accrue at the prescribed rate on postponed balances, with the accrued debt being payable on the disposal or sale of the property Interest on postponed rates will be levied in accordance with the Act.

Remission of Rates
(Section 182 of the Local Government Act 1999)

Any remission of rates other than that remitted under delegation in accordance with the policy will be presented to Council for consideration in a confidential report.

Any remission is a one-off remission in response to circumstances presented at the time.

Assisting the Community

Council will make available to individuals payment plans, options to postpone rates and information on where a person can seek financial assistance or support.

6. Delegations

Council acknowledges that the Chief Executive Officer may sub-delegate matters related to this policy to staff or other persons employed or engaged by Council.

Contact details for further information

Phone: 08 8640 3444
Fax: 08 8569 1931
Email: council@whyalla.sa.gov.au
Where an individual believes that the Council has failed to properly apply this policy, it should raise the matter with the Council. In the first instance, contact our Rates Officer on 8640 3444 to discuss the matter. If, after this initial contact, a ratepayer is still dissatisfied they can write and explain the nature of their concern to:

The Chief Executive Officer  
Whyalla City Council  
PO Box 126  
WHYALLA SA  5600

**Availability of Policy**

This policy will be available for inspection at Council’s Principal Office as per the contact details above during ordinary business hours and on the Council’s web-site [www.whyalla.sa.gov.au](http://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 Council’s Schedule of Fees and Charges.