

# Audit & Risk Committee Agenda & Reports

14 July 2025

## Our Vision

*A City which values its heritage, cultural diversity,  
sense of place and natural environment.*

*A progressive City which is prosperous, sustainable  
and socially cohesive, with a strong community spirit.*

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City of Norwood Payneham & St Peters  
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City of  
Norwood  
Payneham  
& St Peters

10 July 2025

## To all Members of the Audit & Risk Committee

### Committee Members

- Ms Cate Hart (Independent Member) (Presiding Member)
- Mayor Robert Bria
- Cr Grant Piggott
- Ms Tami Norman (Independent Member)
- Mr Kym Holman (Independent Member)

### Staff

- Mario Barone (Chief Executive Officer)
- Lisa Mara (General Manager, Governance & Civic Affairs)
- Jenny McFeat (Manager, Governance)
- Natalia Axenova (Chief Financial Officer)

### NOTICE OF MEETING

I wish to advise that pursuant to Sections 87 and 88 of the *Local Government Act 1999*, the next Ordinary Meeting of the Audit & Risk Committee, will be held in the Mayors Parlour, Norwood Town Hall, 175 The Parade, Norwood, on:

**Monday 14 July 2025, commencing at 7.00pm**

Please advise Lisa Mara on 8366 4549 or email [lmara@npsp.sa.gov.au](mailto:lmara@npsp.sa.gov.au), if you are unable to attend this meeting or will be late.

A light meal will be available from 6.30pm.

Yours faithfully



Mario Barone  
**CHIEF EXECUTIVE OFFICER**

City of Norwood Payneham & St Peters  
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City of  
Norwood  
Payneham  
& St Peters

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**VENUE**                      Mayors Parlour, Norwood Town Hall

**HOOR**

**PRESENT**

**Committee Members**

**Staff**

**APOLOGIES**

**ABSENT**

1.      **CONFIRMATION OF MINUTES OF THE AUDIT & RISK COMMITTEE MEETING HELD ON 14 APRIL 2025**
  
2.      **PRESIDING MEMBER'S COMMUNICATION**
  
3.      **COMMITTEE MEMBER DECLARATION OF INTEREST**
  
4.      **PRESENTATIONS**
  - 4.1      **Strategic Risk Service Program Update**  
Presentation - Mr Chris Sweet, Local Government Risk Services
  
  - 4.2      **Payneham Memorial Swimming Centre Project Status Update**  
Presentation - General Manager, Infrastructure & Major Projects
  
5.      **STAFF REPORTS**

## 5.1 REVIEW OF FINANCIAL CONTROLS – INTERIM AUDIT

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**REPORT AUTHOR:** Chief Financial Officer  
**GENERAL MANAGER:** Chief Executive Officer  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** qA162025  
**ATTACHMENTS:** A

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### PURPOSE OF REPORT

The purpose of this report is to present the Audit & Risk Committee with the *City of Norwood Payneham & St Peters Financial Controls Review Report*, that has been provided by the Council's Auditors, Galpins.

### BACKGROUND

Pursuant to Section 129 of the *Local Government Act 1999* (the Act), in addition to undertaking an audit of the Council's Financial Statements, the Council's Auditor must also audit the controls exercised by the Council during the 2024-2025 financial year in relation to the receipt, expenditure, investment of money, the acquisition and disposal of property and incurring of liabilities. These audit requirements are collectively referred to as the External Audit.

In terms of the internal controls that are required to be in place, Section 125(1) of the Act provides 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.*

In addition to the above, Section 125(2) of the Act and Regulation 10A of the *Local Government (Financial Management) Regulations 2011*, requires that the Council's policies, practices and procedures of internal financial control must be in accordance with the *Better Practice Model – Internal Financial Controls* approved by the Minister for Local Government.

In line with best practice, the External Audit is conducted over two sessions, an interim audit during the financial year and a final audit when the Council's Financial Statements are available. As per the *Australian Auditing Standards ASA 260*, where the Auditor conducts an interim audit, a management letter will be provided to the Council at the conclusion of interim audit, to enable any required remedial action arising from the audit to be implemented as soon as possible.

A copy of the *City of Norwood Payneham & St Peters Financial Controls Review Report* (Financial Controls Review Report) which includes the 2024-2025 Interim Management Letter, is contained in **Attachment A**.

### RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

### FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

### EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

### SOCIAL ISSUES

Not Applicable.

## **CULTURAL ISSUES**

Not Applicable.

## **ENVIRONMENTAL ISSUES**

Not Applicable.

## **RESOURCE ISSUES**

Not Applicable.

## **RISK MANAGEMENT**

Appropriate financial controls are fundamental to the Council's financial governance framework. Undertaking the interim audit provides the Council with an overview of the current situation and any recommendations for improvement.

## **CONSULTATION**

- **Elected Members**  
Not Applicable.
- **Community**  
Not Applicable.
- **Staff**  
Not Applicable.
- **Other Agencies**  
Not Applicable.

## **DISCUSSION**

Section 126(4)(c), (f) and (d) of the Act, prescribe certain functions for the Audit & Risk Committee in relation to the External Audit and the Council's internal controls.

Pursuant to Section 125(3)(b) of the Act, the Auditor is required to provide the Council with an Audit Opinion as to whether the Internal Controls are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law.

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

In undertaking the interim External Audit, Galpins, have performed a review of procedures and processes to gain an understanding of the Council's internal controls, and performed tests on the design and effectiveness of the controls. In reviewing and testing 100 core internal controls, it has been identified that 97 are operating effectively and there are 3 recommendations for areas requiring improvement and corrective actions.

A summary of the results is provided in Table 1 below.

**TABLE 1: FINANCIAL CONTROLS REVIEW SUMMARY**

Business cycles	Controls Reviewed	Operating effectively			2025 Findings			
		2025	2024	2023	H	M	L	BP
General Ledger	11	11	11	8	-	-	-	-
Fixed Assets	16	16	13	13	-	-	-	1
Purchasing & Procurement /Contracting	10	7	8	7	-	3	-	-
Accounts Payable (AP)	13	13	13	12	-	-	-	-
Rates / Rates Rebates	10	10	10	8	-	-	-	-
Banking	5	5	5	4	-	-	-	-
Accounts Receivable (AR)	6	6	6	5	-	-	-	-
Credit Cards	5	5	4	1	-	-	-	-
Payroll	19	19	19	19	-	-	-	-
Receipting	5	5	5	5	-	-	-	-
<b>Total</b>	<b>100</b>	<b>97</b>	<b>94</b>	<b>82</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>1</b>

As outlined in the Financial Controls Review Report contained in **Attachment A**, of the 3 recommendations for areas requiring improvement and corrective actions, no weaknesses were identified as a High Risk and 3 have been identified as Moderate weaknesses.

The Moderate weaknesses are:

- Inconsistencies in the *Procurement Policy Guidelines* document and opportunities to improve its contents.
  - *(Management response) - A review of the Procurement Policy Guidelines is currently underway and will ensure that thresholds are clear, consistently applied and aligned with best practice and internal controls. The pending recruitment of the Procurement Officer role will support implementation of the Guidelines and ongoing oversight of these improvements.*
- An instance of a supplier providing services under a contract that has expired.
  - *(Management response) – At the time of the audit, the contract with the supplier that was identified in the sample, was in the process of being extended (delay of the George Street Project for more than 1 year). The extension was signed on 15 May 2025 until June 2026.*
- An instance of a supplier for which evidence of procurement procedures undertaken could not be located on file.
  - *(Management response) - This Finding has highlighted the need to implement a more structured process for periodically reviewing long-standing contracts to ensure continued value for money and compliance. The Council will implement improvements to contract tracking and oversight processes will be introduced. The pending recruitment of the Procurement Specialist/Officer role will provide additional capacity to support these improvements.*

In addition to above, the Council's Auditors have provided a best practice recommendation to formally document the principles and methodology that is applied in determining the capitalisation of salaries and wages. These principles could, for example, be incorporated within the existing *Asset Capitalisation and Depreciation Policy*. It is recommended that calculations supporting the actual capitalised wages are reviewed by an appropriate independent person to ensure the capitalisation is consistent with the policy principles / methodology.

The Council acknowledges the importance of clearly documenting the principles and methodology applied in determining the capitalisation of salaries and wages. Therefore, as part of the next scheduled review, a number of related processes including policy documentation, calculation transparency, and approvals workflow will be reviewed and amended to incorporate these recommendations.

The Chief Financial Officer has reviewed and is in agreement with the recommendations put forward in the Financial Controls Review Report. The recommendations for improvement are in the process of being implemented.

**OPTIONS**

Nil

**CONCLUSION**

Nil

**COMMENTS**

Nil

**RECOMMENDATION**

That the Audit & Risk Committee receives and notes the *City of Norwood Payneham & St Peters Financial Controls Review Report* which includes the 2024-2025 Interim Management Letter, as contained in Attachment A.



# Attachment A

## Review of Financial Controls Interim Audit



Accountants, Auditors & Business Consultants

## Financial Controls Review

City of Norwood Payneham & St Peters

2024/25 Interim Management Letter



City of  
Norwood  
Payneham  
& St Peters

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## 1. EXECUTIVE SUMMARY

### 1.1 Background

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

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

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

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

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

### 1.2 Objectives and scope

The objectives of our interim audit were to:

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

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

These key internal controls consist of a prioritised list of controls from the better practice model. This list was defined based on our risk assessment to determine the key business cycles, and key risks

within these business cycles, that we understand should be the focus of the Council's control self-assessment.

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

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

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

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

The key core controls for the following key business cycles have been identified as critical for the purpose of issuing a controls opinion this financial year:

- General Ledger
- Fixed Assets
- Purchasing and Procurement/Contracting
- Accounts Payable (AP)
- Rates / Rates Rebates
- Banking
- Accounts Receivable (AR)
- Credit Cards
- Payroll
- Receipting

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

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

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

### 1.3 Category of findings

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

We assessed each business cycle using our risk assessment which was focused on the risk of finding material weaknesses which could lead to a modified controls opinion in the 2024/25 financial year. An overall assessment of the risk of a potential modified audit opinion per business cycle is provided in item 1.5 of this report.

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

The overall assessment of the risk of non-compliance with s125 of the Local Government Act 1999 and the related findings and recommendations were rated as follows:

Category	Description
<b>High Risk Weaknesses</b>	The issue described could lead to a material weakness in the Council's internal controls and non-compliance with s125 of the Local Government Act.
<b>Moderate Weaknesses</b>	The issue described does not represent a material weakness due to the existence of compensating controls. However, the failure of the compensating controls or the existence of any other moderate weakness within the same business cycle may lead to a material weakness in the Council's internal controls and non-compliance with s125 of the Local Government Act.
<b>Low Risk Weaknesses</b>	The issue described is a low risk weakness due to the existence of compensating controls and/or the failure or absence of the internal controls does not impact significantly on the Council's financial risk. However, multiple low-level risk weakness within the same business cycle may lead to a material weakness in the Council's internal controls and non-compliance with s125 of the Local Government Act.
<b>Better Practice Weaknesses</b>	The issue described has been included in this report as an opportunity for better practice.

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

## 1.4 Overall review of the Council's internal controls

During our interim visit we found that many key internal controls reviewed were in place and were operating effectively (97 out of 100 core controls reviewed). A summary of the results of our review is provided in the table below:

Business cycles	Controls Reviewed	Operating effectively			2025 Findings			
		2025	2024	2023	H	M	L	BP
General Ledger	11	11	11	8	-	-	-	-
Fixed Assets	16	16	13	13	-	-	-	1
Purch&Procur/Contracting	10	7	8	7	-	3	-	-
Accounts Payable (AP)	13	13	13	12	-	-	-	-
Rates / Rates Rebates	10	10	10	8	-	-	-	-
Banking	5	5	5	4	-	-	-	-
Accounts Receivable (AR)	6	6	6	5	-	-	-	-
Credit Cards	5	5	4	1	-	-	-	-
Payroll	19	19	19	19	-	-	-	-
Receipting	5	5	5	5	-	-	-	-
<b>Total</b>	<b>100</b>	<b>97</b>	<b>94</b>	<b>82</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>1</b>

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

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

## 1.5. Summary of findings and recommendations

### Section 2 – Detailed audit findings

Business Cycle	Findings	Risk
<b>Purch. Proc. Contracting</b>	2.1.1 Inconsistencies in the Procurement Policy Guidelines document and opportunities to improve its contents	<b>M</b>
	2.1.2 An instance of a supplier providing services under an expired contract	<b>M</b>
	2.1.3 An instance of a supplier for which evidence of procurement procedures undertaken could not be located on file	<b>M</b>
<b>Credit cards</b>	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	<b>N/A</b>
<b>Fixed Assets</b>	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	<b>N/A</b>
<b>General Ledger</b>	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	<b>N/A</b>
<b>Accts Payable (AP)</b>	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	<b>N/A</b>
<b>Rates</b>	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	<b>N/A</b>
<b>Banking</b>	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	<b>N/A</b>
<b>Accts Receivable (AR)</b>	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	<b>N/A</b>
<b>Payroll</b>	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	<b>N/A</b>
<b>Receipting</b>	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	<b>N/A</b>

### Section 3 – Better practice recommendations

Recommendations
3.1.1 Opportunity to strengthen governance over capitalisation of employee benefits through formal policy and documented methodology.



## 2. DETAILED AUDIT FINDINGS

### 2.1 PURCHASE AND PROCUREMENT/CONTRACTING

#### 2.1.1 Inconsistencies in the Procurement Policy Guidelines document and opportunities to improve its contents

**Moderate**

<b>Control</b>	Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.
<b>Risk</b>	Council does not obtain value for money in its purchasing and procurement / Purchase of goods and services are made from non-preferred suppliers.

Finding	Recommendations	Management Response																					
<p>The Procurement Policy Guidelines include the following table providing guidance for the appropriate method of procurement:</p> <table border="1"> <thead> <tr> <th>Value of purchase</th><th>Method of purchase</th><th>Agreement type</th></tr> </thead> <tbody> <tr> <td>Up to \$3,000</td><td>Direct Sourcing</td><td>Nil required however, does not preclude the issuing of a purchase order.</td></tr> <tr> <td>\$3,001 - \$5,000</td><td>At least three (3) verbal quotes</td><td>Invoice; or Purchase order; or Other written agreement</td></tr> <tr> <td>\$5,001- \$10,000</td><td>At least three (3) written quotes</td><td>Invoice; or Purchase Order; or Other written agreement</td></tr> <tr> <td>\$10,001 - \$100,000</td><td>Request for Quotation</td><td>Purchase Order; or Contract; or Other written agreement</td></tr> <tr> <td>\$100,001 - \$250,000</td><td>Minimum of select tender</td><td>Contract</td></tr> <tr> <td>\$250,000+</td><td>Minimum of open tender</td><td>Contract</td></tr> </tbody> </table> <p>Last year we reported the following inconsistencies in the table provided above:</p> <ul style="list-style-type: none"> <li>the guidelines consider the receipt of an invoice (a document that is provided after services are rendered and/or goods are delivered) as an appropriate agreement type for purchases above \$3,000 and up to \$10,000</li> </ul>	Value of purchase	Method of purchase	Agreement type	Up to \$3,000	Direct Sourcing	Nil required however, does not preclude the issuing of a purchase order.	\$3,001 - \$5,000	At least three (3) verbal quotes	Invoice; or Purchase order; or Other written agreement	\$5,001- \$10,000	At least three (3) written quotes	Invoice; or Purchase Order; or Other written agreement	\$10,001 - \$100,000	Request for Quotation	Purchase Order; or Contract; or Other written agreement	\$100,001 - \$250,000	Minimum of select tender	Contract	\$250,000+	Minimum of open tender	Contract	<p>Review the purchasing thresholds table to ensure that the inconsistencies identified are addressed.</p> <p>Provide additional detail in the Procurement Policy Guidelines to guide the decision of when to use a purchase order and when to enter into a formal agreement.</p> <p>Establish a list of Purchase Order Exemptions, and consider introducing a threshold for the use of purchase orders.</p>	<p>The review is currently underway and will ensure that thresholds are clear, consistently applied, and aligned with best practice and internal controls. We also agree that further clarification in the Procurement Policy Guidelines will assist staff in determining when to raise a purchase order versus when a formal agreement is required. Additional guidance will be incorporated to support consistent and risk-based decision-making. The pending recruitment of the Procurement Officer role will support implementation and ongoing oversight of these improvements.</p>
Value of purchase	Method of purchase	Agreement type																					
Up to \$3,000	Direct Sourcing	Nil required however, does not preclude the issuing of a purchase order.																					
\$3,001 - \$5,000	At least three (3) verbal quotes	Invoice; or Purchase order; or Other written agreement																					
\$5,001- \$10,000	At least three (3) written quotes	Invoice; or Purchase Order; or Other written agreement																					
\$10,001 - \$100,000	Request for Quotation	Purchase Order; or Contract; or Other written agreement																					
\$100,001 - \$250,000	Minimum of select tender	Contract																					
\$250,000+	Minimum of open tender	Contract																					

- 'written agreement' is not defined in the Procurement Policy Guidelines.

In addition, audit has reviewed Council's Procurement Guidelines document and offer the following opportunities to improve its content:

#### Purchase Orders Use

The policy and the guidelines do not provide clear guidance in relation to the expected use of purchase orders. The guidelines document mentions that a purchase order 'or' a contract 'or' a written agreement is required for purchases above \$3,000 and up to \$100,000.

There is an opportunity to provide better guidance on when to use a purchase order and when to enter into a formal agreement. This should not be only based on the value of the purchases, but also on the nature of the services and risks involved.

An illustrative example of a summary table detailing minimum process and documentation requirements for procurement is provided in the table over page.

#### Purchase Order Exemptions and Threshold

The policy and the guidelines do not provide a list of purchase order exemptions. It is good practice to provide a list of purchase order exemptions in the procurement policy, and to establish a threshold for the use of purchase orders.

This is a repeat finding from our 2023/24 interim audit. A follow-up of this matter performed during our 2024/25 interim audit revealed that a new procurement guideline has been developed. At the time of the interim audit, this procurement guideline was in draft form and under review by Finance Management.

**Example of a summary table providing minimum process and documentation for procurement**

Value of purchase	Up to \$3,000	\$3,001 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$100,000	\$100,001 - \$250,000	250,000+
Procurement Method	Direct Sourcing	At least three (3) verbal or written quotes	At least three (3) written quotes	Request for Quotation	Minimum of select tender	Minimum of open tender
Evaluation evidence	Nil	Copies of quotes Notes detailing verbal quotes from suppliers (inc. date, supplier name, value quoted)	Formal evaluation document detailing quotes and criteria for selection.	Formal evaluation document detailing quotes and criteria for selection.	Tender evaluation matrix comparing tender responses, detailing evaluation criteria, weighting used and reasons for selection.	Tender evaluation matrix comparing tender responses, detailing evaluation criteria, weighting used and reasons for selection.
Agreement type: consultancy or services where purchase order terms and conditions are not sufficient.	<b>Medium risk:</b> standard goods and services contract / <b>High risk:</b> tailored goods and services agreement.					
Agreement type – all other procurement	Nil	Purchase order	Purchase order	<b>Low risk:</b> purchase order <b>Medium risk:</b> standard goods and services contract <b>High risk:</b> tailored goods and services agreement.	<b>Low/Medium risk:</b> standard goods and services contract <b>High risk:</b> tailored goods and services agreement.	<b>Low/Medium risk:</b> standard goods and services contract <b>High risk:</b> tailored goods and services agreement.
Records Management	Where contract is used must be retained in the contract register.	Where contract is used must be retained in the contract register.  Where purchase order is used must be retained in Council's record management system.	Where contract is used must be retained in the contract register.  Where purchase order is used must be retained in Council's record management system.  Written quotes from suppliers and evaluation documents to be retained in Council's record management system.	Contract to be retained in the contract register.	Tender responses and evaluation documents to be maintained in Council's record management system.	

## Notes:

1. This table is for illustrative purposes containing examples of further details which could be included in the procurement guidelines. Council should determine its own summary based on an assessment of its procurement objectives and processes in place.
2. This table should be read in conjunction with applicable delegation policies or any other relevant policy (e.g. delegations for approving purchase order, entering into a contract, awarding a procurement to a supplier, etc).

**2.1.2 An instance of a supplier providing services under an expired contract****Moderate**

<b>Control</b>	Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.
<b>Risk</b>	Commitments are made for unapproved goods and services.

<b>Finding</b>	<b>Recommendations</b>	<b>Management Response</b>
Audit selected a sample of suppliers for review based on cumulative spend. It was noted that supplier #8801.01, with a total cumulative spend of \$120,769 for the first six months of the 2024/25 financial year, was providing services under a contract that expired on 31 December 2022.	Ensure that there are formal signed agreements in place with suppliers with significant cumulative spend, and that contracts are formally extended when required.	At the time of the audit, this contract was in the process of 'contract extension' review (delay of the project for more than 1 year: George st, Master parade greatly impacted contract extension). The extension was signed on 15 May 2025 until June 2026.

**2.1.3 An instance of a supplier for which evidence of procurement procedures undertaken could not be located on file****Moderate**

<b>Control</b>	There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement Policy.
<b>Risk</b>	Commitments are made for unapproved goods and services.

<b>Finding</b>	<b>Recommendations</b>	<b>Management Response</b>
<p>Under the current procurement guidelines, purchases exceeding \$100,000 require, at a minimum, a select tender process, while purchases over \$250,000 must follow an open tender process. In both cases, the appropriate agreement type to be maintained by Council is specified to be a formally signed contract.</p> <p>Council was unable to locate supporting documentation evidencing the procurement procedures undertaken to engage supplier #10512.01, to whom Council incurred a cumulative spend of \$250,434 during the first six months of the 2024/25 financial year.</p> <p>Furthermore, the supplier provides both labour hire services to the child care centre, and Council's regulatory services (e.g. permits, infringements). No signed contract could be located for the provision of services relating to the regulatory functions.</p>	<p>Ensure that documentation evidencing the procurement procedures undertaken to engage suppliers is consistently maintained in the records management system, in accordance with Council's procurement policy and record-keeping requirements.</p> <p>Ensure that there are formal signed agreements in place with suppliers with significant cumulative spend, and that contracts are formally extended when required.</p>	<p>This Finding has highlighted the need to implement a more structured process for periodically reviewing long-standing contracts to ensure continued value for money and compliance. We also recognise the need to have formal signed agreements in place for suppliers with significant cumulative spend and to ensure contracts are formally reviewed or extended where required. Improvements to contract tracking and oversight processes will be introduced. The pending recruitment of the Procurement Specialist/Officer role will provide additional capacity to support these improvements.</p>

### 3. BETTER PRACTICE RECOMMENDATIONS

#### 3.1 FIXED ASSETS

##### 3.1.1 Opportunity to strengthen governance over capitalisation of employee benefits through formal policy and documented methodology.

<b>Control</b>	Relevant staff review useful lives, residuals, valuations, depreciation methodology and test for impairment as required by Accounting Standards and legislation to ensure that methods used are still appropriate and significant changes are incorporated into Asset Management Plans
<b>Risk</b>	If fixed asset are not valued correctly, the management reports and financial statements will be misstated. For example, incorrect carrying values may result from use of inappropriate depreciation rates.

Finding	Recommendations	Management Response
<p>AASB 116 – Property, Plant and Equipment stipulates that the cost of an item of property, plant and equipment includes its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner, and the initial estimate of dismantling, removing, and restoring the site where the asset is located.</p> <p>The standard also states that directly attributable costs include employee benefits (as defined in AASB 119 Employee Benefits) arising directly from the construction or acquisition of the item of property, plant and equipment.</p> <p>Council currently capitalises salaries and wages by applying a percentage to the total remuneration of asset officers. This percentage varies depending on the officer's role and the nature of their duties as described in their job description. Asset officers whose responsibilities are solely related to asset renewals and upgrades are typically allocated at 100%. Asset officers whose roles also involve asset maintenance are allocated at a lower rate, commonly 80%, with the remainder treated as operational expenditure.</p>	<p>Council formally documents the principles and methodology applied in determining the capitalisation of salaries and wages. These principles could, for example, be incorporated within the existing Asset Capitalisation and Depreciation Policy Guideline.</p> <p>Calculations supporting the actual capitalised wages are reviewed by an appropriate independent person to ensure the capitalisation is consistent with the policy principles / methodology.</p> <p>These calculations could, for example, be in the form of a summary schedule of the percentage applied to each relevant employee or role, along with the basis for those allocations. This approach will help ensure clarity, consistency, and transparency in applying salary and wages capitalisation practices.</p>	<p>We acknowledge the importance of clearly documenting the principles and methodology applied in determining the capitalisation of salaries and wages. As part of the next scheduled review, a number of related processes including policy documentation, calculation transparency, and approvals workflow will be reviewed and amended to incorporate these recommendations.</p>

The methodology used to determine these rates is not:

- documented in a formal policy and/or procedure, or
- supported by time-tracking, activity analysis or other evidence-based data, particularly in relation to the partial capitalisation rates.

**Important Note:**

This finding is being raised in light of current discussions within the South Australian Local Government Auditors Group (SALGAG) and the broader local government sector, which has identified a need to strengthen governance over the capitalisation of salaries and wages across the sector. Additional controls in this space are likely to be included in future iterations of the *Better Practice Model – Internal Financial Controls*.

It is important to highlight that this finding is not being raised in response to any specific risk or concern identified for the City of Norwood Payneham & St Peters. The percentages applied by Council appear to be reasonable estimates given the nature of the officers' roles, and there is no evidence to suggest that the rates used were inappropriate.

To ensure that capitalisation percentages remain accurate and defensible, Council should also consider implementing a periodic review process, such as every two or three years, to validate the appropriateness of the applied rates. Examples of review methods include:

- **Timesheet Sampling:** Staff record hours worked against defined activity categories (e.g. capital works, renewals, maintenance, planning, administration) over a representative period (e.g. one month).
- **Time Allocation Surveys:** Staff complete a short-term log or survey (e.g. over 4 weeks), estimating the proportion of time spent on capital versus non-capital activities; or
- **Cost Ratio Analysis:** Compare total maintenance expenditure to total capital expenditure for the same prior reporting period and assess whether the capitalisation percentages applied to staff involved in maintenance activities align reasonably with these expenditure proportions.

Implementing a structured methodology and periodic review process will enhance the consistency, accountability, transparency and defensibility of capitalisation practices, and ensure ongoing compliance with AASB 116.

## **APPENDIX 1 – CRITICAL INTERNAL FINANCIAL CONTROLS**



## GENERAL LEDGER

## Risks

R1	General Ledger does not contain accurate financial information
R2	Data contained within the General Ledger is permanently lost.

RISKS	Control	Control Type
R1,R2	All major updates and changes to General Ledger finance system are authorised, tested and documented.	Core
R1,R2	Access to General Ledger maintenance is restricted to appropriately authorised personnel.	Core
R1	Reconciliation of all balance sheet accounts are completed in accordance with a schedule of review and/or procedure.	Core
R1	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.	Core
R1	Journal entry access is restricted to appropriately authorised personnel.	Core
R1,R2	Financial data is backed up and stored offsite.	Core
R1	Finance system does not allow posting of unbalanced journals or if it does regular reviews are conducted on the suspense account and discrepancies investigated and actioned.	Core
R1	Amendments to the structure of the General Ledger framework and accounts are reviewed and approved by appropriately authorised personnel.	Core
R1,R2	General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff.	Core
R2	Formal disaster recovery plan is in place and communicated to relevant staff.	Core
R1	There is a process in place to review actual vs budget and significant variances investigated.	Core

## FIXED ASSETS

## Risks

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

RISKS	Control	Control Type
R1	There is a process in place for the verification of fixed assets which is reconciled to the FAR.	Core
R1	Recorded changes to the FAR and/or masterfile are approved by appropriate staff compared to authorised source documents and General Ledger to ensure accurate input.	Core
R1	All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies.	Core
R1	Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties.	Core
R1	Council has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored to ensure adherence.	Core
R1	Reconciliation of fixed assets to the General Ledger is performed in accordance with schedule of review or procedure.	Core
R1	Asset register calculations are reviewed for accuracy.	Core
R1	Fixed assets are recorded on acquisition, creation or when provided free of charge to facilitate accurate identification of assets and recording of details with regards to the Asset Accounting Policy.	Core
R1	Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans	Additional
R2	Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users.	Core

RISKS	Control	Control Type
R2	Where appropriate, identification details are recorded for portable and attractive assets such as IT and fleet assets, on acquisition to facilitate accurate identification.	Additional
R3	Relevant staff review useful lives, residuals, valuations, depreciation methodology and test for impairment as required by Accounting Standards and legislation to ensure that methods used are still appropriate and significant changes are incorporated into Asset Management Plans.	Core
R3	Profit or loss on disposal calculations can be substantiated and verified with supporting documentation.	Core
R4	Depreciation charges are calculated in accordance with the asset accounting policy and compliant with relevant accounting standards, including the useful life, depreciation method and residual values.	Core
R5	Asset Management Plans are prepared and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors.	Core
R5	Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999.	Core

### Purchasing and Procurement

#### Risks

- |    |  |
|----|--|
| R1 | Council does not obtain value for money in its purchasing and procurement. |
| R2 | Purchases of goods and services are made from non-preferred suppliers.     |
| R3 | Purchase orders are either recorded inaccurately or not recorded at all.   |
| R4 | Purchase orders are made for unapproved goods and services.                |

RISKS	Control	Control Type
R1	Council has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest.	Core
R1,R2	Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.	Core
R1	The organisation has a process in place to ensure use of preferred suppliers where relevant to maximise the best value for money to Council	Core
R2,R3	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers	Additional
R3	Purchase order numbers are either system generated and/or sequentially numbered.	Core
R3	There is a process in place to ensure all invoices for payment are matched to relevant source documents such as purchase orders where applicable and are in line with Procurement Policy guidelines.	Core
R3	There is a process in place to follow up and action incomplete purchase orders.	Additional

### CONTRACTING

#### Risks

- |    |  |
|----|--|
| R1 | Council is not able to demonstrate that all probity issues have been addressed in the Contracting process. |
| R2 | Council does not obtain value for money in relation to its Contracting.                                    |

RISKS	Control	Control Type
R1,R2	There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement Policy.	Core
R1	The selection panel is made up of appropriate personnel who have declared any relevant conflict of interest to ensure that informed and objective decision is made when selecting contractors.	Core
R1	Council maintains a current contract register.	Core

## ACCOUNTS PAYABLE

## Risks

R1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all.
R2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all.
R3	Disbursements are not authorised properly.
R4	Accounts are not paid on a timely basis.
R5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

RISKS	Control	Control Type
R1,R2,R4	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable subledger regularly and differences are investigated.	Additional
R3	Records must be maintained of all payments with supporting documentation.	Core
R1	Payments are endorsed by relevant staff separate to the preparer, who ensures that they are paid to the correct payee.	Core
R5	Access to the supplier masterfile is restricted to authorised staff	Core
R2,R5	Separation of Accounts Payable and Procurement duties.	Core
R3	All invoices and payment requests are approved in accordance with relevant policies and/or Delegations of Authority.	Core
R1	Predetermined variances between Purchase Orders and Invoices are assessed and payment released only after verification by the officer with delegation to do so.	Additional
R1	Payments are verified to appropriate supporting documentation and are in line with Delegations of Authority.	Core
R4	Relevant staff to review aged payables listing on a predetermined basis and investigate where appropriate.	Core
R5	Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately.	Core

RISKS	Control	Control Type
R5	Requested changes or additions to supplier masterfile are verified independently of source documentation.	Additional
R4	There is a system generated report detailing supplier invoices due for payment at any one time.	Core
R5	There is a process in place to ensure the supplier master file is periodically reviewed for ongoing pertinence.	Additional

## RATES / RATES REBATES

## Risks

- |    |   |
|----|---|
| R1 | Council does not raise the correct level of rate income.                        |
| R2 | Rates and rate rebates are either inaccurately recorded or not recorded at all. |
| R3 | The Property master file data does not remain pertinent.                        |
| R4 | Rates are not collected on a timely basis.                                      |

RISKS	Control	Control Type
R1,R2	Rates are automatically generated by the rate system, including the calculation of rate rebates and other parameters as applicable.	Core
R2	Rates are generated and tested for accuracy of calculation methodology prior to the rates billing run	Core
R1	All software changes to rate modelling functionality fully tested and reviewed by relevant staff.	Core
R1	There is a rating policy in place that is reviewed annually that provides clear guidance on rating methodology and relevant rebates and remissions in line with legislation.	Core
R2	Annual valuation update is balanced prior to the generation of rates; all mismatches resolved prior to finalising rate generation.	Core
R2	All rate rebates and adjustments including write offs are appropriately authorised, with reference to Delegations of Authority and source documents.	Core
R4	There is a process in place to ensure that rates are collected in a timely manner and overdue rates are followed up.	Core
R3	Recorded changes to property master file data and any rate adjustments are compared to authorised source documents to ensure that they were input accurately. An audit trail is maintained for all changes.	Core
R3	Access to the Property master file is restricted to appropriately designated personnel, with a process in place to ensure changes are in line with policies and procedures.	Core
R2	Employees responsible for processing rate payments and rebates cannot process their own payments or rebates unless the transaction is approved by someone independent of the process	Core

## RECEIPTING

## Risks

R1	Receipts are either inaccurately recorded or not recorded at all.
R2	Receipts are not deposited at the bank on a timely basis.

RISKS	Control	Control Type
R2	Prior to and during the banking process, cash is stored securely at all times.	Core
R1	Customers are provided with a system generated or pre-numbered (manual) sequential tax compliant receipt detailing payment made.	Core
R1	There is a review process for the authorisation of the reversal of transactions.	Additional
R1	Receipt transactions are reconciled to the daily takings and out-of-balance banking is corrected promptly.	Core
R2	Receipts are deposited regularly at the bank by a person independent from the initial recording of the cash receipts.	Additional



## PAYROLL

## Risks

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

RISKS	Control	Control Type
R1	Where possible standard programmed formulae perform payroll calculations.	Core
R1, R3	There is a process to ensure all overtime is verified and approved by relevant appropriate staff.	Core
R1	All calculations for generating payroll payments are verified for accuracy.	Core
R4,R5	Managers periodically review listings of current employees within their departments and variances are investigated.	Additional
R1	Payroll is periodically reconciled to the General Ledger accounts.	Additional
R2	The payment for the payroll must be reconciled to a system generated report detailing amount and employee prior to payment.	Core
R2	There is a process to ensure an independent review of proposed payroll payments by authorised staff.	Additional
R2	The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll.	Core
R2	Employee records to include employment details and/or contract terms and conditions, authorisations for payroll deductions and leave entitlements.	Core
R2	There is a process to ensure employees are made inactive in payroll records upon termination	Core

RISKS	Control	Control Type
R5	All payroll deductions must be approved by the relevant employee.	Core
R3	Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the relevant supervisor.	Core
R2	There is a segregation of duties from those preparing the payroll to those responsible for preparation of source documents (e.g. timesheets, leave requests etc).	Core
R2	Payroll system generates audit reports detailing all payroll changes and there is a process in place to ensure all changes are reviewed and verified against source documents.	Core
R2	There is a process in place to ensure employees are not added to the payroll masterfile, nor details amended or amounts paid without receipt of the appropriate forms which have been authorised by relevant staff.	Core
R5	Access to the payroll deduction listing is restricted to authorised staff.	Core
R6	There is a process in place to ensure termination payments comply with relevant policies, procedures and legislation.	Core
R3	Time recording and attendance exceptions such as TOIL or flexitime are based on relevant policies/agreement are identified, monitored and corrected.	Core
R4	The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised staff.	Core

## CREDIT CARDS

## Risks

- |    |   |
|----|---|
| R1 | Credit Cards are issued to unauthorised employees.        |
| R2 | Credit Cards are used for purchases of a personal nature. |
| R3 | Credit Card limits are set at inappropriate levels.       |

RISKS	Control	Control Type
R1,R3	There is a process in place to ensure there are appropriate approvals prior to the issuing of Credit Cards and limits.	
R1,R2	Credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released.	
R2	There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	
R2	Cardholders must check their statement to ensure all transactions are correct and identify any transactions of a personal nature which must be reimbursed to Council.	
R3	There is a process in place to ensure credit card limits and usage is reviewed for operational efficiency.	

## BANKING

## Risks

R1	Banking transactions are either inaccurately recorded or not recorded at all.
R2	Fraud (i.e. misappropriation of funds)

RISKS	Control	Control Type
R1,R2	There is a process in place to ensure all cash, blank cheques and/or cheque signing machine are adequately safeguarded.	Core
R1	Access to EFT Banking system is restricted to appropriately designated personnel.	Core
R1,R2	Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated.	Core
R2	Cash transfers between bank accounts and investment bodies are undertaken by appropriate staff.	Core
R2	There is a process in place to ensure all cash collected is adequately recorded and banked regularly.	Core

## DEBTORS

## Risks

R1	Debtors are either inaccurately recorded or not recorded at all.
R2	Rebates and credit notes to debtors are either inaccurately recorded or not recorded at all
R3	An appropriate provision for doubtful debts is not recorded
R4	Debtors are either not collected on a timely basis or not collected at all
R5	The Debtors master file data does not remain pertinent.

RISKS	Control	Control Type	CSA Importance	Weighting
R1, R4	Debtor's reconciliation performed on a regular basis to the General Ledger and reviewed by an independent person.	Core		4
R1	Council maintains a Debt Collection Policy.	Core		5
R2, R3, R4	Management and/or Council review and approve all rebates, credit notes, bad debt write-offs and movements in the provision for doubtful debts, in accordance with delegations of authority and Local Government Act.	Core		5
R3, R4	Management reviews debtors ageing profile on a regular basis and investigates any outstanding items.	Core		4
R5	Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by management for accuracy and on-going pertinence.	Core		5
R5	Recorded changes to debtor's master file data are compared to authorised source documents or confirmed with customers/ratepayers to ensure that they were input accurately.	Core		4

## 5.2 LOCAL GOVERNMENT RISK SERVICES RISK INCENTIVE PROGRAM FUND

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<b>REPORT AUTHOR:</b>	Manager, Chief Executive's Office
<b>GENERAL MANAGER:</b>	Chief Executive Officer
<b>CONTACT NUMBER:</b>	8366 4539
<b>FILE REFERENCE:</b>	qA71199
<b>ATTACHMENTS:</b>	Nil

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### PURPOSE OF REPORT

To provide the Audit & Risk Committee with an overview of the Risk Incentive Program funding that is received by the Council through the Local Government Association Workers Compensation Scheme (LGAWCS) and the Local Government Mutual Liability Scheme (LGAMLS) and to advise how this funding is supporting the Council's Work Health and Safety (WHS) and Injury Management (IM) obligations and priorities.

### BACKGROUND

Local Government in South Australia is self-insured in respect to Workers Compensation and Civil Liability. That is, Councils participate in funded schemes that are managed through the Local Government Association: the Workers Compensation Scheme (LGAWCS) and the Mutual Liability Scheme (LGAMLS).

The LGA Mutual Board has committed a combined total of \$8.4 million to the Risk Incentive Program since its inception. The Program is administered by Local Government Risk Services (LGRS) on behalf of the Board and covers both the LGAWCS and LGAMLS. The purpose of the Risk Incentive Program is to enable Member Councils to invest in targeted activities, resources, training or infrastructure that help evolve their risk profile, strengthen management systems and support continuous improvement. From a regional perspective, Members are also encouraged to engage neighbouring Councils to develop joint risk management programs that benefit from resource sharing and deliver sector consistency. LGRS communicates each Council's available balance regularly, with separate applications required for each stream.

The Council's premium that is paid to the LGAWCS, is paid in quarterly instalments and is calculated at approximately 4.25% of its annual estimated wages. The amount of Risk Incentive Program funding available under the Workers Compensation Scheme, is determined on Council's compliance with the Performance Standards for Self-Insurers and its claims record.

As a Member of the LGAWCS, the City of Norwood Payneham & St Peters receives annual Risk Incentive Program funding to support the strengthening of its Work Health and Safety (WHS) and Injury Management (IM) systems. This funding is provided in recognition of Council's commitment to maintaining a safe working environment, reducing workplace injuries and meeting the requirements of the *Work Health and Safety Act 2012 (SA)* and Council's broader risk management framework.

To receive and retain this funding, Council must demonstrate proactive progress against the Local Government Risk Services (LGRS) *WHS & IM Action Plan*, which is developed in partnership with the LGAWCS and aligned with sector expectations and legislative requirements. The funding is managed by the Manager, Chief Executive's Office and coordinated by the Council's WHS Advisor, who oversees its allocation to initiatives that directly support agreed WHS targets and continuous improvement objectives.

Each year, the Council's eligibility is confirmed through performance assessments, including compliance with the LGAWCS WHS Audit Program and demonstration of actions taken to reduce WHS risks and strengthen safe work practices.

Funds that are received through the Risk Incentive Program funding must be spent on:

- initiatives that address WHS audit recommendations or identified gaps;
- system improvements and training aligned to the WHS & IM Action Plan; and/or
- measures that strengthen the Council's overall WHS culture and legislative compliance.

Separate to the Workers Compensation component, the Council has also accessed funding under the LGAMLS stream of the Risk Incentive Program for projects that address broader liability risk management. For example, the engagement of consultants to update the St Peters Child Care Centre & Pre-School policies, demonstrates how the LGAMLS component is being used to strengthen compliance and consistency within a higher-risk operational area.

As at March 2025, the Local Government Risk Services (LGRS) has confirmed that the Council's available Risk Incentive Program balance is \$6,772.33, with a total of \$145,558.78 being allocated since the Program's inception. In addition, funding for the Mental Health & Wellbeing Program (\$7,480 incl. GST) was received in June 2024 and accounted for in the 2023–2024 financial year. The separate Preventive Health SA grant (\$7,000 ex-GST) for Automated External Defibrillators (AEDs) is not part of the Risk Incentive Program, however, remains relevant as it supports the Council's broader WHS and risk reduction approach.

## RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

## FINANCIAL AND BUDGET IMPLICATIONS

The LGRS Risk Incentive Program is designed to support Councils to invest in goods, services and infrastructure, that enhance risk management, workplace safety and injury prevention. Any unspent balance must be claimed and fully acquitted by 31 October 2025, or it will be returned to the Scheme's surplus.

The following table provides a breakdown of the LGAWCS Risk Incentive Program expenditure to date, along with the Council's remaining available balance and total funding position as confirmed by Local Government Risk Services (LGRS):

Item	Description	Amount (inc. GST)	Notes
1	Confined Space Audit	\$11,396.00	Completed, invoiced November 2024
3	Emergency Planning Audit	\$26,656.30	In progress
4	Large Plant Risk Assessment	\$35,846.60	In progress
<b>Total</b>		<b>\$73,898.90</b>	
<b>Current Available Balance Remaining</b>		<b>\$6,772.33</b>	As at March 2025
<b>Total Risk Incentive Program Funding Allocated Since Inception</b>		<b>\$145,558.78</b>	

The Large Plant Risk Assessment and Emergency Planning Audit are committed projects; expenditure will be finalised and fully acquitted in the current financial year.

No operational funds were budgeted for these items as the intent is that the Risk Incentive Program funding covers 100% of eligible expenditure.

As at March 2025, the Council's remaining Risk Incentive Program balance is \$6,772.33, which will be allocated to additional eligible WHS initiatives to ensure full use of the Risk Incentive Program before the 31 October 2025, claim deadline.

The Council's WHS Advisor, supported by the Manager, Chief Executive's Office, is working to identify and finalise eligible activities to ensure the full use of this available funding within the required timeframe.

## **EXTERNAL ECONOMIC IMPLICATIONS**

Not Applicable.

## **SOCIAL ISSUES**

Not Applicable.

## **CULTURAL ISSUES**

Not Applicable.

## **ENVIRONMENTAL ISSUES**

Not Applicable.

## **RESOURCE ISSUES**

Not Applicable.

## **RISK MANAGEMENT**

### **Key Risks Identified:**

1. Failure to use the allocated Risk Incentive Program funds in line, with Scheme requirements, may affect the Council's eligibility for future rebates and expose the Council to avoidable costs.
2. Non-compliance with the WHS & IM Action Plan and audit findings could increase the risk of workplace incidents and related claims.
3. Delays in closing out high-risk actions could undermine the Council's WHS performance and reputation.

The above risks are assessed as moderate to high, if left untreated. Current controls ensure that the Council is meeting its obligations, tracking delivery through the Monitoring Tool and allocating funds to actions that directly reduce workplace risks.

### **Risk Controls:**

- Ongoing oversight of the Risk Incentive Program funding account by the Council's WHS Advisor, supported by the Manager Chief Executive's Office.
- Clear commitment to finalise all committed works (Large Plant and Emergency Planning) within this financial year to meet the 31 October 2025 claim deadline.

## **CONSULTATION**

- **Elected Members**  
Not Applicable.
- **Community**  
Not Applicable.
- **Staff**  
WHS Advisor, Senior Finance Business Partner and Manager, Chief Executive's Office.
- **Other Agencies**  
Local Government Risk Services (LGRS), LGA Workers Compensation Scheme representatives and Mutual Liability Scheme representatives.



## **DISCUSSION**

This year's Risk Incentive Program demonstrates a clear link between funding and practical WHS outcomes. High-risk areas, such as working in confined spaces and safe operation of large plant, have been prioritised through specialist audits and risk assessments.

Council's proactive approach to Emergency Planning ensures our teams and facilities remain prepared and compliant with updated legislative expectations. These initiatives complement other improvements such as the Mental Health & Wellbeing Program (prior year) and the AED grant, which further strengthen Council's safety net for both physical and psychosocial risks.

The WHS & IM Action Monitoring Tool shows that actions funded through the Risk Incentive Program funding are aligned to agreed priorities and tracked for delivery within required timeframes. Any balance not spent will be fully allocated to additional eligible initiatives to ensure no funding is forfeited.

## **OPTIONS**

Not Applicable.

## **CONCLUSION**

The LGAWCS Risk Incentive Program funding remains a valuable mechanism to help the Council deliver on its WHS & IM Action Plan, address key risks, maintain audit compliance and support a safe workplace for all staff and community interactions.

## **COMMENTS**

Not Applicable.

## **RECOMMENDATION**

That the report be received and noted.

## 5.3 DRAFT RISK MANAGEMENT POLICY

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**REPORT AUTHOR:** Manager, Governance  
**GENERAL MANAGER:** General Manager, Governance & Civic Affairs  
**CONTACT NUMBER:** 8366 4593  
**FILE REFERENCE:** qA159664  
**ATTACHMENTS:** A

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### PURPOSE OF REPORT

The purpose of this report is to present the draft Risk Management Policy to the Audit & Risk Committee (the Committee) for consideration and comment before it is presented for adoption by the Council.

### BACKGROUND

Various risk management related obligations on the Council, Chief Executive Officer and Council Audit & Risk Committees, commenced with amendments to the *Local Government Act 1999* (the Act) on 30 November 2023.

In this respect, Section 125(3) of the Act of the requires that:

*‘A council must ensure that appropriate policies, systems and procedures relating to risk management 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, inform appropriate decision making, facilitate appropriate prioritisation of finite resources and promote appropriate mitigation of strategic, financial and operational risks relevant to the council’.*

Section 99(ia) of the Act requires that the Chief Executive Officer is required to:

*‘to ensure that effective policies, systems and procedures are established and maintained for the identification, assessment, monitoring, management and annual review of strategic, financial and operational risks’.*

Section 126(4)(h) of the Act includes the following in respect to the functions of the Audit & Risk Committee:

*‘reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis’.*

Based on the above and a review initiated through the Council’s participation in the Local Government Risk Services (LGRS) Strategic Risk Services Program, the Council’s *Risk Management Policy* has been updated.

The draft *Risk Management Policy* (draft Policy) is contained within Attachment A.

### RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable

### FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable

## DISCUSSION

As Committee Members would be aware, the Council is participating in the LGRS Strategic Risk Services Program (the Program). An initial step in the Program involves the review of the Council's *Risk Management Policy* and Procedure which together form the Council's Risk Management Framework.

The commencement of the aforementioned legislative obligations meant that a review of the Council's *Risk Management Policy* was timely, as the review provides an important foundational step in implementing risk management processes which are being developed through participation in the Program.

While not materially changing the information in the Council's current *Risk Management Policy*, the draft Policy includes a reordering/reformatting of information, provides definitions for key terms and includes expanded roles and responsibilities. A new Policy was therefore prepared rather than using track changes on the current *Risk Management Policy*.

The Risk Management Procedure which supports the Policy, is currently being updated and will be presented to the Committee at a later date, as part of a status report on progress of the Program.

## OPTIONS

Not Applicable.

The requirement for the Audit & Risk Committee to review the draft Policy is in line with one of the legislated functions of the Committee and aligns with the purpose of the Committee to provide independent assurance to the Council on risk management and governance matters.

## CONCLUSION

The draft *Risk Management Policy* as contained in **Attachment A**, provides a contemporary, structured and systematic approach to risk management, which in turn is consistent with best practice to inform and assist in good decision-making at all levels and ensures that legislative requirements are met.

## RECOMMENDATION

That the Audit & Risk Committee recommends to the Council that the draft *Risk Management Policy* (as contained in Attachment A), be adopted.

# Attachment A

## Draft Risk Management Policy




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**NAME OF POLICY:** Risk Management Policy

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**POLICY MANUAL:** Governance

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## 1. Introduction

- 1.1. The City of Norwood Payneham & St Peters (the Council), recognises that the management of risk is a fundamental component of good decision-making and governance. Accordingly, risk management is regarded as an integral part of the Council's operations. Through the adoption of a structured and systemic approach to risk management, the Council seeks to optimise its decision-making performance, transparency and accountability, by effectively managing both potential opportunities and the adverse effects on strategic decisions, as well as daily activities and operations.
- 1.2. The Council's systematic approach and risk management related policies, systems and processes, also align with the legislative obligations on the Council, the Chief Executive Officer and the Council's Audit & Risk Committee, in respect to the management of risks as required by the *Local Government Act 1999* (the Act).
- 1.3. To achieve the objectives of the *Risk Management Policy* (the Policy), the Council has developed a supporting Risk Management Procedure (the Procedure). Together, the Policy and Procedure, form the Council's Risk Management Framework which provides an integrated and systematic approach to risk management.
- 1.4. This Policy applies to all Council staff, Volunteers, contractors and Elected Members.

## 2. Purpose

- 2.1. The purpose of this Policy is to provide a clear summary of how effective processes for the management of risks are embedded and integrated across the Council by articulating the Council's commitment to core risk management principles and provides a summary of roles and responsibilities.
- 2.2. The following provides a summary of the legislative context within which the Policy operates:
  - 2.2.1. Section 48 of the Act, requires all Councils to identify risks associated with a project and take steps to manage, reduce or eliminate those risks, (including by provision of periodic reports to the Chief Executive Officer and to the Council).
  - 2.2.2. Section 99(1)(ia) of the Act, requires the Chief Executive Officer to ensure that effective policies, systems and processes are established and maintained for the identification, assessment, monitoring, management and annual review of strategic, financial and operational risks.
  - 2.2.3. Section 125 of the Act, requires that the Council must ensure that appropriate policies, appropriate policies, systems and procedures relating to internal controls and risk management 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.
  - 2.2.4. Section 126(4)(h) of the Act requires the Council's Audit & Risk Committee to review and evaluate the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis.

- 2.2.5. Section 132A of the Act requires that Councils must ensure that appropriate policies, practices and procedures are implemented and maintained in order to ensure compliance with statutory requirements and achieve and maintain standards of good public administration.
- 2.2.6. Section 134(4) (b) of the Act requires Councils to adopt risk management policies, controls and systems by a resolution passed by at least a two thirds majority of the members of Elected/Board Members prior to entering into financial arrangements for the purpose of managing, hedging or protecting against interest rates or other costs of borrowing money.
- 2.3. In addition to the above, as a member of the Local Government Association Mutual Liability Scheme (the Scheme), the Council is bound by the Scheme Rules, which include an obligation to ensure that adequate risk management and prevention strategies are put in place so as to absolutely minimise the risk of any incident, circumstance or matter that may give rise to a claim.

### 3. Definitions

**Control** – An action that modifies risks and increases the likelihood that objectives and goals of an organisation will be achieved.

**Risk** - The effect of uncertainty on objectives.

**Risk Analysis** – A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.

**Risk Appetite** - Is the amount of risk an organisation is prepared to accept in pursuit of its objectives.

**Risk Assessment** - An overall process of risk identification, risk analysis and risk evaluation.

**Risk Culture** - Refers to the behaviours that lead to how every person thinks about and manages risks,

**Risk Evaluation** - The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria.

**Risk Management** - Coordinated activities to direct and control an organisation with regard to risk.

**Risk Management Framework** - Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

**Risk Owner** - Staff member with the accountability and authority to manage a risk.

**Risk Registers** – Register(s) of risks (usually separated by Risk Type i.e. Strategic, Operational and Project Risks) and risk management related information to inform the implementation, monitoring, reviewing and continual improvement of risk management throughout the Council.

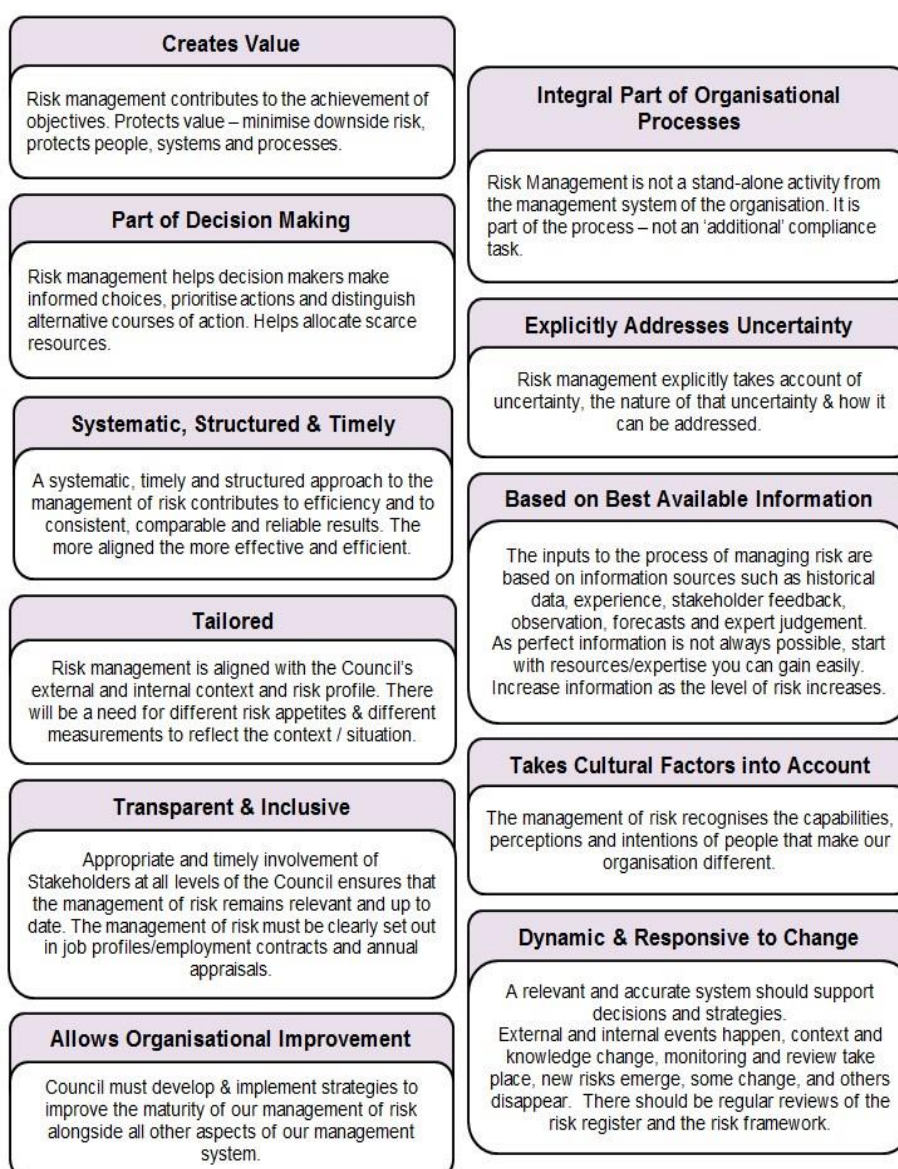
**Risk Treatment** – An action to treat a risk which modify the likelihood or consequence of risks.

**Risk Type:**

- **Strategic** - Risks associated with high-level strategic objectives that are articulated in Strategic, Annual Business and Asset Management Plans. Strategic risks may affect the achievement of Council's objectives. They are key issues for the Council and Executive Leadership Team and impact the whole organisation rather than a (department/division/business unit).
- **Operational** - Risks associated with departmental/divisional/business unit functions and daily operations to deliver core services. Often the risks relate to cost overruns, supply chain/logistic issues, employee issues, fraud, WHS, non-compliance to policies and procedures.
- **Project** - Risks associated with Project Management that will affect milestones or outcomes connected to delivering a specific project.

## Principles

- 3.1. The management of risk is integrated into the Council's governance and leadership structures, including decision making at all levels.
- 3.2. The Council is committed to developing and maintaining structured and comprehensive risk management systems and processes that are dynamic and based on best available information.
- 3.3. While managing risks is a key element of good governance and decision-making, the Council supports an operational environment and culture where Council staff at all levels, and Council's Volunteers and contractors, are encouraged to proactively manage and report all risks.
- 3.4. The Council recognises that engagement with Council staff, Volunteers, contractors and stakeholders, is integral to the success of risk management processes and, as such, structures to facilitate risk related communication will be developed and maintained and include regular reporting through to the Executive Leadership Team and Audit & Risk Committee, as required.
- 3.5. The Council will monitor and review its strategic, operational and project risks and apply learnings to continually improve efficiency and effectiveness, learning from past experiences and adapting to new challenges.
- 3.6. The Council recognises that it should comply with the below principles outlined in *International Standard ISO31000:2018 – Risk Management Guidelines*:



## 4. Responsibilities

### 4.1. Council (the Governing Body)

- 4.1.1. In accordance with Section 125(3) of the *Local Government Act 1999*, the Council: *'must ensure that appropriate policies, systems and procedures relating to risk management 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, inform appropriate decision making, facilitate appropriate prioritisation of finite resources and promote appropriate mitigation of strategic, financial and operational risks relevant to the council'.*
- 4.1.2. The Council is responsible for:
- setting the Risk Appetite and approving the Risk Management Policy;
  - considering risks when setting objectives and making decisions;
  - fostering a culture through decision-making that is consistent with the Council's Risk Appetite;
  - ensuring the Council has the structures and processes in place to support decision making and management of risk;
  - requiring the Chief Executive Officer to demonstrate that the framework for managing risk is effective and appropriate;
  - requiring the Chief Executive Officer to provide information to allow the Council to understand the risks that may have material impacts on achievement of the Council's objectives; and
  - considering recommendations from the Audit and Risk Committee relating to strategic, financial and operational risks or any other risk related matter.

### 4.2. Audit & Risk Committee

- 4.2.1. In accordance with Section 126(1a) of the Act, the Council's Audit & Risk Committee is established to provide independent assurance and advice to the council on accounting, financial management, internal controls, risk management and governance matters.
- 4.2.2. Included in the legislated functions of the Audit and Risk Committee, as contained in Section 126(4) of the Act, and captured on the *Audit & Risk Committee Work Plan*, is the requirement to:
- review and evaluate the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis;
  - review any prudential report obtained by the Council pursuant to Section 48(1) (which include an assessment of potential financial and project risks); and
  - monitoring the Council's responsiveness to recommendations for improvement based on previous audit and risk assessments.
- 4.2.3. To assist with achieving its legislated function with respect to risk management, the Audit & Risk Committee will review the Risk Management Policy prior to adoption by the Council and will provide input into the Council's Risk Management Procedure or related risk management processes as requested by the Chief Executive Officer.

### 4.3. Chief Executive Officer

- 4.3.1. The Council's Chief Executive Officer has responsibility for:
- promoting a strong risk management culture, by providing clear and visible commitment to risk management including ensuring appropriate accountability for the management of risk;
  - ensuring that effective policies, systems and processes are established and maintained for the identification, assessments, monitoring, management and annual review of strategic, financial and operational risks and providing a report to the Audit & Risk Committee on a regular basis;
  - ensuring the Executive Leadership Team have the necessary knowledge and skills to effectively fulfil their risk management responsibilities;



- regularly reviewing strategic, financial and operational risks and maintaining an understanding of the risk environment in which the Council operates;
- ensuring policies and processes are in place to comply with legislative and contractual obligations and policy requirements;
- providing reliable information about risks, controls and their effectiveness to the Audit & Risk Committee and the Council; and
- escalating all strategic risks that exceed the organisation's Risk Appetite to the Audit & Risk Committee and/or Council.

#### **4.4. Executive Leadership Team**

4.4.1. The Executive Leadership Team (ELT) are responsible for:

- demonstrating a proactive risk management culture through the commitment to, and promotion of, this Policy (and the supporting procedure) in accordance with business management initiatives;
- collectively, and within their areas of responsibility, embedding the implementation, management and evaluation of risk management into decision-making;
- monitoring the Council's overall risk profile and mitigation strategies;
- collectively reviewing strategic risks and considering emerging risks and informing the reporting on the status of the Council's risk profile and mitigation strategies to the Audit & Risk Committee; and
- allocating and upholding accountability for managing risk and compliance with legislative, contractual obligations and policy requirements.

#### **4.5. Managers**

4.5.1. Each Manager is accountable for implementing the Risk Management Policy and Procedure through appropriate actions in their area of responsibility to:

- promote a proactive risk culture in accordance with business management initiatives;
- ensure that risks are recorded in the relevant Risk Registers and that there is ongoing and regular review of risks they own in the Risk Registers, (including follow up and close out of overdue Risk Treatments);
- incorporate Risk Treatments into departmental/divisional/business unit plans, functions and activities, including decision-making;
- inform reporting on the status of the Council's risk profile and mitigation strategies to the Executive Leadership Team;
- ensure that staff, Volunteers, contractors, and other relevant stakeholders are aware of their risk management responsibilities and have the appropriate skills/knowledge to actively apply risk management practices; and
- ensure compliance with legislative and contractual obligations and policy requirements.

#### **4.6. Manager, Governance**

4.6.1. The Manager, Governance is responsible for:

- providing guidance and assistance to the Executive Leadership Team, Audit & Risk Committee, Elected Members and employees in relation to the application of the Risk Management Framework;
- coordinating risk management reporting to the Executive Leadership Team and the Audit & Risk Committee; and
- maintaining this Risk Management Policy and the Procedure to ensure their currency and relevance.

#### **4.7. Staff, Volunteers and Contractors**

4.7.1. All Council staff, Volunteers and contractors are responsible for:

- identifying, evaluating, reporting and managing risks in their daily activities and projects; and
- understanding the risk management process and adhering to the requirements of Council's Risk Management Policy and Framework.

**INFORMATION**

This Policy should be read in conjunction with the Council's Risk Management Procedure and other relevant policies in relation to health and safety, and financial management, as well as the following:

- Internal Controls Policy
- Contract Management Policy
- Records Management Guidelines
- Data Management Guidelines

The contact officer for further information at the City of Norwood Payneham & St Peters is the Council's Manager, Governance, telephone 8366 4593.

**ADOPTION OF THE POLICY**

This Policy was first adopted by the Council on in 2010 and has been regularly reviewed since then.

**REVIEW**

The Council will review this Policy every three (3) years or more frequently if legislation, relevant standards or organisational needs change.

DUE FOR REVIEW - AUGUST 2028

## 5.4 ANNUAL REPORT ON INTERNAL AUDIT PROCESSES

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<b>REPORT AUTHOR:</b>	Chief Executive Officer
<b>GENERAL MANAGER:</b>	
<b>CONTACT NUMBER:</b>	8366 4520
<b>FILE REFERENCE:</b>	qA168969
<b>ATTACHMENTS:</b>	Nil

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### PURPOSE OF REPORT

The purpose of this report is to present a report on the Council's Internal Audit processes which is required to be provided on an annual basis.

### BACKGROUND

Pursuant to Section 99(ib) of the *Local Government Act 1999*, one of the legislated functions of the Chief Executive Officer, is to present a report on the Council's Internal Audit processes to the Audit & Risk Committee (the Committee), on an annual basis.

The requirement for this annual report is relatively new, having been included in the *Statutes Amendment (Local Government Review) Act 2021*, which contained extensive changes to the *Local Government Act 1999* and Regulations. The specific need for the report commenced on 30 November 2023.

### RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable

### FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable

### EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

### SOCIAL ISSUES

Not Applicable

### CULTURAL ISSUES

Not Applicable.

### ENVIRONMENTAL ISSUES

Not Applicable.

### RESOURCE ISSUES

Not Applicable.

### RISK MANAGEMENT

The report is a legislated requirement demonstrating compliance with Section 99(ib) of the.

## CONSULTATION

- **Committee Members**  
Committee Members are provided with regular Internal Audit updates and presented with reports prepared as part of an Internal Audit.
- **Community**  
Not Applicable.
- **Staff**  
Not Applicable
- **Other Agencies**  
Not Applicable

## DISCUSSION

The following information as set out below, is provided to satisfy the legislative requirement to report on the Council's Internal Audit Processes.

### Introduction

While not mandatory, the Council has an Internal Audit function. Internal Audit recommendations form an important component of the Council's assurance and continuous improvement approach.

The Internal Audit function is best described as a formalised, objective review, evaluation and advisory process, that seeks to add value and improve Council's operations in terms of efficiency and effectiveness. Internal Audits tend to be scoped to determine how well the Council aligns to legislative requirements, Policies and Procedures, Standards and/or best practice, and providing "best value" to the community.

### Primary responsibility for the Internal Audit Function

Section 125A of the Act, prescribes that prior to assigning primary responsibility for the Internal Audit function to an employee of the Council (or appointing a person to be primarily responsible for the function), the Chief Executive Officer must consult with the Audit & Risk Committee.

At the Meeting held on 10 February 2025, I satisfied the requirements of this consultation, by advising the Committee that responsibility for managing the Internal Audit program and therefore the '*person primarily responsible for the internal audit function*' is the General Manager, Governance & Civic Affairs.

The General Manager, Governance & Civic Affairs was and will continue to ensure that any reports associated with the Internal Audit function, and any matters relating to the function more generally, are provided directly to the Committee.

### Role of the Audit & Risk Committee

Section 126(4)(g)(i)(A) requires that the Committee provide oversight of the planning and scoping of the Internal Audit Work Plan (the Plan).

The Committee has been provided with an update on the preparation of the Plan at its Meeting held on 10 February 2025 and the Plan was subsequently endorsed at the Committee Meeting held on 14 April 2025.

The Plan was prepared in a consultative manner by the General Manager, Governance & Civic Affairs and Bentleys (SA) Pty Ltd, who have been contracted to undertake the Internal Audits until 30 June 2027.

Due to other foundational activities being undertaken across the organisation in relation to risk management and governance, only one Internal Audit was scheduled for the 2024-2025 Financial Year.

I confirm that the Internal Audit of the Council's Business Continuity Management, will be completed shortly. The delay in completing this project is due to additional stakeholder engagement meetings being scheduled which will result in a more thorough review of the adequacy of the Council's practices and procedures to manage business continuity.

Section 126(4)(g)(i)(B) of the Act requires the Committee review and comment on reports provided by the person primarily responsible for the Internal Audit function on at least a quarterly basis. On completion of the Internal Audit of the Business Continuity Management, the General Manager, Governance & Civic Affairs will present a report and findings to the Committee.

Section 126(4)(c) of the Act requires (among other matters) the Committee to monitor the responsiveness of the Council to recommendations arising from Internal Audits. Previous Internal Audit findings (prior to the current Financial Year) have been addressed at the time the report was presented or within specific subject matter reports. While that is appropriate, a process for reporting on any outstanding recommendations for improvement whether in relation to an Internal or External Audit, will be embedded over the 2025-2026 Financial Year.

### **Internal Audit practices**

In consultation with the Council through the General Manager, Governance & Civic Affairs and Manager, Governance, Bentleys (SA) Pty Ltd provide a thorough Internal Audit process.

It is clear that the required time is taken at the beginning of an Internal Audit to appropriately scope and schedule the Internal Audit, and regular client engagement meetings are held to keep the Internal Audit on track. The Internal Audit partner(s) from Bentleys (SA) Pty Ltd will present findings to the Committee if needed at the direction of the General Manager, Governance & Civic Affairs.

### **OPTIONS**

Not Applicable, the report is presented for information only.

### **CONCLUSION**

This report contains a summary of the Council's Internal Audit processes. The requirement for the Audit & Risk Committee to receive a report on the Council's Internal Audit processes is a mandatory requirement of Section 99(ib) of the Act.

### **RECOMMENDATION**

That the report be received and noted.

## 5.5 DRAFT ANNUAL REPORT OF THE AUDIT & RISK COMMITTEE

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**REPORT AUTHOR:** Manager, Governance  
**GENERAL MANAGER:** General Manager, Governance & Civic Affairs  
**CONTACT NUMBER:** 8366 4593  
**FILE REFERENCE:**  
**ATTACHMENTS:** A

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### PURPOSE OF REPORT

The purpose of this report is to present the draft *Audit & Risk Committee Annual Report* to the Committee for endorsement.

### BACKGROUND

Section 126(8)(b) of the *Local Government Act 1999* (the Act), requires a Council's Audit & Risk Committee to provide an Annual Report to the Council on the work of the Committee during the preceding financial year. In accordance with Section 126(9) of the Act, the Council must ensure that the Annual Report of the Committee is included in the Council's Annual Report.

A copy of the draft *Audit & Risk Committee Annual Report* is contained within Attachment A.

### RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable

### FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable

### DISCUSSION

The *Audit & Risk Committee Annual Report* (the Annual Report) highlights that the Committee has performed its functions in accordance with the legislated requirements and its Terms of Reference as set by the Council. The Annual Report provides a summary of the work that has been undertaken by the Audit & Risk Committee during the 2024-2025 financial year, to fulfill the Committee's purpose and function.

### OPTIONS

Not Applicable. The requirement for the Audit & Risk Committee to provide an Annual Report to the Council is a mandatory requirement of Section 126(8)(b) of the Act. To ensure that the Committee's Annual Report is included in the Council's Annual Report in accordance with Section 126(9) of the Act, the Committee must approve its Annual Report at this meeting.

### CONCLUSION

The draft *Audit & Risk Committee Annual Report* as contained in **Attachment A**, provides a summary of the work of the Council's Audit & Risk Committee for the 2024-2025 Financial Year and meets the Committee's legislative obligation to report to the Council annually in accordance with Section 128(8)9b) of the Act.

### RECOMMENDATION

1. That the 2024-2025 *Audit & Risk Committee Annual Report* (as contained in Attachment A), be approved.
2. The *Audit & Risk Committee* notes that the 2024-2025 *Annual Report* will be included in the Council's 2024-2025 Annual Report.

# Attachment A

## Draft Annual Report of the Audit & Risk Committee

## ANNUAL REPORT OF THE AUDIT & RISK COMMITTEE

The Audit & Risk Committee (the Committee) operates as a Committee of the Council and has been established pursuant to the provisions of Section 41 of the *Local Government Act 1999* (the Act) and in accordance with the requirements of Section 126 of the Act.

The purpose of the Committee is to provide independent **assurance** and **advice** to the Council on accounting, financial management, internal controls, risk management and governance matters. Section 126(4) prescribes the functions of the Audit & Risk Committee and these are captured in the Committee's Terms of Reference that have been set by the Council.

This Annual Report provides a summary of the work undertaken by the Committee during the 2024-2025 year and demonstrates how the Audit & Risk Committee has effectively fulfilled its legislative functions.

### 1. Committee Membership

The current Audit & Risk Committee Members were appointed by the Council on 3 March 2025. The Members are:

- Ms Cate Hart (Presiding Member & Independent Member)
- Mayor Robert Bria
- Cr Grant Piggott
- Ms Tami Norman (Independent Member)
- Mr Kym Holman (Independent Member)

Prior to 3 March 2025, in addition to Mayor Bria (also the previous Presiding Member of the Committee) and Cr Piggott, the other Members of the Committee were former Councillor Claire Clutterham, Ms Stefanie Eldridge (Independent Member) and Ms Sandra Di Blasio (Independent Member).

The current membership of the Committee is compliant with the requirements of Section 126(2)(a) of the Act, which requires that the majority of the Members of the Committee must be persons who are not members of any Council.

### 2. Meetings and Attendance

During the 2024-2025 Financial Year the Audit & Risk Committee met on a quarterly basis thereby fulfilling the requirement of Section 126(5) of the Act. No Special Meetings were convened during the 2024-2025 Financial Year. Table 1 provides a summary of Meeting dates and attendance for the 2024-2025 Financial Year:

**TABLE 1: SUMMARY OF MEETING DATES AND ATTENDANCE FOR THE 2024-2025 FINANCIAL YEAR**

Meeting	19 August 2024	28 October 2024	18 November 2024 (Special)	10 February 2025	14 April 2025
<b>Mayor Robert Bria</b>	✓	✓	✓	✓	✓
<b>Cr Grant Piggott</b>	✓	✓	✓	✓	X
<b>Cr Claire Clutterham</b>	✓	✓	✓	✓	N/A
<b>Ms Cate Hart</b> (Presiding Member)	N/A	N/A	N/A	N/A	✓
<b>Ms Tami Norman</b>	N/A	N/A	N/A	N/A	✓
<b>Mr Kym Holman</b>	N/A	N/A	N/A	N/A	✓
<b>Sandra Di Blasio</b>	✓	✓	✓	X	N/A
<b>Stefanie Eldridge</b>	✓	X	✓	✓	N/A
Key: Present: ✓ Apology: X N/A – Not a Member of the Committee at that time					



### 3. Activities

At its Meeting held on 28 October 2024, the Committee approved its meeting dates for 2025 and approved the *2025 Audit and Risk Committee Work Plan* (the Work Plan). At that time, the Committee was advised that the Council's Governance Unit would prepare the *Audit and Risk Committee General Report to the Council* (General Report) following each meeting of the Committee, which is required by Section 128(8)(a) of the Act.

The Work Plan and the discussions, resolutions and proceedings of the Committee Meetings have informed the preparation of the General Report which has been presented to the Council, together with the Audit & Risk Committee Meeting Minutes, to each Council Meeting immediately following the Committee Meeting. In addition, recommendations made by the Committee to the Council, have either been presented as a recommendation for Council consideration in that General Report or in a separate report to the Council based on the nature of the matter. This approach ensures that the functions of the Audit & Risk Committee are clearly separated from the primary decision-making role of the Council.

In addition to the above General Report, the Committee approved the *2023-2024 Draft Audit & Risk Committee Annual Report*, prepared in accordance with Section 126(8)(b) of the Act, at its Meeting held on 19 August 2024. The Committee's Annual Report was also included in the Council's 2023-2024 Annual Report, as required by Section 126(9) of the Act.

At the Meeting held on 28 October 2024, the Committee endorsed updated Terms of Reference for the Council's consideration and adoption. The Terms of Reference reflected the updated legislated functions, activities and membership requirements for the Committee following the commencement of various accountability and governance provisions in the Act and Regulations in November 2023. The Council subsequently adopted the Terms of Reference at its Meeting held on 2 December 2025.

The following information provides a summary of the work that has been undertaken by the Audit & Risk Committee during the 2024-2025 Financial Year, to fulfill the Committee's purpose and function. The legislative functions of the Audit & Risk Committee have been listed in italics with the summary of the activity underneath.

#### 3.1. Reviewing Annual Financial Statements

Legislative function (Section 126(4)(a) of the Act): *Reviewing Annual Financial Statements to ensure that the Statements present fairly the state of affairs of the Council.*

At its Meeting on 28 October 2024, the Audit & Risk Committee received and considered reports on the following:

- the Council's Annual Financial Statements for the year ended 30 June 2024; and
- the Annual Financial Statements for the year ended 30 June 2024 for each of the Regional Subsidiaries of which the Council is a Member (Eastern Health Authority, Eastern Waste Management Authority, ERA Water and the Highbury Landfill Authority).

In considering the Council's Financial Statements, the Committee recommended to the Council that the Audited Financial Statements and Asset Revaluations be adopted, which is an endorsement that the Statements fairly presented the state of affairs of the Council.

#### 3.2. Reviewing Strategic Management Plans or Annual Business Plan

Legislative function (Section 126(4)(b) of the Act): *Proposing and providing information relevant to, a review of the Council's Strategic Management Plans or Annual Business Plan.*

At its Meeting held on 19 August 2024, the Committee received a report on the Council's Draft Asset Management Plans and recommended their endorsement to the Council for the purposes of community consultation.

The Committee engaged in the preparation of the Draft 2025-2026 Annual Business Plan & Budget (Draft ABP&B) and reviewed the Draft ABP&B at its Meeting held on 14 April 2025. Included within that report, was a review of the updated Long Term Financial Plan (LTFP) financial targets and projections, based on the Draft ABP&B prepared in accordance with the requirements of Section 122(4)(a)(i) which requires that the Council must review its LTFP on an annual basis.

In considering the Draft ABP&B, the Committee resolved to recommend to the Council that it *'notes the projected Operating Surplus for the draft 2025-2026 Budget is lower than the figure identified in the Council's Long-Term Financial Plan and that the Operating Costs associated with the Payneham Memorial Swimming Centre, expected to be incurred between April 2026 and June 2026, have yet to be quantified and may further impact on the draft 2025-2026 Adopted Budget'*.

Prior to considering the Draft ABP&B, at the Meeting held on 10 February 2025, the Committee received and noted a report on the 2025-2026 Annual Business Plan and Budget Objectives and Parameters which provided detail on key influences and assumptions informing the development of the Draft ABP&B.

### **3.3. Responsiveness to recommendations for improvement**

Legislative function (Section 126(4)(c) of the Act): *Monitoring the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by the Council's External Auditor.*

As summarised in Part 3.6 of this report, at its Meeting held on 28 October 2024, the Committee received a report in relation to the Internal Controls component of the External Audit prepared by the Council's Auditor, Galpins, in accordance with Section 129(1)(b) of the Act. This report presented an update on actions taken in response to the five (5) financial controls that required improvement.

It is envisaged that regular reporting will be implemented in respect to recommendations for improvement arising from previous audits and Service Reviews to assist the Committee to monitor the Council's responsiveness to these recommendations. This continues to be a 'work in progress' as more information is collated, given responses to recommendations from the External Audit have been included in the reports presenting the findings and there have been no Internal Audits completed in the Financial Year (refer Part 3.7 below). With respect to Service Reviews a review of the Council's Library Services was undertaken in late 2024 (further detail in Part 3.4 below) and updates on the consideration and implementation of recommendations arising from the review will be presented to the Committee and Council as required.

### **3.4. Section 130A Examination reviews**

Legislative function (Section 126(4)(d) of the Act): *Proposing, and reviewing, the exercise of powers under Section 130A of the Local Government Act 1999.*

Section 130A of the Act provides that the Council may request an examination and report on any matter relating to financial management, or the efficiency and economy with which the Council manages or uses its resources to achieve its objectives, that would not otherwise be addressed as part of the External Audit. The Council has not requested such an examination.

While not the same as a Section 130A examination, findings from the Service Reviews that are undertaken by the Chief Executive Officer, may be shared with the Committee depending on the service being reviewed and the recommended actions arising.

One Service Review was undertaken in the 2024-2025 Financial Year which was in relation to a confidential review of Library Services. The report was presented to the Committee at the Special Meeting held on 18 November 2024. The Committee made recommendations to the Council which were subsequently considered by the Council at its Special Meeting held on 25 November 2025.

As part of the review of the Internal Audit Plan which was undertaken with Bentleys (SA) Pty Ltd (refer to Part 3.7 below), the concept of a Service Review Framework (SRF) was raised as an administrative tool to guide a consistent approach to identifying and prioritising services to be reviewed. It was considered that the SRF is foundational work to inform future Service Reviews and other Council processes, as well as planning and budgeting. Since March 2025, Bentleys (SA) Pty Ltd has been working with the Council's Executive Leadership Team with support from the Governance & Civic Affairs staff, to develop the SRF which will shortly be applied.

Using a SRF aligned with the Council's strategic goals will assist with the following:

- providing a framework that underpins service delivery to assist the Council apply the following key principles of Section 8 of the Act which include:
  - to ensure that Council's resources are used fairly, effectively and efficiently and Council services, facilities and programs are provided effectively and efficiently;
  - to provide services, facilities and programs that are adequate and appropriate and seek to ensure equitable access to its services, facilities and programs;
  - to balance the provision of services, facilities and programs with the financial impact of the provision of those services, facilities and programs on ratepayers; and
  - to ensure the sustainability of the council's long-term financial performance and position;
- providing a consistent base for reviewing service efficiency to support the vast array of services provided and facilitated by the Council; and
- assisting with discussions with key stakeholders on levels of service provision and budgeting for delivery.

### **3.5. Liasing with Council's External Auditor**

Legislative function (Section 126(4)(e) of the Act): *Liaising with the Council's External Auditor in accordance with any requirements prescribed by the regulations.*

In relation to the above and in accordance with Regulation 17B of the *Local Government (Financial Management) Regulations 2011*, a confidential meeting with the Council's External Auditor, Tim Mulhausler from Galpins, was held on 28 October 2024. During consideration of this item, no Elected Members (other than those who were Committee Members at the time) and no employees of the Council were present.

### **3.6. Reviewing adequacy of internal controls and financial matters**

Legislative function (Section 126(4)(f) of the Act): *Reviewing the adequacy of the accounting, internal controls, reporting and other financial management systems and practices of the Council on a regular basis.*

At its Meeting held on 19 August 2024, the Committee received and noted the Interim Management Letter from the Council's External Auditor regarding the review of the Council's Financial Controls prepared in accordance with Section 129(1)(b) of the Act. At its Meeting held on 28 October 2025, the Committee received and noted a report which provided an update on the five (5) financial controls that were recommended for improvement. The Committee noted the implementation of the recommendations contained in the report.

At the Meeting held on 19 August 2024, the Committee also reviewed the following finance policies and recommended their adoption to the Council:

- Asset Capitalisation and Depreciation;
- Disposal of Land and Assets;
- Receivables and Debt Recovery; and
- Procurement.

The Council's Financial Summary Report for 2023-2024, which provided the Actual results compared to the Adopted Budget and was prepared in accordance with Regulation 10 of the *Local Government (Financial Management) Regulations 2011*, was received and noted by the Committee at the Meeting held on 28 October 2024.

### 3.7. Oversight and review of Internal Audit

Legislative function (Section 126(4)(g)(i)(A) of the Act): *Providing oversight of planning and scoping of the Internal Audit work plan.*

At its meeting held on 10 February 2025, the Committee noted that the primary responsibility for the Council's Internal Audit Function had been assigned by the Chief Executive Officer to the General Manager, Governance & Civic Affairs. This process was in accordance with the requirements of Section 125A(1) of the Act and aligns to the role and functions of the Audit & Risk Committee. Supported by the Manager, Governance, the General Manager, Governance & Civic Affairs, takes responsibility for the management of the Internal Audit program and liaising with Bentleys (SA) Pty Ltd who have been engaged since 2022 to conduct Internal Audit services for the Council.

The current Internal Audit Plan 2025-2027 (Internal Audit Plan) was noted by the Committee at its Meeting held on 10 February 2025. At the first Meeting with the new Committee Members, which was held on 14 April 2025, a report on the Internal Audit function was presented and the Internal Audit Plan was endorsed. At that time, the Committee was advised that the Internal Audit Plan had been reviewed with a focus on fundamental aspects of the Council's operation and well recognised risks across Local Government (eg contractor management). The Committee was also advised that future Internal Audit Plans will be planned with the Committee based on the Risk Management framework being developed through the participation in the Local Government Risk Services (LGRS) Strategic Risk Services Program (the Program).

Legislative function (section 126(4)(g)(i)(B) of the Act): *Reviewing and commenting on reports provided by the person primarily responsible for the Internal Audit function at least on a quarterly basis.*

Given the transition of the Internal Audit Function to Governance & Civic Affairs, the foundational work being done through the Program, and the SRF (refer Part 3.4 above) was scheduled to be undertaken in the 2024-2025 Financial Year, only one (1) Internal Audit in relation to the Council's 'Business Continuity Management' (BCM) scheduled for the 2024-2025 Financial Year. The BCM Internal Audit was close to completion at the end of the Financial Year but due to scheduling of additional stakeholder engagement meetings with additional key staff, the Internal Audit Report will not be completed until after the Audit & Risk Committee Meeting on 14 July 2025 and will therefore be presented to the October Meeting of the Committee.

### 3.8. Reviewing and evaluating risk management policies, systems and procedures

Legislative function (Section 126(4)(h) of the Act): *Reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis.*

The above legislative requirement aligns with the other risk management function related changes to the Act which mandate risk management obligations on the Council and the Chief Executive Officer as follows:

- The Council's obligation pursuant to Section 125(3) of the Act states that:  
*'A council must ensure that appropriate policies, systems and procedures relating to risk management 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, inform appropriate decision making, facilitate appropriate prioritisation of finite resources and promote appropriate mitigation of strategic, financial and operational risks relevant to the council.'*
- The Chief Executive Officer's obligations in relation to Section 99(1)(ia) of the Act:  
*'to ensure that effective policies, systems and procedures are established and maintained for the identification, assessment, monitoring, management and annual review of strategic, financial and operational risks.'*

At its Meeting held on 28 October 2024 and as previously mentioned in Part 3.7 of this report, the Committee received and noted a report which advised the Committee of the Council's participation in the LGRS Strategic Risk Services Program (the Program). While the Council has had a risk management framework in place for many years, with the commencement of the above legislative provisions, seeking the assistance of LGRS to facilitate the Program has been critical to assist with embedding a coordinated and systematic approach to risk management. This foundational work will inform the structured approach to reporting on risks to the Committee.

In addition to the above, an update on the Program implementation was provided to the Committee at its Meeting held on 14 April 2025. To date, the Program has included facilitated workshops to embed risk management principles and processes with the Council's Elected Members, Executive Leadership Team and key staff and has prepared the Council's Strategic Risk Register which is currently undergoing an evaluation process. The Program participation process has provided an excellent opportunity for collaboration to collectively consider risk management in a practical and relevant way. A similar process will then be undertaken in respect to operational risks. These discussions will lead to documents and processes that will be used consistently across the organisation, thereby supporting the Chief Executive Officer to ensure that effective risk management policies, systems and procedures are established and maintained.

Aside from the general updates provided above, the Committee received and noted a report on the risks associated with the Payneham Memorial Swimming Centre Redevelopment Project at the Committee Meeting held on 19 August 2024. While the full Project Risk Register was shared with the Committee. The report focused on the risks contained in the *Prudential Management Report for the Payneham Memorial Swimming Centre Redevelopment Project May 2023 – Updated December 2023*, that had a residual risk level of High or Extreme at that time.

At its Meeting held on 28 October 2024, the Committee received and noted a report on the Council's Cyber Security Framework which included a summary of the Council's alignment with the Australian Cyber Security Centre's *Essential Eight Framework* and 'best practice' approach which focuses on:

- risk assessment and prioritisation;
- governance and policy;
- education and awareness;
- technology controls;
- incident response; and
- backup and recovery.

Noting that Climate Change adaptation is a strategic risk for the Council and the Local Government Sector, at the Meeting held on 14 April 2025, the Committee were also advised of the Council's participation in the National Local Government Vulnerability Program (NLGVP) that is provided through the Council's membership of the LGA Asset Mutual Fund. The findings of the NLGVP will shortly be presented to the Council's leadership team and it is envisaged the information obtained can be incorporated into the Council's risk management framework and inform future strategic and operation planning and decisions, as well as included in reporting Climate Change related risks to the Committee.

At its Meeting held on 19 August 2024, the Committee reviewed and recommended the following two (2) policies for the Council to adopt in relation to the operation of the St Peters Child Care Centre & Preschool (the Centre):

- Nutrition, Food, Beverage & Dietary Requirements Policy; and
- Sun Protection Policy.

The above policies were prepared following a review of the Centre's policies to ensure they are contemporary and legislatively compliant with the National Quality Framework (NQF) which provides a national approach to regulation, assessment and quality improvement for early childhood education and care and outside school hours care services across Australia.

Following the above reviews and recognising the operational risks associated with the Centre, the Council utilised funds available through the LGA Mutual Liability Scheme (LGAMLS) Risk Incentive Fund to engage a consultant to prepare the remaining suite of policies required under the NQF. These policies are in the process of being reviewed prior to adoption.

### **3.9. Prudential Report reviews**

Legislative function (section 126(4)(h) of the Act): *Reviewing any report obtained by the Council pursuant to Section 48(1) of the Local Government Act 1999.*

No prudential reports were commissioned pursuant to Section 48(1) of the Act during the 2024-2025 Financial Year.

## **4. Conclusion**

Supported by Council staff, the Council's Audit & Risk Committee has worked diligently over the 2024-2025 Financial Year to provide independent assurance and advice to the Council on matters within the scope of its functions.

The activities of the Audit & Risk Committee that have evolved as a result of additional and expanded legislative responsibilities are becoming more supported by embedded administrative processes.

The review and oversight of accounting, financial management, internal controls, risk management and governance matters provided by the Committee, continues to support the Council to responsibly achieve its objectives and manage its financial affairs.

Through the work undertaken during the 2024-2025 Financial Year, this Annual Report summarises how the Audit & Risk Committee has effectively fulfilled its legislative functions.

**5. CONFIDENTIAL REPORTS**  
Nil

**6. OTHER BUSINESS**  
(Of an urgent nature only)

**7. NEXT MEETING**  
Monday 13 October 2025

**8. CLOSURE**