Audit Committee
Agenda & Reports

26 February 2018

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.
To all Members of the Audit Committee

Committee Members
- Mayor Robert Bria
- Cr John Minney (Presiding Member)
- Cr Kevin Shepherdson
- Mr Peter Holmes (Independent Member)
- Ms Julie Wobber (Independent Member)

Staff
- Mario Barone (Chief Executive Officer)
- Sharon Perkins (Acting General Manager, Corporate Services)
- Andrew Alderson (Financial Services Manager)

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 Committee, will be held in the Mayors Parlour, Norwood Town Hall, 175 The Parade, Norwood, on:

Monday 26 February 2018, commencing at 7.00pm

Please advise Sharon Perkins on 83664585 or email sperkins@npsp.sa.gov.au, if you are unable to attend this meeting or will be late.

A light meal will be available from 6.45pm.

Yours faithfully

Mario Barone
CHIEF EXECUTIVE OFFICER
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VENUE
Mayors Parlour, Norwood Town Hall

HOUR

PRESENT
Committee Members
Staff

APOLOGIES

ABSENT

TERMS OF REFERENCE:
The Audit Committee is responsible to facilitate:
- the enhancement of the credibility and objectivity of internal and external financial reporting;
- propose and provide information relevant to a review of the Council’s Strategic Management Plans and Annual Business Plan;
- the review and reporting on any matter relating to financial management or the efficiency and economy with which the Council manages its resources;
- effective management of financial and other risks and the protection of the Council’s assets;
- compliance with laws and regulations related to financial and risk management as well as use of best practice guidelines;
- the provision of an effective means of communication between the external auditor, management and the Council;
- proposing and reviewing the exercise of powers under Section 130A of the Local Government Act 1999;
- review Annual Financial Statements to ensure that they present fairly the state of affairs of the Council;
- liaising with the Council’s Auditor; and
- reviewing the adequacy of accounting, internal control reporting and other financial management systems and practices of the Council on a regular basis.

1. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 23 OCTOBER 2017

2. PRESIDING MEMBER’S COMMUNICATION

3. JOINT VENTURE PRESENTATION

4. QUESTIONS WITHOUT NOTICE

5. QUESTIONS WITH NOTICE
Nil

6. WRITTEN NOTICES OF MOTION
Nil

7. STAFF REPORTS
7.1 2018 – 2019 ANNUAL BUDGET

REPORT AUTHOR:  Financial Services Manager
GENERAL MANAGER:  General Manager, Corporate Services
CONTACT NUMBER:  8366 4585
FILE REFERENCE:  S/01823
ATTACHMENTS:  Nil

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with an outline of the 2018-2019 Annual Business Plan and Budget Process.

BACKGROUND

The 2017-2018 Audit Committee Work Program provides for the Audit Committee to ensure that financial information included in publications, accurately reflects key accrual based financial information and where appropriate sector-endorsed financial indicators.

Pursuant to Section 123 of the Local Government Act 1999 (the Act), the Council is required to prepare, each financial year, an Annual Business Plan and Annual Budget and the Annual Business Plan and Annual Budget is required to be adopted by the Council after 31 May for the ensuing financial year and, except in a case involving extraordinary administrative difficulty, before 31 August for the financial year.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council’s Strategic Management Plan, CityPlan 2030, the Long Term Financial Plan and Whole-of-Life Asset and Infrastructure Management Plans, provide the basis and framework upon which the Council’s Annual Business Plan and Annual Budget is based.

The Long Term Financial Plan is currently being reviewed. The review is scheduled to be completed by April 2017.

FINANCIAL AND BUDGET IMPLICATIONS

The Council will need to ensure that the Annual Business Plan and Annual Budget contains objectives and financial parameters which will deliver a responsible budget and meeting the reasonable needs of the community on an equitable and ‘value for money’ basis. The projected Operating Surplus for 2018-2019 is $1.326 million, based on a Rate Revenue increase of 2.55%.

It should be noted that in order to ascertain the true cost of providing the Council’s services and programs and the resulting increase in Rate Revenue, Grant Income of $0.260m expected to be received in the 2018-2019 Financial Year under the Roads-to-Recovery Program, has been excluded from the Operating Surplus target of $1.326 million.

EXTERNAL ECONOMIC IMPLICATIONS

The Annual Business Plan and Budget will have an economic impact on property owners and suppliers of goods and services to the Council, the level of which will be dependent on the final decisions taken in respect to the level of income required to meet proposed expenditure.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.
ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Nil.

RISK MANAGEMENT

Financial Management issues and process associated with the preparation of the Annual Business Plan are governed by the Local Government Act 1999 and Regulation 6 of the Local Government (Financial Management) Regulations 2011. All budget documentation will be prepared in accordance with the relevant statutory requirements.

CONSULTATION

- **Elected Members**
  Elected Members considered a report on the Annual Business Plan and Budget objectives, guidelines and parameters, at the Council meeting held on 15 January 2018.

- **Committee Members**
  Not applicable.

- **Community**
  Not Applicable.

- **Staff**
  Not Applicable.

- **Other Agencies**
  Not Applicable.

DISCUSSION

The revised LTFP sets out an Operating Surplus of $1.326 million for the 2017-2018 Financial Year, excluding grant income of $0.260 million, which will be received under the Federal Governments' Roads-to-Recovery Program.

To ensure that the financial targets are achieved, the 2018-2019 Annual Budget, must be set with reference to similar key influences and assumptions which are contained within the LTFP.

At its meeting held on 15 January 2018, the Council adopted the following budget parameters and assumptions “in principle” for the purpose of preparing the 2018-2019 Annual Business Plan and Budget:

- the Recurrent Operating Budget be prepared on a “business as usual” basis;
- the continuation of previously recognised ongoing operational savings;
- maximum Material, Contracts and Other Expenses cost escalation be set at 2.2%;
- wages and salaries increases be set in line with the Council’s Enterprise Bargaining Agreements, which is set at 2.25%;
- maximum combined increase in overall budget be based on salary increase and 2.2% non-salary increase;
- fees and charges not set by Legislation be increased by 2.3% or market levels as determined by the Fees and Charges review which will be considered at the Council meeting to be scheduled on 5 March 2018;
- new Capital Projects to be considered and approved within the constraints of the Council's Long Term Financial Plan;
- new services and one-off projects to be funded through Rate Revenue increases or by expenditure savings; and
- new capital projects being funded via long term borrowings.
A budget timetable, set out in Table 1 below, has been adopted by the Council to ensure that the Council is in a position to adopt the 2018-2019 Annual Business Plan and Annual Budget at the Council meeting to be held on 2 July 2017.

**TABLE 1 – KEY BUDGET PROCESS ACTIVITIES 2018-2019**

<table>
<thead>
<tr>
<th>KEY STEPS</th>
<th>DATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget process, parameters and objectives adopted.</td>
<td>Monday 15 January 2018</td>
</tr>
<tr>
<td>(Council Meeting)</td>
<td></td>
</tr>
<tr>
<td>Fees and charges adopted by Council.</td>
<td>Monday 5 March 2018</td>
</tr>
<tr>
<td>(Council Meeting)</td>
<td></td>
</tr>
<tr>
<td>Recurrent Budget Workshop with Elected Members.</td>
<td>Monday 26 March 2018</td>
</tr>
<tr>
<td>Recurrent operating budget considered.</td>
<td>Monday 9 April 2018</td>
</tr>
<tr>
<td>(Special Meeting)</td>
<td></td>
</tr>
<tr>
<td>Operating and Capital Projects.</td>
<td>Tuesday 17 April 2018</td>
</tr>
<tr>
<td>(Special Meeting)</td>
<td></td>
</tr>
<tr>
<td>Draft Annual Business Plan, rating model and projects carried forward</td>
<td>Monday 23 April 2018</td>
</tr>
<tr>
<td>and Infrastructure Whole of Life endorsed.</td>
<td>(Special Meeting)</td>
</tr>
<tr>
<td>Draft Annual Business Plan available for viewing or purchase by the</td>
<td>Wednesday 9 May 2018</td>
</tr>
<tr>
<td>public.</td>
<td>(Special Meeting)</td>
</tr>
<tr>
<td>Meeting to receive Public submissions on the Annual Business Plan.</td>
<td>Wednesday 30 May 2018</td>
</tr>
<tr>
<td>Consideration of public submissions.</td>
<td>Wednesday 13 June 2018</td>
</tr>
<tr>
<td>Adoption of Annual Business Plan and Budget.</td>
<td>Monday 2 July 2018</td>
</tr>
<tr>
<td>(Council Meeting)</td>
<td></td>
</tr>
</tbody>
</table>

With respect to the public consultation on the Annual Business Plan, a public meeting is proposed to be held on Wednesday 30 May 2018, to allow members of the community to present their comments and feedback to the Council, on the content of the Annual Business Plan and Budget.

**OPTIONS**

Not Applicable.

**CONCLUSION**

Nil.

**COMMENTS**

Nil.

**RECOMMENDATION**

That the report be received and noted.
7.2 2017-2018 MID YEAR BUDGET REVIEW

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S/05075
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to provide the Council with a summary of the forecast Budget position for the year ended 30 June 2018, following the Mid-Year Budget Review. The forecast is based on the year-to-date December 2017 results.

BACKGROUND

Pursuant to Section 123 (13) of the Local Government Act 1999, the Council must, as required by the Regulations reconsider its annual business plan or its budget during the course of a financial year and, if necessary or appropriate, make any revisions.

The Budget Reporting Framework set out in Regulation 9 of the Local Government (Financial Management) Regulations 2011 ("the Regulations") comprises two (2) types of reports, namely:

1. The Budget Update; and
2. The Mid-year Budget Review.

Budget Update

The Budget Update Report sets outs a revised forecast of the Council’s Operating and Capital investment activities, compared with the estimates for those activities set out in the Adopted Budget. The Budget Update is required to be presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances.

The Budget Update Report must be considered by the Council at least twice per year between 30 September and 31 May (both dates inclusive) in the relevant financial year, with at least one (1) Budget Update Report being considered by the Council prior to consideration of the Mid-Year Budget Review Report.

The Regulations requires a Budget Update Report to include a revised forecast of the Council’s operating and capital investment activities compared with estimates set out in the Adopted Budget, however it is recommended by the Local Government Association that the Budget Update Report should also include at a summary level:

- the year to date result;
- any variances sought to the Adopted Budget or the most recent Revised Budget for the financial year; and
- a revised end of year forecast for the financial year.

Mid-Year Review

The Mid-Year Budget Review must be considered by the Council between 30 November and 15 March (inclusive) in the relevant financial year. The Mid-Year Budget Review Report sets out a revised forecast of each item shown in its Budgeted Financial Statements compared with estimates set out in the Adopted Budget presented in a manner consistent with the Model Financial Statements. The Mid-Year Budget Review Report must also include revised forecasts for the relevant financial year of the Council’s Operating Surplus Ratio, Net Financial Liabilities Ratio and Asset Sustainability Ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.
The Mid-year Budget Review is a comprehensive review of the Council’s Budget and includes the four principal financial statements, as required by the Model Financial Statement, detailing:

- the year to date result;
- any variances sought to the Adopted Budget; and
- a revised full year forecast of each item in the budgeted financial statements compared with estimates set out in the Adopted budget.

The Mid-year Budget Review Report should also include information detailing the revised forecasts of financial indicators compared with targets established in the Adopted Budget and a summary report of operating and capital activities consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council’s Long Term Strategic directions are set out in City Plan 2030 – Shaping our Future. The 2017-2018 Annual Business Plan Budget, sets out the proposed services, programs and initiatives for the 2017-2018 Financial Year and explains how the Council intends to finance its continuing services, programs and initiatives which are to be undertaken during the financial year.

The Council’s Long Term Financial Plan (LTFP), is a key document in the Council’s Planning Framework. It is the primary financial management tool which links the Council’s Strategic Plan, City Plan 2030 – Shaping our Future, Whole-of-Life Assets Management Plans, the Annual Business Plan and Budget.

The 2017-2018 Adopted Budget estimates an Operating Surplus of $3.081 million.

FINANCIAL AND BUDGET IMPLICATIONS

The Mid-Year Budget Review for the 2017-2018 Financial year, provides the opportunity to reflect any changes in projections based on the actual year-to-date results to December 2017 and forecast the 2017-2018 Operating result.

Details of material movements in the forecast from the Adopted Budget are contained in the Discussion section of this Report.

EXTERNAL ECONOMIC IMPLICATIONS

This report provides information on the planned financial performance of the Council for the year ended 30 June 2018 and has no direct external economic impacts.

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

There are no risk management issues arising from this issue. All documents have been prepared in accordance with the statutory requirements.
CONSULTATION

- **Committee Members**
  Not Applicable

- **Community**
  Not Applicable

- **Staff**
  Responsible Officers and General Managers.

- **Other Agencies**
  Not Applicable

DISCUSSION

Budget Review

In determining the Adopted Operating Surplus, the Council considers the financial resources which are required to provide the ongoing services, programs and facilities (Recurrent Operating Budget), which encompass the basic responsibilities, which the Council is required to provide under the *Local Government Act* and other relevant legislation, plus ongoing services and programs as a result of community needs and expectations.

Such on-going services include regulatory services, such as animal management and parking management, street cleaning and rubbish collection, maintenance of basic infrastructure including roads, footpaths, parks, public open space, street lighting and storm-water drainage, development planning and control, library and learning services, community support programs, environmental programs, community events, community recreational facilities and home assistance service.

In addition, the Council considers the funding requirements associated with the introduction of new services or the enhancement to existing services (Operating Projects).

The 2017-2018 Adopted Operating Budget, budgeted an Operating Surplus of $3.081 million. At the Council meeting held on 4 December 2017, the Council considered the First Budget Update, which reported a forecast Operating Surplus of $2.870 million.

Following the Mid-Year Budget Review, the Operating Surplus is forecast to be $3.174 million, an improvement of $0.093 million on the Adopted Budget. The major reasons for the movement in Operating Surplus are detailed in Table 1.
TABLE 1: MAJOR VARIANCES IN RECURRENT OPERATING BUDGET - MID-YEAR BUDGET REVIEW

<table>
<thead>
<tr>
<th>Description</th>
<th>Favourable/ (Unfavourable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition of unspent wages and salaries budget due to positions being</td>
<td>322,000</td>
</tr>
<tr>
<td>vacant and not backfilled with temporary staff.</td>
<td></td>
</tr>
<tr>
<td>Recognition of performance rebates received from the Insurance Schemes.</td>
<td>100,000</td>
</tr>
<tr>
<td>Due to the uncertain nature of the rebates, no funding allowance is made</td>
<td></td>
</tr>
<tr>
<td>in the Adopted Budget</td>
<td></td>
</tr>
<tr>
<td>Adjustment to depreciation expense based on 2016-2017 asset capitalisation,</td>
<td>(139,000)</td>
</tr>
<tr>
<td>infrastructure unit cost revaluations and depreciation rates</td>
<td></td>
</tr>
<tr>
<td>Increase in budget due to an underestimation of the Asset Insurance</td>
<td>(22,000)</td>
</tr>
<tr>
<td>Renewals</td>
<td></td>
</tr>
<tr>
<td>Manufacture costs of Wooden Christmas Trees as apart of Christmas on Parade</td>
<td>(16,000)</td>
</tr>
<tr>
<td>Increase in catering expenses for Civic receptions</td>
<td>(12,000)</td>
</tr>
<tr>
<td>Additional cost of gas due to increases in the unit price</td>
<td>(10,000)</td>
</tr>
</tbody>
</table>

Budget Variations identified in the First Budget Update

Increase in Grant income to reflect the Kerbside Performance Grant received from the State Government 40,416
Art on Parade: The budget is being transferred from Thinking Through the City 10,000
Thinking Through the City: The budget is reduced by transferring to Art on Parade. (10,000)
Parking Review Survey - The budget has been increased due to the parking surveys which have been undertaken including Peregrine development in Kensington, Colliver Street, Charles Street, Queen Street and Hackney Road. These reviews are in addition to the City Wide Parking Review, which has been separately funded. (50,000)

Operating Projects

The Adopted Budget includes an estimate of operating project expenditure for the year under review and:

- previously approved and carried forward projects from the prior budget years; less
- an allowance for current year approved projects projected to be carried forward to subsequent budget years.

Carried Forward estimates (from prior financial years) are reviewed upon finalisation of the Annual Financial Statements. Additional expenditure required for non-completed Operating Projects at the end of the Financial Year, is incorporated in the Budget as part of First Budget Update.

Taking into account the carried forward Operating Project expenditure and new projects which have been endorsed by the Council, the 2017-2018 Adopted Operating Projects Budget forecast a cost to the Council of $1.010m.

Carried Forward Operating Project expenditure was estimated as part of the Adopted Budget to be $0.201m. Following the First Budget Update, the value of carried forward expenditure is $0.405m. The increase in the Carried Forward Budget, is due to projects not progressing as anticipated or the commencement being deferred.

The following projects which have carried forward and have been completed:

- Swimming Centre Review;
- Local Government Supplementary Election;
- CityPlan2030 Update; and
- Food Secrets of Norwood & Stepney
The First Budget Update forecast the cost of Operating Projects to be $1.214m, the Mid-Year Budget Update is estimating a slight increase in this figure to $1.216 million.

The Operating Projects to be carried forward to 2018-2019, are currently estimated at $60,000. A review of status of the Operating Projects will be undertaken as part of the Third Budget Update, which will be considered by the Council at the Council Meeting scheduled for May 2018.

**Capital Projects**

The Council adopted a Capital Budget of $23.207m for 2017-2018, which comprised funding allocations for New Capital Projects involving new or the upgrading of existing assets ($2.516m), the renewal/replacement of existing assets ($7.197m) and Carried Forward Projects from 2016-2017 ($13.494m).

Following the Mid-Year Budget Review, the Capital Project expenditure is forecast to increase to $24.964 million. The increase in forecast capital expenditure is predominately due to a number of projects which were initially anticipated to be completed by 30 June 2017. These projects and other budget variations identified in the Mid-Year Review are detailed in Table 2 below:

**TABLE 2: MAJOR VARIANCES IN CAPITAL PROJECT BUDGET - MID-YEAR BUDGET REVIEW**

<table>
<thead>
<tr>
<th>Capital Project</th>
<th>Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The successful tender for the redevelopment of Felixstow Reserve was higher than anticipated by $364,699. The Council considered the tender assessment at the Special Council meeting held on 11 December 2017. The budget increase of $431,635 incorporates the budget variation of $66,936 from the First Budget Review. The project is scheduled to be completed by May 2018.</td>
<td>431,635</td>
</tr>
<tr>
<td>Kent Town Streetscape Enhancement Projects were considered by the Council at its meeting held on 4 December 2017. The Council resolved to allocate funds to enable the streetscape enhancement projects. Funding Contributions towards the project will be provided by the State Government and the developers of Verde Apartments and East Park Kent Town Development, resulting in an overall Net Cost to Council of $200,000.</td>
<td>400,000</td>
</tr>
<tr>
<td>At its meeting held on 6 November 2017, the Council endorsed the decision to change the ownership of the Council Depot Fleet vehicles from Operating Leases to purchase. The vehicles are to be replaced as current lease arrangements expire. Four (4) vehicles are due to come out of lease from now until 30 June 2018.</td>
<td>120,000</td>
</tr>
<tr>
<td>As part of the Adopted Budget, the Council planned to replace the shade structure at the Payneham Memorial Swimming Centre and estimated the cost to be $55,000. The tendered cost for the shade replacement exceeded budget by $86,000.</td>
<td>86,000</td>
</tr>
<tr>
<td>The planned upgrade of the Air Conditioning System at the Norwood Institute Building exceeded budget expectation of $80,000 by $21,000.</td>
<td>21,000</td>
</tr>
<tr>
<td>Due to the Norwood Tennis Club being unsuccessful in its application for funding to contribute to the upgrade of the Buttery Reserve Tennis Courts, the Council at its meeting held on 3 October 2017, resolved not to undertake the reconstruction of the tennis courts at this stage.</td>
<td>(921,000)</td>
</tr>
</tbody>
</table>

**Budget Variations identified in the First Budget Update**

- The Gilberton Swing Bridge was not completed due to delay in the design phase and delay in receiving approval. This project was completed in January 2018. 514,581
- The completion of the irrigation upgrade on Osmond Terrace Median was delayed due to a delay in awarding the contract. This project was completed in December 2017. 217,345
- Ninth Ave Renewal & Streetscape Enhancement – Alterations to the initial project concept plan resulted in the scope of works being amended resulting in revised cost estimates. 138,000
- Payneham Oval Club Rooms Redevelopment – The design work was anticipated to be completed by 30 June 2017. The project is due to commence shortly 31,464
While the anticipated Capital Expenditure has increased, due to current cash reserves it is not expected that any additional borrowings will be drawn down during the 2017-2018 Financial Year.

The revised Budgeted Financial Statements and Financial Indicators as a result of the Mid-Year Budget Update are included in Attachment A.

OPTIONS
Not Applicable.

CONCLUSION
Nil

COMMENTS
Nil

RECOMMENDATION
That the Mid-Year Budget Update Report be received and noted.
Attachment A

2017-2018 Mid Year Budget Review
## Statement of Comprehensive Income

for the year ended 30 June 2018

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates</td>
<td>$32,368,073</td>
<td>$33,184,698</td>
<td>$33,757,303</td>
<td>$33,757,303</td>
<td>-</td>
<td>$16,903,613</td>
</tr>
<tr>
<td>Statutory charges</td>
<td>$1,697,413</td>
<td>$1,711,822</td>
<td>$1,730,000</td>
<td>$1,730,000</td>
<td>-</td>
<td>$1,063,187</td>
</tr>
<tr>
<td>User charges</td>
<td>$3,277,445</td>
<td>$3,539,894</td>
<td>$3,529,671</td>
<td>$3,531,671</td>
<td>2,000</td>
<td>$1,727,607</td>
</tr>
<tr>
<td>Grants, subsidies and contributions</td>
<td>$2,514,685</td>
<td>$3,469,850</td>
<td>$3,436,586</td>
<td>$3,477,002</td>
<td>40,416</td>
<td>$998,919</td>
</tr>
<tr>
<td>Investment income</td>
<td>$116,616</td>
<td>$147,514</td>
<td>$97,844</td>
<td>$162,844</td>
<td>65,000</td>
<td>$136,208</td>
</tr>
<tr>
<td>Other revenues</td>
<td>$895,087</td>
<td>$1,067,948</td>
<td>$662,350</td>
<td>$972,450</td>
<td>310,100</td>
<td>$674,230</td>
</tr>
<tr>
<td><strong>Net gain - joint ventures &amp; associates</strong></td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$40,869,320</td>
<td>$43,121,725</td>
<td>$43,213,754</td>
<td>$43,631,270</td>
<td>417,516</td>
<td>$21,503,764</td>
</tr>
</tbody>
</table>

| **EXPENSES**                   |                  |                  |                          |                          |          |                          |
| Employee costs                 | $12,367,743      | $12,460,680      | $15,070,155              | $14,751,322              | (318,833)| $7,302,100               |
| Materials, contracts & other expenses | $16,660,751  | $17,638,633      | $16,249,336              | $16,754,129              | 504,793  | $7,757,194               |
| Finance costs                  | $858,934         | $723,597         | $813,092                 | $813,092                 | -        | $386,122                 |
| Depreciation, amortisation & impairment | $7,823,168 | $8,111,045       | $8,000,000               | $8,139,000               | 139,000  | $4,000,000               |
| **Net loss joint ventures and associates** | $54,029 | $(34,341) | | | | |
| **Total Expenses**             | $37,764,625      | $38,899,615      | $40,132,583              | $40,457,543              | 324,960  | $19,445,416              |

| **OPERATING SURPLUS / (DEFICIT)** |                  |                  |                          |                          |          |                          |
| (892,655) Net gain (loss) on disposal or revaluation of assets | $3,104,695       | $4,222,111       | $3,081,171               | $3,173,727               | 92,556   | $2,058,348               |
| (486,257) Non-operating items - joint ventures and associates | $250,681         | $2,498,437       | -                        | -                        | -        | -                        |
| $973,352 Amounts specifically for new or upgraded assets | $297,000         | -                | -                        | -                        | -        | -                        |
| **NET SURPLUS (DEFICIT)**      | $3,733,073       | $6,399,024       | $6,245,671               | $6,538,227               | 292,556  | $3,448,702               |

| Changes in revaluation Surplus- infrastructure, property, plant & equipment | $6,005,562       | $12,806,415      | $2,000,000               | $2,000,000               | -        | -                        |
| **TOTAL OTHER COMPREHENSIVE INCOME** | $6,005,562       | $12,806,415      | $2,000,000               | $2,000,000               | -        | -                        |
| 9,738,635 | 19,205,439 | TOTAL COMPREHENSIVE INCOME | 8,245,671 | 8,538,227 | 292,556 | 3,448,702 |
## STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5,291,147</td>
<td>9,952,737</td>
<td>2,080,573</td>
<td>5,795,450</td>
<td>3,714,877</td>
<td>15,732,276</td>
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<tr>
<td>Trade &amp; other receivables</td>
<td>1,682,436</td>
<td>3,074,010</td>
<td>1,963,603</td>
<td>2,235,649</td>
<td>272,046</td>
<td>16,935,958</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td>6,973,583</td>
<td>13,026,747</td>
<td>4,044,176</td>
<td>8,031,099</td>
<td>3,986,923</td>
<td>32,666,234</td>
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<tr>
<td><strong>Non-current Assets</strong></td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Financial Assets</td>
<td>112,414</td>
<td>105,273</td>
<td>2,849,038</td>
<td>90,853</td>
<td>(2,758,185)</td>
<td>105,273</td>
</tr>
<tr>
<td>Equity accounted investments in Council businesses</td>
<td>884,745</td>
<td>3,259,370</td>
<td>1,233,357</td>
<td>3,441,000</td>
<td>2,207,643</td>
<td>3,280,035</td>
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<tr>
<td>Infrastructure, Property, Plant &amp; Equipment</td>
<td>583,119,323</td>
<td>590,999,687</td>
<td>599,925,410</td>
<td>605,988,583</td>
<td>6,063,173</td>
<td>589,473,431</td>
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<tr>
<td>Other Non-current Assets</td>
<td>770,564</td>
<td>1,270,839</td>
<td>770,564</td>
<td>1,270,839</td>
<td>500,275</td>
<td>1,277,917</td>
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<tr>
<td><strong>Total Non-current Assets</strong></td>
<td>584,887,046</td>
<td>595,635,169</td>
<td>604,778,369</td>
<td>610,791,275</td>
<td>6,012,906</td>
<td>594,136,656</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>591,860,629</td>
<td>608,661,916</td>
<td>608,822,545</td>
<td>618,822,374</td>
<td>9,999,829</td>
<td>626,804,890</td>
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<td><strong>LIABILITIES</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade &amp; Other Payables</td>
<td>4,101,075</td>
<td>3,743,315</td>
<td>4,101,075</td>
<td>3,743,315</td>
<td>(357,761)</td>
<td>19,424,715</td>
</tr>
<tr>
<td>Borrowings</td>
<td>1,922,875</td>
<td>2,045,342</td>
<td>1,857,875</td>
<td>2,045,342</td>
<td>187,467</td>
<td>1,038,458</td>
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<tr>
<td>Short-term Provisions</td>
<td>2,588,792</td>
<td>2,768,661</td>
<td>2,588,792</td>
<td>2,768,661</td>
<td>179,869</td>
<td>2,900,205</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>8,612,742</td>
<td>8,557,318</td>
<td>8,547,742</td>
<td>8,557,318</td>
<td>9,576</td>
<td>23,363,378</td>
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<tr>
<td><strong>Non-current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term Borrowings</td>
<td>10,416,496</td>
<td>8,371,154</td>
<td>11,333,278</td>
<td>8,371,153</td>
<td>(2,962,125)</td>
<td>8,371,154</td>
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<tr>
<td>Long-term Provisions</td>
<td>1,174,818</td>
<td>1,148,317</td>
<td>1,174,818</td>
<td>1,148,317</td>
<td>(26,501)</td>
<td>1,148,317</td>
</tr>
<tr>
<td>Liability - Equity accounted Council businesses</td>
<td>1,841,254</td>
<td>1,562,054</td>
<td>1,841,254</td>
<td>1,562,054</td>
<td>(279,200)</td>
<td>1,450,265</td>
</tr>
<tr>
<td><strong>Total Non-current Liabilities</strong></td>
<td>13,432,568</td>
<td>11,081,524</td>
<td>14,349,350</td>
<td>11,081,523</td>
<td>(3,267,827)</td>
<td>10,969,736</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>22,045,310</td>
<td>19,638,842</td>
<td>22,897,092</td>
<td>19,638,841</td>
<td>(3,258,251)</td>
<td>34,333,114</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>569,815,319</td>
<td>589,023,074</td>
<td>585,925,453</td>
<td>599,183,532</td>
<td>13,258,080</td>
<td>592,471,776</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated Surplus</td>
<td>41,574,066</td>
<td>47,975,405</td>
<td>53,684,198</td>
<td>54,513,632</td>
<td>829,434</td>
<td>51,424,107</td>
</tr>
<tr>
<td>Asset Revaluation Reserve</td>
<td>528,241,255</td>
<td>541,047,670</td>
<td>532,241,255</td>
<td>543,047,670</td>
<td>10,806,415</td>
<td>541,047,670</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>569,815,320</td>
<td>589,023,074</td>
<td>585,925,453</td>
<td>597,561,301</td>
<td>11,635,848</td>
<td>592,471,777</td>
</tr>
</tbody>
</table>
## Statement of Changes in Equity
for the year ended 30 June 2018

<table>
<thead>
<tr>
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<tbody>
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</tr>
<tr>
<td><strong>Accumulated Surplus</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of previous reporting period</td>
<td>37,843,406</td>
<td>41,574,066</td>
<td>43,899,027</td>
<td>47,975,404</td>
<td>4,076,377</td>
<td>47,975,404</td>
</tr>
<tr>
<td>Net Result for Year</td>
<td>3,733,073</td>
<td>6,399,024</td>
<td>9,785,171</td>
<td>6,538,227</td>
<td>(3,246,944)</td>
<td>3,448,702</td>
</tr>
<tr>
<td>Other Comprehensive Income</td>
<td>(2,413)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share of other Comprehensive income - joint ventures and associates</td>
<td>- 2,314</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td>41,574,066</td>
<td>47,975,404</td>
<td>53,684,198</td>
<td>54,513,631</td>
<td>829,433</td>
<td>51,424,106</td>
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<tr>
<td><strong>Asset Revaluation Reserve</strong></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of previous reporting period</td>
<td>522,235,693</td>
<td>528,241,255</td>
<td>530,241,255</td>
<td>541,047,670</td>
<td>10,806,415</td>
<td>541,047,670</td>
</tr>
<tr>
<td>Gain on revaluation of infrastructure, property, plant &amp; equipment</td>
<td>6,005,562</td>
<td>12,806,415</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td>528,241,255</td>
<td>541,047,670</td>
<td>532,241,255</td>
<td>543,047,670</td>
<td>10,806,415</td>
<td>541,047,670</td>
</tr>
<tr>
<td><strong>Total Equity at End of Reporting Period</strong></td>
<td>569,815,321</td>
<td>589,023,074</td>
<td>585,925,453</td>
<td>597,561,301</td>
<td>11,635,848</td>
<td>592,471,776</td>
</tr>
</tbody>
</table>
### STATEMENT OF CASH FLOWS
for the year ended 30 June 2018

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating receipts</td>
<td>40,767,801</td>
<td>41,521,340</td>
<td>43,115,910</td>
<td>43,172,426</td>
<td>56,516</td>
</tr>
<tr>
<td>Investment receipts</td>
<td>122,291</td>
<td>152,027</td>
<td>97,844</td>
<td>97,844</td>
<td>-</td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating payments to suppliers &amp; employees</td>
<td>(27,381,603)</td>
<td>(31,233,716)</td>
<td>(31,319,491)</td>
<td>(31,505,451)</td>
<td>(185,960)</td>
</tr>
<tr>
<td>Finance Payments</td>
<td>(872,665)</td>
<td>(737,198)</td>
<td>(813,092)</td>
<td>(813,092)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Cash provided by (or used in) Operating Activities</strong></td>
<td>12,635,824</td>
<td>9,702,452</td>
<td>11,081,171</td>
<td>10,951,727</td>
<td>(129,444)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants specifically for new or upgraded assets</td>
<td>150,681</td>
<td>1,164,734</td>
<td>3,360,000</td>
<td>3,340,500</td>
<td>(19,500)</td>
</tr>
<tr>
<td>Sale of replaced assets</td>
<td>29,266</td>
<td>23,084</td>
<td>24,000</td>
<td>24,000</td>
<td>-</td>
</tr>
<tr>
<td>Repayments of loans by community groups</td>
<td>147,010</td>
<td>6,935</td>
<td>14,420</td>
<td>14,420</td>
<td>-</td>
</tr>
<tr>
<td>Capital contributed to associated entities</td>
<td>139,830</td>
<td>7,538</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure on renewal/replacement of assets</td>
<td>(6,298,520)</td>
<td>(3,317,570)</td>
<td>(10,079,394)</td>
<td>(9,307,996)</td>
<td>771,398</td>
</tr>
<tr>
<td>Expenditure on new/upgraded assets</td>
<td>(1,502,993)</td>
<td>(863,975)</td>
<td>(9,807,547)</td>
<td>(8,952,596)</td>
<td>854,951</td>
</tr>
<tr>
<td>Loans made to community groups</td>
<td>(77,165)</td>
<td>(118,733)</td>
<td>(2,820,000)</td>
<td>-</td>
<td>2,820,000</td>
</tr>
<tr>
<td>Capital contributed to associated entities</td>
<td>(7,411,891)</td>
<td>(3,117,986)</td>
<td>(182,000)</td>
<td>(182,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Cash provided by (or used in) Investing Activities</strong></td>
<td>(7,411,891)</td>
<td>(3,117,986)</td>
<td>(19,490,521)</td>
<td>(15,063,672)</td>
<td>4,426,849</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from Borrowings</td>
<td>2,500,000</td>
<td>-</td>
<td>4,820,000</td>
<td>2,000,000</td>
<td>(2,820,000)</td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayments of Borrowings</td>
<td>(4,447,604)</td>
<td>(1,922,875)</td>
<td>(2,045,342)</td>
<td>(2,045,342)</td>
<td>(0)</td>
</tr>
<tr>
<td><strong>Net Cash provided by (or used in) Financing Activities</strong></td>
<td>(1,947,604)</td>
<td>(1,922,875)</td>
<td>2,774,658</td>
<td>(45,342)</td>
<td>(2,820,000)</td>
</tr>
<tr>
<td><strong>Net Increase (Decrease) in cash held</strong></td>
<td>3,276,329</td>
<td>4,661,591</td>
<td>(5,634,692)</td>
<td>(4,157,287)</td>
<td>1,477,405</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents at beginning of period</td>
<td>2,014,819</td>
<td>5,291,146</td>
<td>7,715,265</td>
<td>9,952,737</td>
<td>2,237,472</td>
</tr>
<tr>
<td><strong>Cash &amp; cash equivalents at end of period</strong></td>
<td>5,291,148</td>
<td>9,952,737</td>
<td>2,080,573</td>
<td>5,795,449</td>
<td>3,714,876</td>
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</tbody>
</table>
## UNIFORM PRESENTATION OF FINANCES

for the year ended 30 June 2018

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>40,869,320</td>
<td>43,121,725</td>
<td>43,213,754</td>
<td>43,631,270</td>
<td>417,516</td>
<td>21,503,764</td>
</tr>
<tr>
<td>(37,764,625)</td>
<td>(38,899,615)</td>
<td>(40,132,583)</td>
<td>(40,457,543)</td>
<td>(324,960)</td>
<td>(19,445,416)</td>
</tr>
<tr>
<td>3,104,695</td>
<td>4,222,111</td>
<td>3,081,171</td>
<td>3,173,727</td>
<td>92,556</td>
<td>2,058,348</td>
</tr>
</tbody>
</table>

**less Net Surplus / (Deficit)**

<table>
<thead>
<tr>
<th>Income</th>
<th>Expenses</th>
<th>Operating Surplus / (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>40,869,320</td>
<td>(37,764,625)</td>
<td>3,104,695</td>
</tr>
<tr>
<td>43,121,725</td>
<td>(38,899,615)</td>
<td>4,222,111</td>
</tr>
</tbody>
</table>

**less Net Outlays on Existing Assets**

| Capital Expenditure on renewal and replacement of Existing Assets | 10,079,394 | 9,307,996 | (771,398) | 2,050,940 |
| less Depreciation, Amortisation and Impairment | (8,000,000) | (8,139,000) | (139,000) | (4,000,000) |
| less Proceeds from Sale of Replaced Assets | (24,000) | (24,000) | - | (1,445) |
| 6,298,520 | 3,317,570 | 3,081,171 |

**less Net Outlays on New and Upgraded Assets**

| Capital Expenditure on New and Upgraded Assets | 9,807,547 | (8,952,596) | (18,760,143) | 505,550 |
| less Amounts received specifically for New and Upgraded Assets | (3,360,000) | (3,340,500) | 19,500 | (1,388,909) |
| Proceeds from Sale of Surplus Assets | (24,000) | (24,000) | - | (1,445) |
| 1,502,993 | 883,975 | 2,055,394 |

**Net Lending / (Borrowing) for Financial Year**

| 1,325,914 | (287,694) | 6,447,547 | (12,293,096) | (18,740,643) | (883,359) | (5,421,770) | 14,321,827 | 19,743,597 | 4,892,212 |
## FINANCIAL RATIOS
for the year ended 30 June 2018

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</thead>
<tbody>
<tr>
<td><strong>Operating Surplus Ratio</strong></td>
<td>13%</td>
<td>10%</td>
<td>7%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Operating Surplus</td>
<td></td>
<td>Total Operating Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Financial Liabilities Ratio</strong></td>
<td>47%</td>
<td>15%</td>
<td>37%</td>
<td>26%</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td>Net Financial Liabilities</td>
<td>Total Operating Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Asset Sustainability Ratio</strong></td>
<td>94%</td>
<td>130%</td>
<td>121%</td>
<td>112%</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Net Asset Renewals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Surplus</strong></td>
<td>3,081,171</td>
<td>3,173,727</td>
<td></td>
<td></td>
<td>2,058,348</td>
</tr>
<tr>
<td><strong>Net Financial Liabilities</strong></td>
<td>16,003,878</td>
<td>11,516,890</td>
<td></td>
<td></td>
<td>1,559,608</td>
</tr>
<tr>
<td><strong>Net Interest Expense</strong></td>
<td></td>
<td></td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Interest Cover Ratio</strong></td>
<td>20%</td>
<td>2%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Asset Consumption Ratio</strong></td>
<td>55%</td>
<td>53%</td>
<td>54%</td>
<td>56%</td>
<td>52%</td>
</tr>
<tr>
<td></td>
<td>Carrying value of depreciable assets</td>
<td>Gross value of depreciable assets</td>
<td>Total carrying value of depreciable assets divided by total reported value of depreciable assets before</td>
<td></td>
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</tr>
<tr>
<td><strong>Debt Repayment to Rate Revenue Ratio</strong></td>
<td>30%</td>
<td>8%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
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<tr>
<td></td>
<td>Debt Servicing</td>
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<tr>
<td></td>
<td>Rate Revenue less NRM Levy</td>
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</table>

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**Operating Surplus** is defined as the operating surplus (deficit) before capital amounts.

**Net Financial Liabilities** are defined as total liabilities less financial assets (excluding equity accounted investments in net assets).

**Interest Cover Ratio** is calculated as Total Operating Revenue less Investment Income divided by interest expense (excluding investment income).

**Asset Consumption Ratio** is calculated as gross value of depreciable assets divided by total reported value of depreciable assets.

**Debt Repayment to Rate Revenue Ratio** is calculated as debt servicing (excluding debt repayments) divided by rate revenue less NRM levy.
## 7.3 DRAFT LONG-TERM FINANCIAL PLAN

### REPORT AUTHOR:
General Manager, Corporate Services

### GENERAL MANAGER:
Chief Executive Officer

### CONTACT NUMBER:
8366 4585

### FILE REFERENCE:
S/02088

### ATTACHMENTS:
A - B

### PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee the draft 2018-2019 to 2027-2028 Long-Term Financial Plan (LTFP) which was endorsed “in principle” for public consultation by the Council at its meeting held on 5 February 2018.

### BACKGROUND

Section 122 of the *Local Government Act 1999* (“the Act”), requires the Council to prepare a Long Term Financial Plan for a period of at least ten (10) years. In addition, the Council must undertake a review of the Long Term Financial Plan as soon as practicable after adopting the Council’s Annual Business Plan for a particular financial year.

In addition, pursuant to Section 122 (4) of the Act, the Council must undertake a comprehensive review of its Strategic Management Plans (which incorporates the Long Term Financial Plan), within two (2) years after each Local Government General Election. All of the Council’s Strategic Management Plans have been reviewed.

Where a Council undertakes a review of its Strategic Management Plans, the Council must adopt a process or processes to ensure that members of the public are given a reasonable opportunity to be involved in the development and review of its Strategic Management Plans.

The current LTFP was adopted by the Council on 1 August 2011. Since its adoption, minor revisions of the LTFP have been undertaken.

### RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council’s Strategic Management Plan, *CityPlan 2030*, provides the framework upon which the Council’s Strategic Management Plans are developed. The Council’s suite of Strategic Management Plans currently incorporates the *CityPlan 2030*, the LTFP, the Infrastructure and Asset Management Plans and the Annual Business Plan and Budget.

The LTFP is the primary financial management tool which links all of the Councils’ Strategic Management Plans, *City Plan 2030*, Whole of Life Asset Management Plans and the Annual Business Plan and Budget.

### FINANCIAL AND BUDGET IMPLICATIONS

The financial projections contained within the draft LTFP, provide an indication of the Council’s direction and financial capacity, rather than predicting the future financial performance and position of the Council. The LTFP is a guide to future actions or opportunities which encourages the Council to consider the future impact of decisions on the Council’s long-term financial sustainability. To this end, reference is made each year to the LTFP when preparing the Annual Business Plan and Annual Budget, to ensure that the broad financial outcomes which the Council has set and agreed upon are achieved.

### EXTERNAL ECONOMIC IMPLICATIONS

This report provides information on the financial projections covering the period from 2018-2019 through to 2027-2028 based on the set of assumptions outlined in the Discussion section of this report. Based on the financial projections contained within the draft LTFP, there will be an economic impact on ratepayers and customers through increases in rates and user charges for user pays services.
The Council does provide some rate relief to eligible rate payers through the minimum rate, rate capping and postponement of rates.

SOCIAL ISSUES

This report provides information on the financial projections of the Council covering 2018-2019 through to 2027-2028 based on the set of assumptions and it is possible that the projected rate revenue increase may have social implications for some ratepayers.

CULTURAL ISSUES

There are no cultural issues arising from this issue.

ENVIRONMENTAL ISSUES

There are no environmental issues arising from this issue.

RESOURCE ISSUES

There are no resource issues arising from this issue.

RISK MANAGEMENT

There are no risk management issues arising from this issue.

CONSULTATION

- **Elected Members**
  Information Sessions with Elected Members were held on 30 January 2017 and 13 November 2017. At the workshop held on 13 November 2017, Elected Members provided feedback on the Strategic Projects to be included within the LTFP. A summary of the feedback provided is contained in Attachment A.

- **Community**
  The community will be provided with the opportunity to comment on the draft LTFP through the public consultation process.

- **Staff**
  Not applicable

- **Other Agencies**
  Not applicable

DISCUSSION

At a Council Workshop held on 30 January 2017, Elected Members were presented with background information on how the Council has performed against the various targets set out in the 2011-2022 Long Term Financial Plan and how the future projections will meet the Council’s financial objectives.

Financial Objectives

As part of the 2011-2022 LTFP, the Council adopted the following Financial Goal:

*A City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner.*

To ensure the Council achieved its Financial Goal, a number of Financial Outcomes and financial targets were established to support the Councils achievement of it Financial Goal. The Financial Outcomes were;

**Outcome 1: A balanced budget**

Council’s services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers.
Outcome 2: Rate Stability

Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term

Outcome 3: Infrastructure and Asset Management

Maintain Infrastructure and Assets in line with the Council’s Whole of Life Infrastructure framework to achieve the outcomes and objectives, as set out in City Plan 2030

Outcome 4: Debt Management

Prudent use of debt to invest in new long term assets to ensure intergenerational equity between

The Financial Goal and Outcomes were reviewed to determine the on-going relevance of these objectives for the 2018-2028 Long Term Financial Plan (“2018-2028 Plan”). It was determined that these objectives continue to remain relevant and therefore form the basis for the 2018-2028 Plan.

The targets set for each Outcome are contained in Table 1 below.

<table>
<thead>
<tr>
<th>TABLE 1: LONG TERM FINANCIAL PLAN – FINANCIAL TARGETS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcome</strong></td>
</tr>
<tr>
<td>A balanced budget Operating Ratio</td>
</tr>
<tr>
<td>Rate stability Rate revenue increases</td>
</tr>
<tr>
<td>Infrastructure and Asset Management Asset Sustainability Ratio</td>
</tr>
<tr>
<td>Debt Management Net Financial Liabilities</td>
</tr>
<tr>
<td>Debt Servicing Ratio</td>
</tr>
</tbody>
</table>
ASSUMPTIONS

The financial projections contained within the 2018-2028 LTFP are meant to provide an indication of the Council's direction and financial capacity rather than predicting the future financial performance and position of the Council.

The key assumptions underlying the 2018-2028 Plan, which are consistent with previous LTFP’s, are as follows:

**Maintaining existing services at current service standards**

The Plan is based on a “business as usual” assumption, which means that the Council will continue to provide the existing services at the current service levels.

The “business as usual” assumption does not take into account any change in direction or service level in response to community expectations, legislative requirements or changing economic conditions.

It is recognised that the adoption of a “business as usual” assumption is somewhat unrealistic for a planning timeframe of ten (10) years, given changes in the economic climate and community expectations and needs which may result in investment in new assets and service initiatives. While these new initiatives are unknown, for the purpose of developing the forward projections the Plan assumes new initiative expenditure of $600,000 per annum split 85%:15% between capital and operating expenditure respectively.

**Rate revenue increases**

The Reserve Bank of Australia has an inflationary target of between 2% and 3% per annum.

The Plan assumes an average Rate Revenue increase of 2.6% which is equivalent to the combined 10 year average of Adelaide CPI Increase and the Local Government Price Index (LGPI).

**Cost Escalation**

The Reserve Bank of Australia has an inflationary target of between 2% and 3% per annum. Based on the 10 year average, CPI increases have been set at 2.3% for the life of the 2018-2028 Plan.

The nature of the price movement associated with goods and services which are used by Local Government is somewhat different to the goods and services consumed by the ‘average household’. The cost escalation for non-salary costs is on average 2.6% per annum over the life of the 2018-2028, which is based on a combination of the 10 year average of CPI, the LGPI, and known increases for particular cost items (i.e. waste management) which are in excess of the CPI and LGPI.

The financial projections have assumed that wages and salary costs will increase by 2.25% per annum. All Council non-contract staff are parties to Enterprise Bargaining Agreements which cover periods of up to 3 years. It should be noted however as these Agreements will be renegotiated during the planning timeframe of the LTFP, the potential for unforeseen variations in the financial projections exist.

**Asset Renewal and Replacement**

The Council has in place Whole of Life Asset Management Plans for each major class of assets. The financial projections included in the Plan are based on the asset renewal and replacement programs outlined in the current Whole of Life Asset Management Plans. The Asset Management Plans are expected to be reviewed in the near future and the Plan will be updated to reflect the outcomes of that review.

Due to the unique nature of Council's asset base, the input costs to renew and replace the existing asset base can be subject to cost escalations greater than CPI. The financial projections have assumed that construction costs will increase by 2.8%, which has been based on the ten (10) year average of the Capital component of the Local Government Price Index.
Funding

Based on the principle of intergenerational equity, the Plan assumes that the Council will borrow to fund new and upgraded assets.

Interest rates on new borrowings are forecast at 4.5% pa. Interest rate on investment income is forecast at 3.5%

Grants and Subsidies

The Council receives Grants and Subsidies from both the State and Federal Governments to fund Council services and programs. It is assumed existing Operating Grants will continue to be provided in the future and have been indexed by 3.0% pa.

The financial projections include Capital Grant revenue to assist in funding for specific new capital projects. As this revenue is dependent on the pool of Government funding available, it is difficult to predict how successful the Council will be in securing funds in the future.

Depreciation

Depreciation is an allowance that represents the consumption of an assets service potential, or put simply its wear and tear. Depreciation is based on the written down replacement value of an asset. Council undertakes an independent valuation of its major asset classes every five years. In the interim years, a review and update of the replacement cost is undertaken based on the annual average movement in value of like assets verified by the Council’s valuer.

The escalation rates to reflect asset revaluations applied in the financial projections is between 1 and 3% across the life of the plan, dependent upon the asset class.

Capital Investment

The Plan proposes that the Council undertake a number of Asset upgrade Projects to the value of $38 million.

The projects included within the Plan are a combination of projects that have been adopted by the Council and a number major projects yet to be completed. The major projects which have been included in the Plan are based on the feedback received from the Information Session held on the 13 November 2017.

Based on the feedback received, which questioned the need for three (3) libraries, the funding allocation for the relocation of the Norwood Library has been removed from the life of the 2018-2028 LTFP. In addition, the under-grounding of the powerlines along Magill Road have been removed from the scope of the Magill Road Street scape project. Details of the major projects are contained in the draft Long Term Financial Plan which is contained in Attachment B.

In addition, the Plan assumes that the Council will invest $9 million each year to undertake the Asset and Infrastructure renewal program.

OPTIONS

Nil

CONCLUSION

Based on the underlying assumptions contained within the draft LTFP, the financial projections indicate that the Council is in a position to deliver on its financial goal of being a Council which delivers on its Strategic Outcomes by managing its financial resources in a sustainable and equitable manner.
The Council’s Operating Surplus Ratio, over the period of the plan is forecast to be on average 2.8%, with the annual Operating Surplus for the life of the LTFP ranging from $1 million to $2.2 million. The Council will invest $9.0 million each year to undertake the asset and infrastructure renewal program, with this being complemented with $38 million planned to be spent on major asset upgrades and enhancements. Despite this significant level of investment, the Council will be in a position to effectively manage its debt position.

Rate revenue increases are stable over the life of the Plan indicating equity between generations, and that current and future ratepayers pay only for their share of the City’s assets and services.

COMMENTS

Nil

RECOMMENDATION

That the report be received and noted.
## LTTP Elected Members Comments

<table>
<thead>
<tr>
<th>Strategic Project Name</th>
<th>LTFP Timing</th>
<th>Current LTFP Funding Allocation</th>
<th>Elected Members Comments</th>
</tr>
</thead>
</table>
| Swimming Centre’s Upgrade                         | 2017-18 through to 2022-2023 | $11.6 million                  | • Question the upgrade of the Payneham Memorial Pool to the need for a proper Regional Aquatic Centre – Covered for all year use  
• Swimming Centres upgrade staggered over the time frames stated  
• Payneham Memorial Pool - replace with a better standard pool rather than spending many dollars doing up the existing pool  
• Reconsider the Pools  
• Reconsider the Pools  
**Recommendation:** Schedule of works remains as per the draft LTFP |
| Magill Road Street-scaping & Power Line Undergrounding | 2021-2022       | $3.7 million $2.0m Capital $1.7m Recurrent | • Higher Priority – Caroma Redevelopment will result in more people  
• Remove under-grounding of powerlines from the Project  
• Move up the priority list but itemise options that include/exclude the under-grounding of the powerlines  
• Reconsider the value of under-grounding the powerlines, delete this from the project  
• Magill Road is urgent  
• Magill Road is a priority over St Peters Street  
• Magill Road is a priority  
**Need to understand the impact of the Tram Extension, could potentially go down Magill Road.**  
**Recommendation:** The project be re-scoped to exclude the under-grounding of the powerlines, with concept/detailed design to begin over the next couple of years, with a view to begin on-ground works in 2020-2021 |
## LTNP Elected Members Comments

<table>
<thead>
<tr>
<th>Strategic Project Name</th>
<th>LTFP Timing</th>
<th>Current LTFP Funding Allocation</th>
<th>Elected Members Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norwood Oval Members Facilities, including street scaping.</td>
<td>2018-2019</td>
<td>$5.8 million</td>
<td>Currently committed and work has commenced</td>
</tr>
</tbody>
</table>
| Buttery Reserve Upgrade                                     | 2019-2020   | $0.900 million                  | • Reconsider pushing the timing out a year or two  
• Commence the consultation on Buttery reserve so we know what to plan for  
**Recommendation:** Work to commence on Concept Design in 2018-2019, with works scheduled to start from 2023-2024.                                |
| Norwood Library Re-location                                 | 2022-2023   | $3.5 million                    | • Question the need for a third Library  
• Abandon the Norwood Library re-location. Usage is changing due to technology advances  
• No third Library  
• Two libraries only  
• Reconsider the Norwood Library re-location with a view to a two (2) library option only  
• Do not shift the library at Norwood to the Town Hall. Re-allocate and priorities Library upgrade at the current location  
**Recommendation:** Funding allocation for the relocation and redevelopment of the Norwood Library be removed from the Long Term Financial Plan, however upgrades to the existing building needs to be determined. |
<table>
<thead>
<tr>
<th>Strategic Project Name</th>
<th>LTFP Timing</th>
<th>Current LTFP Funding Allocation</th>
<th>Elected Members Comments</th>
</tr>
</thead>
</table>
| Reserve Upgrade to District Standards  | 2019-2020   | $0.750 million                   | • Push out Twelftree and Hannaford out to 2024-2025  
• Include Borthwick Park as an innovative playground and possibly a District Park  

 *Borthwick Park is already classified as a District Standard Reserve*  

**Recommendation:** Re-consider to determine if upgrades can be incorporated with current Recreation and Open Space Whole of Life programs. Defer consideration of Borthwick Park as an innovative playground pending the consideration of the Playgrounds strategy. |
| Burchell Reserve                       | 2027-2028   | $1 million                      | • Works to be brought forward to 2019-2020  
• Works to be brought forward to 2018 and be undertaken over two (2) financial years.  

**Recommendation:** Works be scheduled from 2020-2022, following completion of other project works which have been committed to by a decision of the Council. |
## LTFP Elected Members Comments

<table>
<thead>
<tr>
<th>Strategic Project Name</th>
<th>LTFP Timing</th>
<th>Current LTFP Funding Allocation</th>
<th>Elected Members Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>St Peters Street (Second Avenue to Linear Park)</td>
<td>2025-2026</td>
<td>$1.2 million</td>
<td>• Consider staging the works over a number of financial years, with works commencing from 2019-2020&lt;br&gt;• Look at the need to extend the streetscape works to linear park</td>
</tr>
<tr>
<td></td>
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<td><strong>Recommendation:</strong> Funding allocation be staged over three (3) years commencing 2021-2022.</td>
</tr>
<tr>
<td>The Parade Masterplan Implementation</td>
<td>2021-2022 through to 2024-2025</td>
<td>$4 million</td>
<td>• Bring forward so that works start in 2020-2021&lt;br&gt;• Reconsider the timing until the decision about the Tram along the Parade has been made</td>
</tr>
<tr>
<td></td>
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<td><strong>Recommendation:</strong> The decision on both the EASTLink (Tram) Route and the timing of the implementation will impact upon the implementation of the Parade Masterplan. Both the route and the timing are critical factors; however the Masterplan can be progressed to completion. Given the need to upgrade the infrastructure in order to ensure that the Parade remains competitive, the implementation could be staged and take into account EASTLink. In this respect, there are some works which can be undertaken which would not be impacted by the tram route. As such, subject to the final decision on EASTLink it is recommended that works commence in 2021-2022.</td>
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# LTTP Elected Members Comments

## Recommended Scheduling

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<tbody>
<tr>
<td>Swimming Centre’s Upgrade</td>
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<tr>
<td>Parade Masterplan implementation</td>
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<tr>
<td>Magill Road Street-scaping &amp; Power Line Undergrounding</td>
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<tr>
<td>Norwood Oval Members Facilities, including street scaping</td>
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<tr>
<td>Burchell Reserve Upgrade</td>
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<td>Reserve Upgrade to District Standards</td>
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<td>Buttery Reserve Upgrade</td>
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<td>St Peters Street (Second Avenue to Linear Park)</td>
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<tr>
<td>Roads to Recovery</td>
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<tr>
<td>Playgrounds Strategic Improvement Plan</td>
<td>Adey</td>
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<tr>
<td>Infrastructure Whole of Life</td>
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<tr>
<td>Quadrennial Artwork</td>
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<tr>
<td>Plant Replacement</td>
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Legend:
- **Concept/Detailed Design**
- **Construction**
- **Third Party Influence**
- **Standard Infrastructure works**
Attachment B

Draft Long-Term Financial Plan
The City of Norwood Payneham & St Peters is driven by the need to deliver to our ratepayers and residents enhanced and improved services by the most efficient and effective means possible. The ability to deliver on this and our strategic directions outlined in the City Plan 2030 is dependent on the Council having financial resources available.

The Local Government Act 1999, requires Councils to prepare a Long Term Financial Plan ("the Plan") covering a period of at least 10 years. The Plan is a key document in the Councils Strategic Planning Framework. It is the primary financial management tool which links the Councils’ Strategic Plan, City Plan 2030, Whole of Life Asset Management Plans and the Annual Business Plan and Budget.

Adopted in 2008, CityPlan 2030 is focused on the concept that as a community, we can shape, model and influence our future by the actions we take today. CityPlan 2030 captures the community’s vision and aspirations for our City over the next 20 years and establishes broad directions which will shape our City’s future, with the overall aim of achieving Community Well-being.

The foundation of CityPlan 2030 is based on four strategic outcome areas which the Council refers to as our ‘Quadruple Bottom Line’. These are Social Equity, Cultural Vitality, Environmental Sustainability and Economic Prosperity.

In line with CityPlan 2030, the Long Term Financial Plan focuses on these four strategic outcomes. The financial projections contained within the Plan are meant to provide an indication of the Council’s direction and financial capacity rather than predicting the future financial performance and position of the Council. The Plan should be viewed as a guide to future actions or opportunities which encourages Council to think about the future impact of decisions made today on the Council’s long-term financial sustainability.
City Snapshot 2016-2017

- 22,600 street trees
- 69 Parks & reserves with 28 playgrounds
- 3% population increase predicted by 2026**

- 15.1 km² land area
- 37,350 residents*
- 120 ethnicities
- 6,000 home-based businesses

* Source: 2011 Census
** Source: Government of South Australia 2011
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.
CityPlan 2030: Shaping Our Future is underpinned by

- Social Equity
- Cultural Vitality
- Economic Prosperity
- Environmental Sustainability

10 Year Long-Term Financial Plan → Annual Business Plan → Annual Budget → Infrastructure & Asset Management Plans
Our Financial Goal

A City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner

Financial sustainability means having a financial position capable of meeting long term service and infrastructure levels and standards, acceptable to the community, without substantial increases in rates or cuts to services.

The Council’s long term sustainability is dependent upon ensuring that, on average over time, the operating expenses are less than the associated revenues.

Financial sustainability implies equity between generations, to ensure that today’s ratepayers pay only for their share of the City’s assets. Intergenerational equity is primarily achieved by funding the cost of renewing and replacing assets through revenue sources including rates. This means the cost of replacing assets which benefit existing ratepayers are being funded by those ratepayers.

To ensure that we deliver on our financial goal, the Council has committed to achieving the following financial outcomes;

Outcome 1: A balanced budget
Council’s services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers

Measure
Operating Ratio
Operating result as a percentage of Rate Revenue

Operating Result equals operating revenue less operating expenses (including depreciation)

Target
0-10%

Outcome 2: Rate Stability
Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term

Measure
Rate Revenue Increase
Year on year increase in total rate revenue collected

Target
2%-4%

Outcome 3: Infrastructure and Asset Management
Maintain Infrastructure and Assets in line with the Council’s Whole of Life Infrastructure framework to achieve the outcomes and objectives, as set out in City Plan 2030

Measure
Asset Sustainability Ratio
Renewal capital expenditure as a percentage of planned expenditure outlined in Asset Management Plans

Target
90-110%

Outcome 4: Debt Management
Prudent use of debt to invest in new long term assets to ensure intergenerational equity between current and future users

Measure
Net Financial Liabilities
Extent to which net financial liabilities are be met by its operating revenue

Debt Servicing Ratio
Interest and Principal repayments as a percentage of operating revenue

Target
Net Financial Liabilities < 75%
Debt Servicing Ratio < 15%
Our Performance

In 2010-2011, the Council undertook a major review of its Long Term Financial Plan. At that time, becoming a financial sustainable Council was the key priority. The Long Term Financial Plan developed was based on the Council’s ability to undertaken a number of strategic projects which enhanced the Community Well-being of the community but also ensured that the Council could not only fund its continuing services, programs and activities but also met its debt servicing requirements.

Our performance against the financial outcomes is the key indicators as to how successful the Council has been in achieving long term financial sustainability.

Outcome 1: A balanced budget

Council’s services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers

Target: Operating Ratio between 0% and 10%

Target Achieved

Outcome 2: Rate Stability

Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term

Target: Rate Revenue Increases between 3.5% and 5.5%

Target Achieved
Our Performance

Outcome 3: Infrastructure and Asset Management

Maintain Infrastructure and Assets in line with the Council’s Whole of Life Infrastructure framework to achieve the outcomes and objectives, as set out in City Plan 2030.

Target: On a rolling three year average the spend on asset renewals is between 90% and 110% of the planned asset expenditure as outlined in the Asset and Infrastructure Management Plans.

Target Achieved: ×

Outcome 4: Debt Management

Prudent use of debt to invest in new long term assets to ensure intergenerational equity between current and future users.

Target: The net amount owed by Council is less than 75% of total revenue.

Target Achieved: ✔

Target: The value of principal loan repayments and interest expense does not exceed 15% of Rate Revenue.

Target Achieved: ✔
## Our Achievements

In 2010-2011, the Council planned to deliver a number of strategic projects, programs and initiatives. The projects delivered has allowed the Council to continue to deliver on its vision of fostering a prosperous, vibrant and connected community.

The projects detailed below are considered the highlights since 2010-2011, in that the delivery of the project or initiative span across a number of the four key Outcome areas of CityPlan2030 and were successful in achieving multiple Objectives, making them significant achievements which have contributed to improving the well-being of our community.

<table>
<thead>
<tr>
<th>CityPlan Outcome</th>
<th>Strategic Project</th>
<th>Project Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Equity</td>
<td>Revitalising St Peters</td>
<td>Revitalising St Peters was a significant civic, infrastructure and placemaking project for the Council. The redevelopment project was undertaken in two (2) stages, with Stage one (1) being the redevelopment of Dunstone Grove-Linde Reserve. The aim of the redevelopment was to improve existing facilities, incorporating state of the art environmental initiatives, to deliver a significantly improved open space for the City. The revitalised Dunstone Grove-Linde Reserve was officially opened in December 2011. Stage two (2) commenced in October 2011 and involved the redevelopment of the St Peters Town Hall precinct. The redevelopment involved the refurbishment and adaptive re-use of the buildings on the Town Hall site, incorporating the St Peters Library, a new Cultural Heritage Centre and Banquet Hall plus leased accommodation for Eastern Health Authority and 3D Radio, as well as a Display Gallery and Community meeting rooms. Officially opened in December 2012, the completion of this project provided a clear link between Dunstone Grove-Linde Reserve and the St Peters Town Hall complex.</td>
</tr>
<tr>
<td>Cultural Vitality</td>
<td>St Peters Civic Plaza and Avenues of Honour</td>
<td>This project created a new and vibrant high quality civic space adjacent to the St Peters Town Hall Complex. The redevelopment included an Avenue of Honour and an interpretive commemoration to the 100 years of the ANZAC. The Avenue of Honour represents a contemporary and historic commemoration of all Australian Servicemen and women killed in action. The St Peters Civic Plaza and Avenues of Honour was completed in September 2014.</td>
</tr>
<tr>
<td>Economic Prosperity</td>
<td>Kitchen Organics Collection Service</td>
<td>Introduced in 2011, the kitchen organics service is a significant waste reduction initiative to encourage and support the recycling of household food waste. The system allows food waste to be stored separately from other household waste, before being deposited it into the green organics bin, along with organic garden waste. As part of the service, the Council has supplied every house with a ventilated kitchen organics basket and a roll of compostable liner bags.</td>
</tr>
<tr>
<td>Environmental Sustainability</td>
<td>City Wide Cycling Plan</td>
<td>Developed the City Wide Cycling Plan which sets out the strategies for the creation of a well-connected cycling network. The plan sets out the strategies and prioritised actions aimed at improving cycling routes, facilities and initiating behavioural change to make bike riding safer, more enjoyable and a viable alternative to vehicular transport.</td>
</tr>
<tr>
<td>Economic Prosperity</td>
<td>Adelaide Fashion Festival</td>
<td>The Festivals objective is to promote The Parade as one of Adelaide’s premier fashion shopping destinations and to provide a platform for South Australian established and emerging designers to showcase their talents to local and national audiences.</td>
</tr>
<tr>
<td>Social Equity</td>
<td>Payneham Oval Playground</td>
<td>The Payneham Oval was identified as an Innovative Playground as part of the Council’s Playground Strategy. The redevelopment transformed the Payneham Oval Playground to a state of the art, innovative junior/toddler children’s playground that supports children of all abilities. The Playground was developed based on an Action Theme, which not only improved the quality of the existing playground and provided diversity and innovation in the play opportunities for younger children. The Payneham Oval Playground was opened with a free community event in August 2015.</td>
</tr>
<tr>
<td>Social Equity</td>
<td>Reserve upgrade to District Standard</td>
<td>As part of the Council’s Strategic Plan CityPlan2030, the Council set a target to upgrade six (6) reserves to District Standard by 2020. To date the Council has upgraded four (4) reserves, with Koster Reserve and Hutchinson Reserve being upgraded in 2011-2012 and 2015-2016 respectively.</td>
</tr>
<tr>
<td>Social Equity</td>
<td>Supported the Business Precincts</td>
<td>Expanded the Food Secrets of Glynde through the introduction of bus tours and way finding and extended the initiative by participating in the Tasting Australia with the Taste Glynde event.</td>
</tr>
<tr>
<td>Social Equity</td>
<td>Felboost Reserve</td>
<td>In January 2014, the Council commenced the Felboost Reserve Masterplan project, which is being undertaken concurrently with the Eastern Regional Alliance (ERA) Waterproofing the East project.</td>
</tr>
</tbody>
</table>
Key Influences & Assumptions

The City of Norwood, Payneham and St Peters provides a variety of services, programs and activities. The provision of these services, programs and activities are in response to the responsibilities of Councils under the Local Government Act and other relevant legislation plus community interest and expectations.

A number of significant factors have influenced the preparation of the Plan:

- Maintenance and renewal program for existing infrastructure assets, including roads, footpaths, Council properties and open spaces.
- Commitment to major projects which span more than one (1) year.
- Initiatives and major projects undertaken need to contribute to our vision, strategic direction and the wellbeing of our City.
- Prudent Financial Management to ensure financial sustainability.

The financial projections contained within the Plan are meant to provide an indication of the Council’s direction and financial capacity rather than predicting the future financial performance and position of the Council.

The key assumptions underlying the Plan are as follows;

**Maintaining existing services at current service standards**

The Plan is based on a “business as usual” assumption, which means that the Council will continue to provide the existing services at the current service levels.

The “business as usual” assumption does not take into account any change in direction or service level in response to community expectations, legislative requirements or changing economic conditions.

It is recognised that the adoption of a “business as usual” assumption is somewhat unrealistic for a planning timeframe of ten (10) years, given changes in the economic climate and community expectations and needs which may result in investment in new assets and service initiatives. While these new initiatives are unknown, for the purpose of developing the forward projections the Plan assumes new initiative expenditure of $600,000 per annum split 85:15% between capital and operating expenditure respectively.

**Rate revenue increases**

The Reserve Bank of Australia has an inflationary target of between 2% and 3% per annum.

The Plan assumes an average Rate Revenue increase of 2.6% which is equivalent to the combined 10 year average of the Adelaide CPI and the Local Government Price Index (LGPI).

**Cost Escalation**

The Reserve Bank of Australia has an inflationary target of between 2% and 3% per annum. Based on the 10 year average, CPI increases have been set at 2.3% for the life of the Plan.

The nature of the price movement associated with goods and services consumed by Local Government is somewhat different to the goods and services consumed by the ‘average household’. The cost escalation for non-salary costs is on average 2.6% per annum, which is based on a combination of the 10 year average of the CPI, the LGPI, and known increases for particular cost items (i.e. waste management) which are in excess of the CPI and LGPI.

The financial projections have assumed that wages and salary costs will increase by 2.25% per annum. All Council non-contract staff are parties to Enterprise Bargaining Agreements which cover periods of up to 3 years. It should be noted however as these Agreements will be renegotiated during the planning timeframe of the LTFP, the potential for unforeseen variations in the financial projections exist.

**Asset Renewal and Replacement**

The Council has in place Whole of Life Asset Management Plans for each major class of assets. The financial projections included in the Plan are based on the asset renewal and replacement programs outlined in the current Whole of Life Asset Management Plans. The Asset Management Plans are expected to be reviewed in the near future and the Plan will be updated to reflect the outcomes of that review.

Due to the unique nature of Council’s asset base, the input costs to renew and replace the existing asset base can be subject to cost escalations greater than CPI. The financial projections have assumed that construction costs will increase by 3.1%.

**Funding**

Based on the principle of intergenerational equity, the Plan assumes that the Council will borrow to fund new and upgraded assets.

Interest rates on new borrowings are forecast at 4.5% pa. Interest rate on investment income is forecast at 3.5%.

Cash and cash equivalents projections, when possible, are based on an ideal closing cash balance equivalent to one month’s working capital requirements.

**Grants and Subsidies**

The Council receives Grants and Subsidies from both the State and Federal Governments to fund Council services and programs. It is assumed existing Operating Grants will continue to be provided in the future and have been indexed by 3.0% pa.

The financial projections include Capital Grant revenue to assist in funding for specific new capital projects. As this revenue is dependent on the pool of Government funding available, it is difficult to predict how successful the Council will be in securing funds in the future.

**Depreciation**

Depreciation is an allowance that represents the consumption of an assets service potential, or put simply its wear and tear. Depreciation is based on the written down replacement value of an asset. Council undertakes an independent valuation of major asset classes every five years. In the interim years, a review and update of the replacement cost is undertaken based on the annual average movement in value of like assets verified by the Council’s valuer.

The escalation rates to reflect asset revaluations applied in the financial projections is between 1 and 3% across the life of the plan, dependent upon the asset class.
The Long-Term Financial Plan, which is developed on the principle of financial sustainability, sets out the Council's financial strategies and commitments over the long term. The Plan is driven by the need to deliver enhanced and improved services to our ratepayers and residents, by the most efficient and effective means possible.

The Council's long-term financial sustainability is dependent on ensuring that, on average over time, the Council's income can cover the cost of its operational expenses.

The Council's Operating Result, as shown in Graph 1, demonstrates how the Council has been able to achieve financial sustainability over the last six years and how it will continue to maintain this into the future.

Graph 1

Operating Surplus/Deficit
2010-2011 to 2027-2028
## Strategic Projects

The Long Term Financial Plan has been developed to ensure that the Council has the financial resources to deliver on its strategic objectives outlined in CityPlan 2030. CityPlan 2030 captures the community’s vision and aspirations for our City over the next 20 years and establishes broad directions which will shape our City’s future, with the overall aim of achieving Community Well-being. The Plan includes a number of major projects and initiatives which are planned to be undertaken over the life of the plan which will contribute to the achievement of CityPlan 2030.

<table>
<thead>
<tr>
<th>CityPlan Outcome</th>
<th>Strategic Project</th>
<th>Project Description</th>
<th>When</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Norwood Oval Members Facilities, including street scaping</td>
<td>The construction of new Clubrooms and Members Facilities at the Norwood Oval in the area currently occupied by the Balderstone Stand. The Council’s contribution is $2 million. A significant financial contribution will be made by the Norwood Football Club to assist in the construction of the new facilities. Upgrade footpaths and general landscaping outside the Norwood Oval and in Wood Street, to complement the proposed Norwood Oval Clubrooms and Members Facilities.</td>
<td>2017-2019</td>
<td>Cost: $5.820 million Funding: $3.250 million</td>
</tr>
<tr>
<td></td>
<td>Burchell Reserve</td>
<td>Undertake redevelopment works detailed in Concept Plans to upgrade the reserve to District Standard.</td>
<td>2020-2021</td>
<td>Cost: $1 million</td>
</tr>
<tr>
<td></td>
<td>Innovative Playground Redevelopment</td>
<td>The Council identified three (3) Playgrounds to be redeveloped as Innovative Playgrounds. The playgrounds identified include Payneham Oval (completed in 2015), Adey Reserve and Dunstan Adventure Playground. The Plan includes funding for the redevelopment of Adey Reserve (2018-2019) and Dunstan Adventure playground (2022-2023)</td>
<td>2018-2019</td>
<td>Cost $1.8 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2022-2023</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Swimming Centre's Upgrade</td>
<td>As part of the Long Term Strategy, the Council resolved to retain the two (2) Centre model. Both the Norwood Swimming Centre and the Payneham Memorial Swimming Centre will be redeveloped.</td>
<td>2018 to 2023</td>
<td>Cost: $8.7m - $11.7m</td>
</tr>
<tr>
<td></td>
<td>Parade Masterplan</td>
<td>Undertake redevelopment works detailed in the Parade Masterplan</td>
<td>2022 to 2025</td>
<td>Cost: $4.8 million</td>
</tr>
<tr>
<td></td>
<td>Magill Road Street-scaping</td>
<td>Undertake redevelopment works detailed in the Magill Road Street scape Masterplan, including the undergrounding of powerlines</td>
<td>2020 to 2023</td>
<td>Cost: $3.6 million</td>
</tr>
<tr>
<td></td>
<td>Buttery Reserve Upgrade</td>
<td>Develop Masterplan for the redevelopment of Buttery Reserve and undertake associated works. Concept Plans to be undertaken in 2018-2019.</td>
<td>2024-2026</td>
<td>Cost: $0.900 million</td>
</tr>
<tr>
<td></td>
<td>Reserve Upgrade to District Standards</td>
<td>Upgrade a number of reserves throughout the City from Neighborhood Reserve to District Standard. Reserves identified include Hannaford, Twelftree Reserve</td>
<td>2025 to 2027</td>
<td>Cost: $0.75 million</td>
</tr>
</tbody>
</table>

### Social Equity  Cultural Vitality  Economic Prosperity  Environmental Sustainability
The Plan has been developed with reference to a series of targets. The targets and performance measures have been selected to determine whether the Council is financially sustainable or moving to a position of financial sustainability.

Financial targets adopted by the Council to measure performance against the Plan and financial sustainability are detailed in the Graphs below.

Outcome 1: A balanced budget

Council’s services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers.

Operating Surplus/ (Deficit) Ratio

Operating Surplus ratio, measures operating surplus/ (deficit) as a percentage of rates revenue. This indicator represents the percentage by which income sources varies from the day to day operating expenditure.

Target: Operating Ratio between 0% and 10%
Target Achieved ✓

Over the life of the plan, the average Operating Surplus ratio is 2.4%. The Plan is forecasting an Operating Deficit in the 2022-2023 Financial year due to the planned powerline undergrounding as part of the Magill Road Streetscape upgrade. As the Council is not the owner the powerlines along Magill road, the costs associated with these works will be expensed against Operating Surplus.
Financial Targets & Measures

Outcome 2: Rate Stability

Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term.

Target: Rate Revenue increases are between 2%-4% annually.

Target Achieved

The previous long term Financial plan target for annual Rate Revenue Increases was between 3.5% and 5.5%. Due to prudent financial management over the last five (5) years, the target range for Rate Revenue Increases has been reduced to 2% to 4% over the life of the current Plan.

The Plan assumes an average Rate Revenue increase of 2.6% which is equivalent to the combined 10 year average of Adelaide CPI Increase and the Local Government Price Index.
Financial Targets & Measures

Outcome 3: Infrastructure and Asset Management

Maintain Infrastructure and Assets in line with the Council’s Whole of Life Infrastructure framework to achieve the outcomes and objectives, as set out in City Plan 2030

Asset Sustainability Ratio

Asset Sustainability Ratio measures whether the Council is renewing or replacing existing physical assets (roads, footpaths, buildings etc.) at the same rate the stock of assets is wearing out. The ratio is calculated by measuring capital expenditure on renewal or replacement of assets, relative to the planned spend outlined in the Council’s Asset Management Plans.

Target: Asset Sustainability Ratio between 90%-110% on a rolling 3 year period

Target Achieved

Over the life of the plan, the Council is proposing to spend in the order of $9.0 million per annum for the renewal of existing assets, with the majority of this spend being allocated to the Asset and Infrastructure Capital Works Renewal program.
Financial Targets & Measures

Outcome 4: Debt Management

Prudent use of debt to invest in new long term assets to ensure intergenerational equity between current and future users

Net Financial Liabilities Ratio

A Council’s indebtedness must be managed to ensure its liabilities and associated costs are met without impinging on the financial sustainability of the council. Net Financial Liabilities ratio measures the extent of what is owed by the Council less any liquid assets (i.e. cash or receivables) of the Council are met by its operating revenue.

Target: < 75%
Target Achieved

The Plan proposes that the Council undertake a number of asset upgrade projects to the value of $38 million. Due to the nature of these projects and in line with the Council’s Treasury Management Policy, these projects will be funded through long term borrowings.
Outcomes 4: Debt Management

Prudent use of debt to invest in new long term assets to ensure intergenerational equity between current and future users

Debt Servicing Ratio

Prudent use of debt also requires the Council to ensure that it has the financial capacity to service the outstanding debt in terms of meeting both Interest and Principal repayments.

The Debt Servicing ratio measures Interest and Principal Loan repayments as a percentage of operating revenue

Target: < 15%

Target Achieved: ✔️
Summary

Based on the underlying assumptions contained within the Plan, the financial projections indicate that the Council is in a position to deliver on its financial goal of being a City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner.

The Council’s Operating Surplus ratio, over the period is forecast to be on average 2.4%, with the annual Operating Surplus for the life of the plan ranging from $1 million to $2.5 million. The Council will invest $9.0 million each year to undertake the asset and infrastructure renewal program, with this being complemented with $38 million planned to be spent on major asset upgrades and enhancements. Despite this significant level of investment, the Council will be in a position to effectively manage its debt position.

Rate revenue increases are stable over the life of the Plan indicating equity between generations, and that current and future ratepayers pay only for their share of the City’s assets and services.

The financial projections contained within the Plan are meant to provide an indication of the Council’s direction and financial capacity rather than predicting the future financial performance and position of the Council. This Plan should be viewed as a guide to future actions or opportunities which encourages Council to think about the future impact of decisions made today on the Council’s long-term financial sustainability. To this end, reference is made each year to the Plan when preparing that Annual Budget to ensure that the broad financial outcomes of the Council are continuing to be met.

As with all Plan’s there is sometimes a change circumstance over the life of the Plan, therefore, the underlying assumptions are regularly reviewed by Council to ensure the City’s strategic directions and objectives can continue to be delivered on in the future.

In line with the Local Government Act, 1999 and the Local Government (Financial Management) Regulations 2011, the projected Financial Statements, in the prescribed form are contained in the following pages.

Further information

For more information about the City of Norwood Payneham & St Peters Long Term Financial Plan, please contact the Council’s General Manager, Corporate Services, Sharon Perkins on 8366 4585 or email townhall@npsp.sa.gov.au

The Council’s website at www.npsp.sa.gov.au provides further details about the Council’s activities, policies and plans for the future.
Financial Statement
## Statement of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates</td>
<td>33,785</td>
<td>34,650</td>
<td>35,533</td>
<td>36,439</td>
<td>37,369</td>
<td>38,321</td>
<td>39,318</td>
<td>40,340</td>
<td>41,449</td>
<td>42,589</td>
<td>43,760</td>
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<tr>
<td>Statutory charges</td>
<td>1,730</td>
<td>1,774</td>
<td>1,815</td>
<td>1,857</td>
<td>1,899</td>
<td>1,943</td>
<td>1,988</td>
<td>2,034</td>
<td>2,080</td>
<td>2,128</td>
<td>2,177</td>
</tr>
<tr>
<td>User charges</td>
<td>3,652</td>
<td>3,684</td>
<td>3,768</td>
<td>3,854</td>
<td>3,941</td>
<td>4,031</td>
<td>4,123</td>
<td>4,217</td>
<td>4,312</td>
<td>4,411</td>
<td>4,511</td>
</tr>
<tr>
<td>Grants, subsidies and contributions</td>
<td>3,417</td>
<td>2,251</td>
<td>2,313</td>
<td>2,377</td>
<td>2,443</td>
<td>2,510</td>
<td>2,580</td>
<td>2,651</td>
<td>2,725</td>
<td>2,800</td>
<td>2,878</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Costs</td>
<td>15,076</td>
<td>15,409</td>
<td>15,756</td>
<td>16,110</td>
<td>16,473</td>
<td>16,850</td>
<td>17,242</td>
<td>17,651</td>
<td>18,077</td>
<td>18,520</td>
<td>18,976</td>
</tr>
<tr>
<td>Materials, contracts &amp; other expenses</td>
<td>16,271</td>
<td>15,581</td>
<td>16,410</td>
<td>16,841</td>
<td>17,284</td>
<td>17,742</td>
<td>18,213</td>
<td>18,704</td>
<td>19,209</td>
<td>19,726</td>
<td></td>
</tr>
<tr>
<td>Finance Costs</td>
<td>966</td>
<td>1,207</td>
<td>1,213</td>
<td>1,221</td>
<td>1,314</td>
<td>1,358</td>
<td>1,349</td>
<td>1,258</td>
<td>1,104</td>
<td>948</td>
<td></td>
</tr>
<tr>
<td>Depreciation, Amortisation &amp; Impairment</td>
<td>8,193</td>
<td>8,699</td>
<td>9,314</td>
<td>9,796</td>
<td>9,990</td>
<td>10,403</td>
<td>10,688</td>
<td>10,946</td>
<td>11,212</td>
<td>11,354</td>
<td>11,549</td>
</tr>
<tr>
<td>Operating Project Expenditure</td>
<td>1,175</td>
<td>1,061</td>
<td>986</td>
<td>1,062</td>
<td>1,172</td>
<td>1,134</td>
<td>1,102</td>
<td>1,146</td>
<td>1,200</td>
<td>1,165</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>40,353</td>
<td>41,830</td>
<td>43,329</td>
<td>44,557</td>
<td>45,662</td>
<td>46,796</td>
<td>47,958</td>
<td>49,169</td>
<td>50,411</td>
<td>51,745</td>
<td>53,115</td>
</tr>
<tr>
<td><strong>Net Surplus (Deficit)</strong></td>
<td>5,155</td>
<td>1,586</td>
<td>1,228</td>
<td>1,146</td>
<td>1,209</td>
<td>934</td>
<td>1,004</td>
<td>1,149</td>
<td>1,348</td>
<td>1,728</td>
<td>2,156</td>
</tr>
<tr>
<td><strong>Other Comprehensive Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in revaluation surplus - infrastructure, property, plant &amp; equipment</td>
<td>2,000</td>
<td>9,650</td>
<td>10,081</td>
<td>10,424</td>
<td>10,607</td>
<td>10,939</td>
<td>11,206</td>
<td>11,428</td>
<td>11,615</td>
<td>15,681</td>
<td>15,779</td>
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<tr>
<td><strong>Total Other Comprehensive Income</strong></td>
<td></td>
<td>9,650</td>
<td>10,081</td>
<td>10,424</td>
<td>10,607</td>
<td>10,939</td>
<td>11,206</td>
<td>11,428</td>
<td>11,615</td>
<td>15,681</td>
<td>15,779</td>
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<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td></td>
<td>14,806</td>
<td>11,472</td>
<td>11,781</td>
<td>12,021</td>
<td>12,048</td>
<td>12,387</td>
<td>12,757</td>
<td>13,146</td>
<td>17,595</td>
<td>18,125</td>
</tr>
</tbody>
</table>
## Balance Sheet

<table>
<thead>
<tr>
<th>2017-2018 Budget $'000</th>
<th>2018-2019 Plan $'000</th>
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**Net Assets**

611,857 623,328 635,109 647,131 659,179 671,565 684,322 697,469 715,064 733,189
### Statement of Cash Flows

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## Statement of Changes in Equity

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<td>70,384</td>
</tr>
<tr>
<td>Net Surplus/(Deficit) for Year</td>
<td>6,029</td>
<td>5,155</td>
<td>1,391</td>
<td>1,357</td>
<td>1,415</td>
<td>1,108</td>
<td>1,180</td>
<td>1,329</td>
<td>1,531</td>
<td>1,914</td>
<td>2,346</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td>54,003</td>
<td>59,159</td>
<td>60,549</td>
<td>61,906</td>
<td>63,321</td>
<td>64,429</td>
<td>65,609</td>
<td>66,938</td>
<td>68,470</td>
<td>70,384</td>
<td>72,730</td>
</tr>
<tr>
<td><strong>Asset Revaluation Reserve</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of previous reporting period</td>
<td>541,048</td>
<td>543,048</td>
<td>552,698</td>
<td>562,779</td>
<td>573,203</td>
<td>583,810</td>
<td>594,749</td>
<td>605,956</td>
<td>617,384</td>
<td>628,999</td>
<td>644,680</td>
</tr>
<tr>
<td>Gain on revaluation of infrastructure, property, plant &amp; equipment</td>
<td>2,000</td>
<td>9,650</td>
<td>10,081</td>
<td>10,424</td>
<td>10,607</td>
<td>10,939</td>
<td>11,206</td>
<td>11,428</td>
<td>11,615</td>
<td>15,681</td>
<td>15,779</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td>543,048</td>
<td>552,698</td>
<td>562,779</td>
<td>573,203</td>
<td>583,810</td>
<td>594,749</td>
<td>605,956</td>
<td>617,384</td>
<td>628,999</td>
<td>644,680</td>
<td>660,459</td>
</tr>
<tr>
<td><strong>Total Equity at the end of the Reporting Period</strong></td>
<td>597,051</td>
<td>611,857</td>
<td>623,328</td>
<td>635,109</td>
<td>647,131</td>
<td>659,179</td>
<td>671,565</td>
<td>684,322</td>
<td>697,469</td>
<td>715,064</td>
<td>733,189</td>
</tr>
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</table>
# Uniform Presentation of Finances

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<tr>
<td>Budget $'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>less Operating Expenses</td>
<td>(40,353)</td>
<td>(41,830)</td>
<td>(43,329)</td>
<td>(44,516)</td>
<td>(45,587)</td>
<td>(47,024)</td>
<td>(48,165)</td>
<td>(49,261)</td>
<td>(50,397)</td>
<td>(51,388)</td>
<td>(52,366)</td>
</tr>
<tr>
<td>Operating Surplus (Deficit)</td>
<td>2,888</td>
<td>1,586</td>
<td>1,228</td>
<td>1,146</td>
<td>1,209</td>
<td>934</td>
<td>1,004</td>
<td>1,149</td>
<td>1,348</td>
<td>1,728</td>
<td>2,156</td>
</tr>
<tr>
<td>Less: Net Outlays on Existing Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Expenditure on Renewal/Replacement of Existing Assets</td>
<td>(9,634)</td>
<td>(8,560)</td>
<td>(9,401)</td>
<td>(10,055)</td>
<td>(10,069)</td>
<td>(8,592)</td>
<td>(8,565)</td>
<td>(8,566)</td>
<td>(9,040)</td>
<td>(8,479)</td>
<td>(8,621)</td>
</tr>
<tr>
<td>less Proceeds from Sale of Replaced Assets</td>
<td>23</td>
<td>34</td>
<td>35</td>
<td>36</td>
<td>36</td>
<td>35</td>
<td>35</td>
<td>35</td>
<td>35</td>
<td>35</td>
<td>-</td>
</tr>
<tr>
<td>less Depreciation, Amortisation &amp; Impairment</td>
<td>8,193</td>
<td>8,699</td>
<td>9,314</td>
<td>9,796</td>
<td>9,990</td>
<td>10,403</td>
<td>10,688</td>
<td>10,946</td>
<td>11,212</td>
<td>11,354</td>
<td>11,549</td>
</tr>
<tr>
<td>(1,418)</td>
<td>173</td>
<td>(52)</td>
<td>(223)</td>
<td>(43)</td>
<td>(846)</td>
<td>2,158</td>
<td>2,415</td>
<td>2,206</td>
<td>2,910</td>
<td>2,929</td>
<td></td>
</tr>
<tr>
<td>Less: Net Outlays on New and Upgraded Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Expenditure on New/Upgraded Assets</td>
<td>(7,450)</td>
<td>(9,111)</td>
<td>(6,762)</td>
<td>(1,439)</td>
<td>(5,399)</td>
<td>(5,016)</td>
<td>(3,998)</td>
<td>(3,298)</td>
<td>(1,158)</td>
<td>(1,452)</td>
<td>(1,111)</td>
</tr>
<tr>
<td>less Amounts received specifically for new or upgraded assets</td>
<td>3,320</td>
<td>126</td>
<td>129</td>
<td>176</td>
<td>170</td>
<td>138</td>
<td>141</td>
<td>145</td>
<td>148</td>
<td>151</td>
<td>155</td>
</tr>
<tr>
<td>(4,332)</td>
<td>(5,665)</td>
<td>(6,333)</td>
<td>(1,263)</td>
<td>(5,229)</td>
<td>(4,878)</td>
<td>(3,857)</td>
<td>(3,153)</td>
<td>(1,010)</td>
<td>(1,301)</td>
<td>(956)</td>
<td></td>
</tr>
<tr>
<td>(2,862)</td>
<td>(3,906)</td>
<td>(5,457)</td>
<td>(340)</td>
<td>(4,063)</td>
<td>(2,097)</td>
<td>(695)</td>
<td>412</td>
<td>2,545</td>
<td>3,337</td>
<td>4,129</td>
<td></td>
</tr>
</tbody>
</table>

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Draft Long Term Financial Plan | Page 24
7.4 FINANCE POLICIES

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S/01823
ATTACHMENTS: A - I

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with a number of policies for consideration and endorsement prior to being presented to the Council for consideration and adoption.

BACKGROUND

Pursuant to Section 125 of the Local Government Act 1999, the 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 the Council’s records.

The 2017-2018 Audit Committee Work Program requires the Audit Committee to review the appropriateness of the range and content of the Council’s financial policies and practices.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Documentation of policies relating to the Council’s financial transactions improves transparency and ensures consistent treatment over subsequent reporting periods unless Accounting Standards or legislation changes.
CONSULTATION

- **Committee Members**
  - Nil

- **Community**
  - Nil

- **Staff**
  - Nil

- **Other Agencies**
  - Nil

DISCUSSION

A review of the Council’s Policy Framework including the Council’s procedures for both legislative requirements and business systems, is currently being undertaken with a view of developing a suite of up-to-date documents for both Policies and Procedures with appropriate business systems in place to support the documentation.

As part of this review, the existing Council policies across all functional areas have been identified and reviewed to determine if the policy was relevant, up-to-date or no longer required. In addition, a gap analysis has been undertaken to identify any new policies which may be required to be prepared. The review encompassed both the Corporate Governance Policies required either by legislation or better governance practices and Administrative Policy.

As part of the Policy Review Project, the following policies have been developed or have had a major review.

**Prudential Management Policy**

Section 48 of the *Local Government Act 1999*, requires the Council to maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the Council:

- acts with due care, diligence and foresight;
- identifies and manages risks associated with a project;
- makes informed decision; and
- is accountable for the use of Council and other public resources.

The Council currently meets the requirements of Section 48, in respect to the commissioning of Prudential reports.

The Prudential Management Policy sets out the circumstances when a Prudential Management Report will be required to be prepared. A copy of the Prudential Management Policy is contained in **Attachment A**.

**Public Liability Insurance for Community Groups when Hiring Council facilities**

This Policy relates to public liability insurance requirements for community groups and private hirers when hiring Council owned facilities. The most significant amendment to the existing Policy is the inclusion of reserve hire in the list of Council Facilities. A copy of the Policy is contained in **Attachment B**.

In line with the Finance Policy Timetable, a review of the following policies have been undertaken and minor amendments have been made to the Policies detailed in Table 1 below. These are now presented for consideration and recommendation to the Council for adoption subject to any amendment which may be considered appropriate by the Audit Committee.
TABLE 1: PROPOSED POLICY AMENDMENTS

<table>
<thead>
<tr>
<th>Policy</th>
<th>Details of Proposed Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elected Member Electronic Communications Policy and Guidelines (Attachment C)</td>
<td>No recommended amendments.</td>
</tr>
<tr>
<td>Credit Card Policy (Attachment D)</td>
<td>No recommended amendments</td>
</tr>
<tr>
<td>Expenditure Policy (Attachment E)</td>
<td>Update of Position titles in delegation authority</td>
</tr>
<tr>
<td>Internal Control Policy (Attachment F)</td>
<td>No recommended amendments</td>
</tr>
<tr>
<td>Payments Policy (Attachment G)</td>
<td>Removed Rates Officer from authorised signatories list</td>
</tr>
<tr>
<td>Procurement Policy &amp; Guidelines (Attachment H)</td>
<td>No recommended amendments</td>
</tr>
<tr>
<td>Treasury Management Policy (Attachment I)</td>
<td>No recommended amendments</td>
</tr>
</tbody>
</table>

OPTIONS

The adoption of the Policies can be recommended to the Council with or without amendment.

CONCLUSION

To ensure compliance with Section 125 of the Act, the Council must have in place appropriate policies, practices and procedures which assist the Council to carry out its activities in an efficient and orderly manner. It is important to ensure that the policies adopted by the Council are regularly reviewed to ensure that they reflect the current operating environment and continue to meet the Council’s overall objectives.

COMMENTS

Nil

RECOMMENDATION

1. That the Audit Committee advises the Council that it has considered the draft Policies (as set out below) and recommends that the draft Policies be approved by the Council:
   - Prudential Management Policy (Attachment A); and
   - Public Liability Insurance for Community Groups when hiring Council owned facilities (Attachment B).

2. That the Audit Committee notes that the suite of Policies (as set out below) have been reviewed and notes that minor amendments have been proposed:
   - Elected Member Electronic Communications Policy and Guidelines (Attachment C);
   - Credit Card Policy (Attachment D);
   - Expenditure Policy (Attachment E);
   - Internal Control Policy (Attachment F);
   - Payments Policy (Attachment G);
   - Procurement Policy & Guidelines (Attachment H); and
   - Treasury Management Policy (Attachment I).
NAME OF POLICY: Prudential Management Policy

POLICY MANUAL: Finance

PURPOSE
The purpose of this Policy is to provide guidance to the Council, the community and staff, with in respect to the requirements for appropriate due diligence and prudential management of projects.

BACKGROUND
Prudential Management requires financial risks or adverse financial consequences to be considered, minimised or offset to ensure that the proposed benefits are achieved.

LEGISLATIVE CONTEXT
Section 48 of the Local Government Act 1999 (the Act), requires the Council’s to maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the Council;

- acts with due care, diligence and foresight;
- identifies and manages risks associated with a project
- makes informed decision; and
- is accountable for the use of Council and other public resources

A Prudential Management Report must be prepared by a qualified person for projects where;

- the expected expenditure over the ensuring 5 years is likely to exceed 20% of the Council’s average annual operating expense for the previous five years;
- the expected capital cost of the project over the ensuring 5 years is likely to exceed $4.0* million (indexed); or
- the Council considers it necessary or appropriate.

The Prudential Management Report must address the issues outlined in Section 48 (2) of the Act.

PRINCIPLE
The Principles of this Policy are:

- To ensure that the Council undertakes projects only after an appropriate level of ‘due diligence” is applied to the proposed projects; and
- Each project is managed during and evaluated after to ensure that the project achieved the identified public benefit and or needs and to minimise financial risk.

POLICY
1. The Council will be guided by the requirements of Section 48 of the Act when assessing projects

2. For projects greater than $4.0* million (indexed), the Council will prepare a Prudential Management Report which complies with the requirements of Section 48(2) of the Act.

3. The Chief Executive Officer will appoint a suitably qualified independent person to prepare the Prudential Management Report.

4. The suitably qualified independent person may be an employee of the Council, whom is not engaged with the project.

* Indexed by 2017 Adelaide CPI Index/Adelaide CPI Index 2009 for the September Quarter
* At the date of adoption, the project value requiring a Prudential Management Report is $4.7 million
5. Prudential projects will not commence until the Council has considered and adopted the Prudential Management Report.

6. Except where information is required to be protected under Section 48 (5), once adopted Prudential Management Reports will be made available to the public on the Council’s website and for inspection at the Council’s Principal Office.


8. For projects less than $4.0* million (indexed), the Council will prepare a Due Diligence Report (Funding Submissions) which at a minimum are required to assess the following;
   - the benefits (financial or otherwise) and the needs of the project;
   - identification and quantification of the whole of life financial and other costs, including staffing and project management;
   - assessment of associated risks (including the risk of delaying or not proceeding) and considerations of ways the risk can be managed or mitigated.


REVIEW PROCESS

The Council will review this Policy within 36 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is Council’s General Manager, Corporate Services, telephone 8366 4585.

ADOPTION OF THE POLICY

This Policy was adopted by Council on…….
Attachment B

Finance Policies
Public Liability Insurance for Community Groups when Hiring Council Owned Facilities
NAME OF POLICY: Public Liability Insurance for Community Groups when Hiring Council Owned Facilities

POLICY MANUAL: Finance

BACKGROUND

Councils have a duty of care to its citizens and community generally to ensure that Council owned facilities are protected from damage and or the financial impact of personal injury. Public Liability insurance is an essential component of the Risk Management Framework and is put in place to protect all parties, including the Council and the community from legal and financial damages.

This Policy relates to Public Liability Insurance requirements for community groups and private hirers when hiring Council owned facilities.

Facilities covered by this Policy include:

- the Don Pyatt Hall located at George Street Norwood;
- the St Peters Banquet Hall located at 101 Payneham Road, St Peters;
- the St Peters Payneham Library & Community Complex located at 2 Turner Street, Felixstow;
- the Payneham Community Centre located at 374 Payneham Road, Payneham;
- the St Peters Youth Centre located at 2 Cornish Street, Stepney; and
- Council reserves which are available for hire

POLICY

- Commercial hirers are required to have a valid and current Public Liability Insurance Policy at the time of the hire.
- Community groups, organisations or clubs are required to hold a current public liability insurance cover whilst hiring Council facilities and reserves however, subject to certain conditions, the Council may take out public liability cover for community groups, organisations or clubs where it is impractical or financially prohibitive for the community groups, organisations or clubs.
- The Council will provide Public Liability cover for private and family functions.
- Where required, Public Liability Insurance to the minimum cover of $10 million, is required for all hirers of Council facilities and reserves detailed in this Policy

REVIEW PROCESS

The Council will review this Policy within 36 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is the Council’s Financial Services Manager telephone 8366 4548.
ADOPTION OF THE POLICY

This Policy was adopted by Council on 4 May 2009.
This Policy was reviewed by the Audit Committee on 26 February 2018.
This Policy was adopted by the Council on 5 March 2018.
Attachment C

Finance Policies

Elected Member Electronic Communications Policy and Guidelines
NAME OF POLICY: Elected Members Electronic Communications Policy

POLICY MANUAL: Governance

BACKGROUND
The City of Norwood Payneham & St Peters recognises the need to embrace new, emerging and innovative technologies to improve the way business is conducted and which contribute to improving the way the Council meets its operational objectives.

Current and new electronic communication technologies provide opportunities for sharing information and conducting business.

The City of Norwood Payneham & St Peters has provided electronic communication facilities such as tablets (IPAD’s), Internet access, and Email to assist Elected Members in discharging their legislative functions and duties.

However, the use of electronic communication methods requires the effective management of the associated risks to ensure a dependable and consistent communications environment and to protect the Council from commercial harm.

DISCUSSION
Electronic communication facilities and equipment are Council owned resources which are provided for the purpose of assisting Elected Members in the proper discharge and performance of their legislative functions and duties.

Electronic communication facilities and equipment are primarily provided for Council’s business use and must be used in accordance with this Policy and related procedures. Reasonable personal use of the Council’s electronic communication facilities is permissible. However, personal use is a privilege, which needs to be balanced in terms of operational needs. Personal use must be appropriate, ethical and lawful.

Elected Members will be required to reimburse the Council for any excessive costs or expenses associated with the private use of electronic communication facilities and equipment

This Policy applies to Elected Members in their use of Council technology, equipment and services.

Electronic Communication includes but is not limited to:
- Internet sites and pages;
- Electronic journals and texts;
- Library catalogues;
- Email;
- Discussion lists and forums;
- Online News groups;
- Internet relay chat;
- Social Media; and
- Data of all kinds.
The use of Electronic Communication Facilities are subject to the requirements of the following Legislation:

- Local Government Act 1999;
- State Records Act 1997;
- Independent Commissioner Against Corruption Act 2012;
- Freedom of Information Act 1991; and
- Copyright Act 1968.

All material which is sent, received, forwarded or transmitted, may from time to time, be subject to monitoring or retrieval.

POLICY

Personal Use

All use, personal and council related, must be appropriate and lawful.

Technology equipment is primarily for the use and conduct of Council related services and must be used in accordance with the Guidelines set out in this Policy. The Council recognises that a prudent level of use of electronic services and facilities may occur for private purposes.

Personal (non-Council) use of Council supplied equipment or services by Elected Members, is not allowed under Section 78 of the Local Government Act 1999, unless the use is specifically approved by the Council and the Elected Member has agreed to reimburse the Council for any additional costs or expenses associated with service use. Incidental private use of equipment and services which are provided to Elected Members, is recognised and approved by the Council.

Elected Members should be aware that sensitive or personal information conveyed through electronic communication facilities, cannot be guaranteed as completely private and may be subject to the Freedom of Information Act 1991. The potential also exists for sensitive information to be read, intercepted, misdirected, traced or recorded by unauthorised persons.

Unlawful/Inappropriate Activities

Misuse of Council supplied Electronic Communication Facilities and equipment can damage the Council’s corporate and community image, infringe copyright and intellectual property generally and could result in legal proceedings being brought against both the Council and the user (i.e. the Elected Member).

Elected Members are not to access or send material that is prohibited or potentially prohibited, provocative, pornographic, offensive, abusive, sexist or racist. This includes not forwarding to others any material of this nature that is received.

Unlawful activities are prohibited, including but are not limited to:

- gaining access to any material which is prohibited or potentially prohibited, pornographic, offensive or objectionable;
- engaging in any conduct which offends Federal or State laws and regulations;
- embarrassing, bullying or harassing (sexually or otherwise) another person;
- sending or forwarding any material which is defamatory, abusive, sexist, racist or otherwise illegal;
- acting outside of copyright legislation;
- circumventing any filtering or other content access device or software; and
- interfering with electronic records management information.

Inappropriate activities include but are not limited to;

- gambling activities;
- representing personal opinions as those of the Council;
- use which may otherwise expose the Council to legal liability; and
• use contrary to any legislation or any Council Code or Policy.

The Council may monitor, copy, access and disclose any information or files that are stored, processed or transmitted using the Council’s electronic communication facilities. Such monitoring will be used for legitimate purposes only (such as legal discovery) and in accordance with any relevant legislation and/or guidelines.

**Defamation**

For the purpose of defamation law, "publication" is very broad and includes any means whatsoever used to communicate with each other, including Internet and email. A statement made electronically is, by its very distribution, published. A statement is also published, if it is simply received electronically and forwarded on electronically. The Council is at risk of being sued for any defamatory material stored, reproduced or transmitted via any of our facilities. Likewise, an individual may also be sued.

Elected Members are required to exercise caution in all electronic communications which they undertake or are involved in.

**Identity**

No email or other electronic communication may be sent which conceals or attempts to conceal the identity of the sender.

The only exception is where a system’s functionality is intended to keep the identity of the sender anonymous, such as feedback forums or electronic surveys.

**Confidential Information**

Confidential information should be sent with caution. It is strongly recommended that highly confidential messages are not sent via the Internet or email.

Electronic Communications are perceived to be instant in nature and instantly disposed of. However Electronic Communications can be retained by both the recipient and the sender until specifically disposed of. There may also be an additional backup facility that retains a copy of the file even if it is eliminated from the sender’s and recipient’s computers.

Improper statements can give rise to liability – personally (i.e. the Elected Member) and for the Council. Elected Members are advised to work on the assumption that messages may be sent, forwarded, or transmitted to someone other than the intended recipient of the message. Controlled or limited distribution of messages cannot be guaranteed. Accordingly, Elected Members are advised to exercise caution when committing totally private, sensitive or confidential messages to electronic communications. If confidential messages must be sent via electronic communications, Elected Members should exercise a high level of care and discretion.

Elected Members should also be aware that electronic communications, even if expressed to be confidential, may be disclosed in Court proceedings, Freedom of Information requests, or in investigations by the Independent Commissioner Against corruption, the Ombudsman, competition authorities and regulatory bodies.

It may be necessary for the Council’s Information Services staff or third parties (under Court or regulatory body appointments) to retrieve and/or disclose electronic information and communications.

**Copyright**

Elected Members are required to adhere to the requirements of copyright legislation. Intellectual property rights apply to most material on the Internet, including text, graphics and sound. It cannot be assumed that an Elected Member can reproduce, print, transmit or download all material to which you have access. Usage of any material should comply with the copyright requirements, as any
material reproduced outside permitted uses or without the permission of the owner may be unlawful and may result in legal action against you and the Council.

Records Management

Electronic Communications are officially the Council’s correspondence and the corporate standards and records management requirements, practices and procedures applying to hard copy correspondence, also apply to Electronic Communications and any attachments.

All Electronic Communication, other than those which are personal or private in nature, are Council records and need to be retained for record keeping purposes and compliance with the State Records Act 1997. The Council’s Records Management System is required be used for this purpose.

In order to comply with the State Records Act 1997, the Council’s Records Management Systems automatically retains copies of all email communication which is sent and received via Elected Member email accounts.

Breach of the Conditions of this policy

In circumstances where an Elected Member breaches the conditions of this Policy, the Council reserves the right to restrict the use or access to the technology, equipment or services and to maintain that restriction at its discretion and may invoke other disciplinary action or sanctions under the Elected Member Mandatory Code of Conduct.

REVIEW PROCESS

The Council will review this Policy within two (2) years of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is the Council’s General Manager, Governance & Community Affairs telephone 8366 4549.

This Policy was implemented when the Council was provided with Ipads in September 2013.

TO BE REVIEWED

September 2015
NAME OF POLICY: Elected Member Electronic Communications Policy Guidelines

POLICY MANUAL: Governance

These Guidelines are required to be applied in conjunction with the Elected Member Electronic Communication Policy.

Use of Electronic Communication Facilities

Elected Members are provided Electronic Communications Facilities and Equipment such as IPAD’s (tablets), Email and Internet to enable them to discharge and performance of their legislative functions and duties.

Electronic Communication Facilities and Equipment remain the property of the Council and must be returned upon the Elected Member no longer holding Office as an Elected Member of the City of Norwood Payneham & St Peters.

Personal Use

Elected Members are allowed reasonable personal or private use of the Electronic Communication Facilities provided by the Council.

With respect to data downloads, each Elected Member has a data download limit of 4GB per month. Elected Members are required to reimburse the Council for the cost of data downloads in excess of 4GB per month.

Passwords

Passwords are considered to be the Elected Member’s electronic authorisation to use the Council’s Electronic Communication Facilities and Equipment. However, Elected Members should be aware that while access passwords and other protection methods are in place, there is a general level of “insecurity” for communications via the Internet and email.

Elected Members are responsible for maintaining the security of their password(s) and are required to take reasonable precautions to ensure that their password is not known by any other party. Elected Members are responsible for changing their password if it becomes known by another party.

Elected Members may be required to disclose their password(s) to the Manager, Information Services, upon request.

General Security

Elected Members must ensure that Electronic Communication Devices, such as IPAD’s, are to be kept in a secure location at all times.

If an Electronic Communication Device is lost or stolen, Elected Members must notify the General Manager, Corporate Services, immediately.

I, .................................................................. acknowledge the terms and conditions outlined in City of Norwood Payneham & St Peters Elected Member Electronic Communications Policy and Guidelines.

SIGNED:

DATE:
NAME OF POLICY: Credit Cards

POLICY MANUAL: Finance

BACKGROUND

Pursuant to Section 125 of the Local Government Act 1999, the 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 the Council’s records.

DISCUSSION

The City of Norwood Payneham & St Peters operates in an environment which is subject to public scrutiny. The Council is required to ensure that cash resources are allocated and used in an effective manner to minimize rate increases to its rate payers and to ensure the continuation of service provision to the community in the most efficient and cost effective manner.

The use of credit cards to make small value purchases is a cost effective purchasing method.

KEY PRINCIPLES

The intent of this Policy is to provide guidance with respect to the use of Council issued Credit Cards to Council Staff.

POLICY

Council Credit Cards may be issued only to an approved person on the authority of the Chief Executive Officer.

Council Credit Cards are not to be issued to short-term contractors, consultants, or contract personnel, who have contracts that provide for them to be reimbursed for costs which they may incur.

Only staff who are authorised to incur expenditure can approve expenditure on Credit Cards.

Council Credit Cards must not be used to incur personal expenditure, or expenditure on behalf of other organisations, even if it will be reimbursed at a later date.

The Card holder is the staff member whose name appears on the Corporate Credit Card. It is the card holder’s responsibility to adhere to the following requirements:

- ensure use of the credit card is within the Council’s Expenditure Policy;
- sign the Credit Card immediately upon receipt;
- keep the Credit Card and associated Pin Number in a safe and secure place;
- keep card holder and account details up to date;
- retain all original tax invoices, sales vouchers and receipts and attach these to the Monthly Statement;
- reconcile Statements, providing the appropriate Account Number for each item on the Statement for the expenditure to be costed to and submitted for authorisation during the monthly reconciliation period; and
- notifying the bank and relevant Finance staff if the Credit Card is lost or stolen.
Misuse of a Council Credit Card may lead to the Card being cancelled and the staff member may be required to pay restitution to the Council and disciplinary action may be taken against the staff member.

**REVIEW PROCESS**

The Council will review this Policy within 24 months of the adoption date of the Policy.

**INFORMATION**

The contact officer for further information at the City of Norwood Payneham & St Peters is Council’s Financial Services Manager, telephone 8366 4548.

**ADOPTION OF THE POLICY**

This Policy was endorsed by the Audit Committee on 26 March 2012.
This Policy was adopted by the Council on 2 April 2012.
This Policy was endorsed by the Audit Committee on 25 February 2013.
This Policy was adopted by the Council on 4 March 2013.
This Policy was endorsed by the Audit Committee on 24 February 2014.
This Policy was adopted by the Council on 3 March 2014.
This Policy was endorsed by the Audit Committee on 25 May 2015.
This Policy was adopted by the Council on 1 June 2015.
This Policy was endorsed by the Audit Committee on 29 February 2016.
This Policy was adopted by the Council on 7 March 2016.
NAME OF POLICY: Expenditure

POLICY MANUAL: Finance

BACKGROUND

Section 44 (2) of the Local Government Act, 1999 provides that delegations may be made

- to an employee of the Council; or
- to the employee of the Council for the time being occupying a particular office or position.

In respect to approval of expenditure, the delegation is limited to the expenditure of money on works, services and operations contained in the Annual budget adopted by the Council.

DISCUSSION

The City of Norwood Payneham & St Peters operates in an environment which is subject to public scrutiny and legislative requirements. The Council is required to ensure that financial resources are allocated in an effective manner to ensure that best value is achieved and the continuation of service provision to the City in the most efficient and cost effective manner.

When purchasing goods and services to support the operations of the Council, consideration is required to be given to;

- obtaining value for money consistent with specified standards of quality and service.
- minimising risks to the Council and Staff; and
- providing transparency in all decision making.

KEY PRINCIPLES

This Policy applies to all expenditure which is incurred by the Council. Expenditure must be properly authorised before the Council is to be committed to the expenditure.

The general guidelines to be followed for all expenditure, which should be paid for only after:

- purchase of goods and/or services has been properly authorised;
- the services provided and or a goods received, have been checked for quality, quantity and performance criteria agreed at the time the purchase was approved; and
- the invoice details have been verified;
  - against purchase requisition / order / approval,
  - to evidence receipt of goods / services,
  - for correct pricing, extensions and additions, and
  - to ensure all available discounts and incentives have been availed.

The Delegation of Authority sets out a list of staff with the authority to approve the purchase of goods and services. The Delegation level is based on the position and the value of the purchase.

At the time of payment, authorised signatories must satisfy themselves that the general guidelines have been followed.
POLICY

All invoices will be authorised for payment in line with the Delegation of Authority listed in;

Schedule 1: Delegation of Authority; and
Schedule 2: Delegation of Authority – Specified Transactions.

If a repair for Work Health, Safety or Security needs to be attended to after normal working hours, the Responsible Officer is authorised to purchase whatever goods or services are required to carry out the repair or secure the situation until the next working day. The Responsible Officer should use discretion regarding the level of repair affected.

REVIEW PROCESS

This Policy will be reviewed within 12 months of its adoption.

INFORMATION

The Contact Officer for further information at the City of Norwood Payneham & St Peters is Council's Financial Services Manager, telephone 8366 4548.

ADOPTION OF THE POLICY

This Policy was endorsed by the Audit Committee on 26 March 2012.
This Policy was adopted by the Council on 2 April 2012.
This Policy was endorsed by the Audit Committee on 25 February 2013.
This Policy was adopted by the Council on 4 March 2013.
This Policy was endorsed by the Audit Committee on 24 February 2014.
This Policy was adopted by the Council on 3 March 2014.
This Policy was endorsed by the Audit Committee on 25 May 2015.
This Policy was adopted by the Council on 1 June 2015.
This Policy was endorsed by the Audit Committee on 29 February 2016.
This Policy was adopted by the Council on 7 March 2016.
This Policy was endorsed by the Audit Committee on 27 February 2017.
This Policy was adopted by the Council on 6 March 2017.
### SCHEDULE 1: DELEGATION OF AUTHORITY

<table>
<thead>
<tr>
<th>Nature &amp; Level</th>
<th>Limits (per transaction)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Invoices within adopted budget (excludes Specified Transactions)</td>
<td>As per Council Delegation</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td></td>
</tr>
<tr>
<td>General Managers</td>
<td>$100,000</td>
</tr>
<tr>
<td>Managers – Level 1</td>
<td>$50,000</td>
</tr>
<tr>
<td>Manager – Level 2</td>
<td>$20,000</td>
</tr>
<tr>
<td>Responsible officers – Level 1</td>
<td>$10,000</td>
</tr>
<tr>
<td>Responsible officers – Level 2</td>
<td>$5,000</td>
</tr>
<tr>
<td><strong>Other Specified Positions</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Building Maintenance Officer</td>
<td>$5,000</td>
</tr>
<tr>
<td>▪ Senior Mechanic</td>
<td>$5,000</td>
</tr>
<tr>
<td>▪ Clerical Officer – City Services</td>
<td>$5,000</td>
</tr>
<tr>
<td>▪ Manager, Governance, Legal &amp; Property</td>
<td>$5,000</td>
</tr>
<tr>
<td>▪ Senior Community Care Assessment Officer</td>
<td>$5,000</td>
</tr>
<tr>
<td>▪ Executive Assistants to General Managers and CEO</td>
<td>$2,500</td>
</tr>
<tr>
<td>▪ Corporate Card holders (not Responsible Officers)</td>
<td>$2,500</td>
</tr>
<tr>
<td>▪ Planning Assistants</td>
<td>$5,000</td>
</tr>
<tr>
<td>▪ Admin Assistant – Child Care Centre</td>
<td>$2,500</td>
</tr>
<tr>
<td>▪ Assistant Manager - Swim Centre</td>
<td>$2,000</td>
</tr>
<tr>
<td>▪ Cook - Child Care Centre</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Managers Level 1</th>
<th>Managers Level 2</th>
<th>Responsible Officers Level 1</th>
<th>Responsible Officers Level 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager, City Assets</td>
<td>Manager, Community Care Services</td>
<td>Team Leader, Customer &amp; Regulatory Services</td>
<td>Co-ordinator, Volunteer Services</td>
</tr>
<tr>
<td>Manager, City Services</td>
<td>Manager, Information Systems</td>
<td>Assets and Special Projects Manager</td>
<td>Youth Development Officer</td>
</tr>
<tr>
<td>Manager, Development Assessment</td>
<td>Project Manager, Civil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager, Urban Planning &amp; Sustainability</td>
<td>Project Manager, Buildings</td>
<td>Community Art Officer</td>
<td></td>
</tr>
<tr>
<td>Manager, Library Services and Lifelong Learning</td>
<td>Works Co-ordinator - Civil</td>
<td>City Arborist</td>
<td></td>
</tr>
<tr>
<td>Manager, Economic Development &amp; Strategic Projects</td>
<td>Works Co-ordinator – Parks &amp; Garden</td>
<td>Corporate Records Co-ordinator</td>
<td></td>
</tr>
<tr>
<td>Manager, Organisational Development</td>
<td>Technical Officer Field Services</td>
<td>Economic Development Co-ordinator</td>
<td></td>
</tr>
<tr>
<td>Financial Services Manager</td>
<td>Manager, Norwood Concert Hall</td>
<td>Collections Development Team Leader</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director, Child Care Centre</td>
<td>Lifelong Learning Team Leader</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Manager, Swimming Centres</td>
<td>Manager, WHS &amp; Risk</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Communications Officer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Standing Delegations**

Where the relevant General Manager/Department Manager is not available, other General Managers, Department Managers and Chief Executive Officer can authorise invoices for payment in their absences.
<table>
<thead>
<tr>
<th>Nature &amp; Level</th>
<th>Limits (per transaction)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Purchases</td>
<td>As per the Tenders &amp; Contracts Policy</td>
</tr>
</tbody>
</table>
| Contracted Purchase/Lease Agreements (once negotiated) | Relevant General Manager  
(as per contracted amounts only)  
Manager, City Services  
(consumable/stores purchases)  
<$100,000                                                   |
| Project Approval                                  | Council  
>$250,000                                                   |
|                                                   | Chief Executive Officer  
<$250,000                                                   |
| Project Spend (approved project)                  | Relevant General Manager  
<$250,000                                                   |
|                                                   | Project Manager  
Capital  
<$25,000                                                   |
|                                                   | Operating Projects  
<$10,000                                                   |
| IT Hardware & Software & Maintenance              | Manager, Information Systems                                                                |
| Communications Equipment                          | Manager, Information Systems                                                                |
| Payroll (including employee deductions)           | General Manager, Corporate Services                                                        |
| Encashment of Leave Entitlements                  | Manager, Organisational Development                                                       |
| Recruitment (placing of advertisement etc)        | Human Resource Consultant  
< $5,000                                                   |
| Taxation related payments (GST,FBT,PAYG etc)      | Financial Services Manager                                                                  |
| Reimbursement of personal expenditure             | Chief Executive Officer  
Immediate Manager                                                          |
| - General Manager                                 |                                                                                          |
| - Other employees                                 |                                                                                          |
| Insurance Renewals                                | Chief Executive Officer  
>$5,000                                                   |
|                                                   | General Manager, Corporate Services  
<5,000                                                   |
| Insurance Claim Settlements                        | General Manager, Corporate Services  
>$5,000                                                   |
|                                                   | Rate & Revenue Officer  
<5,000                                                   |
| Rates Related Transactions                         | Team Leader, Customer & Regulatory Services  
$5,000                                                   |
| Corporate Stationary                              | Council  
>$5,000                                                   |
|                                                   | Chief Executive Officer  
<$5,000                                                   |
| Provision for Doubtful Debts                      | Chief Executive Officer                                                                   |
| Write off bad debt against provision              |                                                                                          |
| Asset sales & write offs                          | Council  
>$250,000                                                   |
|                                                   | Chief Executive Officer  
<$250,000                                                   |
| Initiate, settle or abandon any legal action in Council name | Council  
All action                                                   |
| Salary Increases                                  | Chief Executive Officer                                                                   |
| - General Managers                                | In line with re-classification policy                                                     |
| - GM Direct Reports                                |                                                                                          |
| - Other employees                                 | In line with re-classification policy                                                     |
Attachment F

Finance Policies
Internal Control Policy
NAME OF POLICY: Internal Control

POLICY MANUAL: Governance

BACKGROUND

Internal Controls are a key factor in ensuring that the Council is properly managed and that the Council's resources are not misused or misappropriated. Internal Controls are integral to effective risk management of the Council operations, and to ensure that the Council is managed efficiently and effectively, with appropriate policies and procedures that promote the achievement of the Council's goals and objectives.

Internal Control is established to respond to the risk management of all of the Council's internal operations, including both the financial and other non-financial operations.

Internal Control does not associate with risk management as it applies to matters external to the Council's operations. Specifically, internal control does not deal with risks faced by the Council including potential disasters or political, economic and environmental risks.

Pursuant to Section 125 of the Local Government Act (the Act), the Council must ensure that policies, practices and procedures associated with Internal Control are implemented and maintained.

DISCUSSION

The Council's Internal Control System is associated with the financial, political, human resource, technical, information and technological operations of the Council. A comprehensive and appropriate system of internal control includes policies, practices and procedures, which establish a framework to ensure that:

- activities and services are planned, efficient and effective;
- management policies are followed;
- assets are secured and protected from unauthorised use or loss; and
- records are complete, accurate and reliable.

In establishing and assessing Internal Control practices, it is necessary to recognise that in practical terms, a certain level of risk will always exist within any organisation. The purpose of Internal Control therefore is to provide assurance that the internal risks faced by the Council are contained to acceptable levels.

This Policy describes the purpose and the major factors which are required to be considered in the development of an effective Internal Control Framework. It provides a framework to assist in the development of policies, practices and procedures, to collectively ensure that the financial and non-financial activities of the Council are conducted in a proper and prudent manner.

KEY PRINCIPLES

A comprehensive and appropriate system of Internal Control includes policies, practices and procedures, which establish a framework that ensures that:

- resources are adequately safeguarded and efficiently and effectively utilised;
• risks are identified and realistically managed;
• fraudulent or dishonest behaviour is identified and dealt with;
• systems produce reliable information for internal and external use and results are fairly disclosed;
• compliance with applicable legislation, regulations, policies and prevailing community standards of best practice.
• objectives of the Council’s Strategic Management Plan (City Plan 2030) are monitored and reported in an efficient and orderly manner;
• reporting information is accurate and reliable to facilitate sound decision making; and
• policies and procedures are followed.

Internal Control and risk management are key components of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency.

POLICY

The City of Norwood Payneham & St Peters will implement strategies to maintain sound Internal Controls that are based on risk analysis of the internal operations of the Council, with a focus on a number of key elements which are set out below:

Organisation Environment - the structure and broad policies adopted to manage the organisation and assist staff to discharge their roles, functions and responsibilities. An effective and transparent Internal Control environment is based upon the following key areas:

• integrity and ethics;
• policies and delegated authority;
• levels of responsibilities and authorities;
• audit practices;
• information system access and security;
• management operating style; and
• human resource management and practices

Information System - the methods and procedures which are used to collect, collate and distribute financial and non-financial information. The Council’s Information System comprises all of the records and reporting methods of the Council which is used to maintain accountability for assets, liabilities, revenue and expenses and for the achievement of the objectives of the Council.

Processing System - the mechanisms which are in place to ensure that transactions are captured, checked and verified. The Council’s Processing System comprises of control procedures including policies, delegated authority levels, system procedures and practices established to achieve the objectives of this policy. The use of technology with automated controls strengthen the internal control environment.

The City of Norwood Payneham & St Peters will undertake regular reviews of its Internal Control environment in order to monitor and identify any changes in the level of type of risk exposure. A risk review, if required, will also be undertaken in response to any changes to processes or systems. The aim of a risk review is to:

• assess reliability and integrity of system information;
• ensure that system procedures comply with policies, standards, laws and regulations;
• evaluate system compliance to written procedures and work practices;
• determine overall effectiveness;
• identify issues; and
• plan and implement changes.

The assessment of risks is required to consider aspects of internal control including:

• relevant principles;
• recommended practices;
• key issues; and
• options for improvement.
Limitations of Internal Control

A sound system of internal control will provide staff and Elected Members, with a high degree of confidence that the Council’s operations are being effectively managed and all resources are properly deployed. However, there are limits to the level of certainty which can be achieved.

These limitations include:

- controls are designed for routine transactions – abnormal or non-routine transactions may bypass control mechanisms;
- the Internal Control system is operated by people, so there is potential for human error with mistakes as a result of lack of attention, carelessness, improper judgement, lack of knowledge or misunderstanding of instructions;
- people may act together in collusion to undermine the system of internal control;
- employees may abuse a delegation or responsibility to override the internal control system;
- the cost of implementing some controls maybe greater than the benefit; and
- over time, internal controls may become ineffective because of changes to procedures or practices.

Responsibilities

The Council is responsible for the approval and endorsement of the Internal Control Policy.

The Council's Audit Committee is responsible for the provision of an independent review and advice to the Council regarding the administration's approach to corporate governance matters and any major amendments, including providing internal controls.

The Council’s Audit Committee, in conjunction with the Chief Executive Officer, is responsible for the development of the Council’s three (3) year Strategic Internal Audit Plan.

The Council’s Audit Committee is responsible for the independent review of the Internal Audit reports which are delivered as part of the Council’s Strategic Internal Audit Plan.

The Chief Executive Officer is accountable to the Council for the development and implementation of appropriate systems to achieve accountability and integrity.

Management responsible for the development of adequate internal controls and their implementation, evaluation and revision of such controls on an on-going basis in respect to all of the functions of the Council under their control to ensure, as far as practicable, that:

- financial records and other relevant databases completely and accurately reflect the actual operational activities and the timely preparation of reports;
- assets are safeguarded from unauthorised use or disposal; and
- irregularities are prevented, or detected and corrected if and when such irregularities occur.

Management is expected to promote a “best practice” approach in support of effective business practices and properly functioning controls.

Council staff are responsible for conducting their duties in accordance with Internal Control policies, procedures and practices which are established by the Council. Staff are also responsible for reporting to Management instances where staff consider that internal control procedures are inadequate or are not being met.

REVIEW PROCESS

This Policy will be reviewed within 24 months from the adoption date of the Policy.

INFORMATION
The contact officer for further information at the City of Norwood Payneham & St Peters is Council's Finance Services Manager, telephone 8366 4548 or email townhall@npsp.sa.gov.au.

ADOPTION OF THE POLICY

This Policy was endorsed by the Audit Committee on 21 July 2011.
This Policy was adopted by the Council on 1 August 2011.
This Policy was endorsed by the Audit Committee on 28 July 2014.
This Policy was adopted by the Council on 4 August 2014.
This Policy was endorsed by the Audit Committee on 29 February 2016.
This Policy was adopted by the Council on 7 March 2016.

TO BE REVIEWED
Attachment G

Finance Policies
Payments Policy
NAME OF POLICY: Payments

POLICY MANUAL: Finance

BACKGROUND

Pursuant to Section 125 of the Local Government Act 1999, the 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 the Council’s records.

DISCUSSION

The City of Norwood Payneham & St Peters operates in an environment which is subject to public scrutiny and legislative requirements. The Council is required to ensure that financial resources are allocated in an effective manner to ensure that “best value” is achieved and the continuation of service provision to the community in the most efficient and cost effective manner. At the time of payment, authorised signatories must satisfy themselves that the:

- purchase of goods and/or services have been properly authorised; and
- the invoice details have been verified
  - against purchase requisition / order / approval;
  - to evidence receipt of goods / services;
  - for correct pricing, extensions and additions; and
  - to ensure all available discounts and incentives have been availed.

The City of Norwood Payneham & St Peters will make supplier payments on a weekly basis.

KEY PRINCIPLES

All Council disbursements are authorised in line with the Council’s Expenditure Policy, prior to the payment being made.

This Policy applies to all payments which are made by the Council.

POLICY

The Council will make payments in line with the supplier’s agreed payment terms.

Where the payment terms are not specified, the Council's standard payment term is thirty (30) days from the date of the invoice.

All payments must be authorised for payment in line with the Council’s Expenditure Policy.

A payment on behalf of the Council, must be made by a cheque drawn on Council’s bank, Electronic Funds Transfer (EFT) or Direct Debit. The preferred payment method is EFT.

Cheques shall be printed on Council stationery, pre-numbered and issued in numerical sequence. A cheque register is required to be maintained at all times.
The Cheque Register must be signed by authorised cheque signatories.

All disbursements shall be authorised for payment by any two (2) of the following authorised signatories:

<table>
<thead>
<tr>
<th>Cheque Signatories</th>
<th>ANZ Transactive (EFT Payments)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Manager, Corporate Services, Financial Services Manager, Accountant, Assistant Accountant, Team Leader, Customer &amp; Regulatory Services.</td>
<td>General Manager, Corporate Services, Financial Services Manager, Accountant, Assistant Accountant.</td>
</tr>
</tbody>
</table>

Documentation regarding disbursements shall be retained for the period set down prescribed by the State Records Act 1997.

**REVIEW PROCESS**

The Council will review within 24 months of adoption of the Policy.

**INFORMATION**

The contact officer for further information at the City of Norwood Payneham & St Peters is Council’s Financial Services Manager, telephone 8366 4548.

**ADOPTION OF THE POLICY**

This Policy was endorsed by the Audit Committee on 26 March 2012.
This Policy was adopted by the Council on 2 April 2012.
This Policy was endorsed by the Audit Committee on 25 February 2013.
This Policy was adopted by the Council on 4 March 2013.
This Policy was endorsed by the Audit Committee on 24 February 2014.
This Policy was adopted by the Council on 3 March 2014.
This Policy was endorsed by the Audit Committee on 25 May 2015.
This Policy was adopted by the Council on 1 June 2015.
This Policy was endorsed by the Audit Committee on 29 February 2016.
This Policy was adopted by the Council on 7 March 2016.
This Policy is to be read in conjunction with the Procurement Policy Guidelines

BACKGROUND

This Policy sets out the framework for procurement activities which are undertaken by the City of Norwood Payneham & St Peters (the “Council”) and applies to all staff employed by the Council who are involved in the procurement of any goods and services during the course of performing their duties.

In compliance with Section 49 of the Local Government Act 1999 (Act), Council staff must refer and act in accordance with this Policy when purchasing any goods and services.

Section 49 of the Act requires the Council to prepare and adopt policies in respect to contracts and tenders covering the following:

- the contracting out of services;
- competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
- the use of local goods and services.

In addition, Section 49 (a1) of the Act requires the Council to develop and maintain policies, practices and procedures, to ensure that:

- value is achieved in the expenditure of public money;
- participants are treated ethically and fairly; and
- probity, accountability and transparency in all aspects of the Council’s operations.

This Policy therefore seeks to:

- defines the methods by which the Council will acquire goods and services;
- demonstrates accountability and responsibility of the Council to its community;
- be fair and equitable to all parties involved;
- enables all processes to be monitored and recorded; and
- ensures that the best possible outcome is achieved for the Council and in turn the community.

However, this Policy does not cover:

- non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts; or
- the disposal of land and other assets owned by the Council; or
- the purchase of property by the Council.
KEY PRINCIPLES

The following key principles underpin all procurement activities which are undertaken by the Council:

- **Value for Money** achieves the best outcome at the most appropriate price. This includes taking into account fit for purpose, whole-of-life cost, timeliness, flexibility to adapt to the needs of the project/supply, quality of product, sustainability, intangible costs/benefits, service, support and warranty.

- **Open and Fair Competition** is ensured by providing equitable and appropriate access to the Council’s procurement activities. The Council recognises the commercial and economic benefits of open and effective competition. The Council will encourage healthy competition in the markets from which it purchases.

- **Ethical Behaviour and Fair Treatment** is necessary to ensure an appropriate purchase using public money. Council employees have a responsibility to act honestly and impartially and behave with fairness, independence, openness, integrity and professionalism to ensure probity in a procurement process. Council employees will observe the Council’s Code of Conduct for Employees at all times during the conduct of procurement processes.

- **Risk Management** ensures that appropriate risk management practices are in place for procurement activities including risk identification, assessment, and implementation of controls.

- **Professional Integrity and Probity** ensures that the highest ethical and professional standards are observed in the Council’s business dealings. The Council aims to achieve integrity in its procurement activities through accountable and transparent processes. The Council respects the rights of contractors and suppliers, including the right to confidentiality and the expectation to be treated fairly and without bias at all stages of the procurement process.

- **Compliance with Statutory Obligations** refers to the obligation to comply with all legal and common law obligations.

- **Social, Economic and Environmental Sustainability** – The centrepoint for all of the Council’s activities is Community Well-being. The Council is committed to maximising the positive impact of its activities to benefit the local community, its economy and the environment. Where all other considerations are equal, the Council may give preference to a local supplier to ensure local employment opportunities, economic stability and/or growth. In addition, in order to minimise the Council’s impact on its environment, the Council will, where all other factors are equal, purchase to achieve the following:
  - conservation of natural resources;
  - purchase environmentally friendly or recycled products;
  - integrate principles of waste minimisation and energy reduction; and
  - provide leadership to local business and the community in promoting the use of environmentally sensitive Goods and Services.

- **Financial Responsibility** ensures that the Council’s employees procure Goods or Services where there is an approved and allocated budget for that purchase and where the Council employee with the appropriately delegated financial authority approves the purchase.

POLICY

**Methods of Procurement**

The Council will generally purchase Goods or Services in accordance with Table contained in the Procurement Policy Guidelines. The determination of the method of Procurement will be documented, outlining why the method used to procure the goods or services is the most appropriate for that purchase. Amounts quoted are annualised amounts for a particular supply of goods or services. Splitting of amounts to bring expenditure within lower limits is not permitted.
For the purpose of this Policy, the

- single one-off purchases shall be the total or estimated amount of the purchase (excluding GST);
- multiple purchases shall be the gross annual or estimated gross annual value of all items to be purchased (excluding GST); or
- ongoing purchases over a period of time shall be the annual gross value or estimated gross annual value (excluding GST).

Purchases undertaken by the Council can be made using the following procurement methods:

- **Direct sourcing** – to be facilitated either by petty cash, invoice or by credit card.
- **Quotations** – to be sought for one-off purchases only and are usually for purchases of low value, complexity and risk. Quotations are to be received in writing and recorded in Council’s records management system. Where there are higher risk factors inherent within a purchase, Council employees will need to consider the use of a formal contract and formal evaluation criteria.
- **Tender** – where a tender process is used in the procurement of goods or services, the tenders shall be conducted in accordance with this Policy and the supporting Procurement policy Guidelines.
- **Expression of Interest** – this method is generally used to gauge market interest and capability or interest in supplying goods or services, and is followed by a select tender process.
- **Registration of Interest** – this method is used to generate a Preferred Supplier list for a particular supply of Goods, Works or Services and consists of open advertisement of opportunities for a set period defined by the Conditions of Registration and ensures that Preferred Suppliers meet predefined criteria and prudential standards to be Contractors for the Council.

**Pre-qualification of Suppliers**

Where possible, the Council may establish contracts by conducting a pre-qualification process for contractors. Each of these pre-qualification processes are required to conducted in accordance with the appropriate Registration of Interest process. Participation in this process allows contractors and or suppliers to become a Preferred Supplier for particular types of goods and or services. Contracts established under this method, will require quotations to be sought from contractors and or suppliers for each procurement activity.

**Panel Contracts**

Where appropriate, Panel Contracts may be established for particular types of goods or services and these constitute a standing offer. Panel Contracts may be appropriate where:

- there are a number of contractors or suppliers who can provide the goods and or service;
- there is an ongoing demand for the goods and or service;
- the peak requirement for the goods and or service cannot be adequately predicted;
- the volume or type of work may be too difficult for one contractor or supplier to undertake at any point in time; and/or
- there is a commercial advantage to the Council in having a choice of contractors or suppliers to select from.

**Strategic Alliances**

Purchases can be made through strategic alliances with the aim of:

- reducing direct and indirect purchasing costs;
- providing tangible benefits through joint purchasing;
- improving delivery and/or quality of goods and or services to the community; and/or
- attract more competition or a more suitable field of providers to respond to the tender call.
Strategic alliances include but are not limited to:
- Local Government Corporate Services (LGCS).
- Procurement Australia (PA).
- Australian State or Federal Contracts.
- G6 Procurement Group.
- Ad-hoc alliances created with other Local Government entities (eg Eastern Region Alliance).

Exemptions from the Policy

Exemptions from the processes and requirements set out in this Policy may be approved as follows:
- up to the value of $10,000, General Managers may approve; and
- above the value of $10,000, the Chief Executive Officer may approve.

Request for exemption to this Policy must be made in writing and must outline the reasons for the request and any risks which may be involved in not complying with this Policy.

Approved exemption to this Policy which are approved must be recorded in the Council's Record Management System.

Where a Funding Agreement specifies that the Council must follow a prescribed tendering or selection process which differs from that outlined in this Policy, the project funded under the Agreement, is exempted from the requirements of this Policy.

Emergency Procurement

The provisions of this Policy can be suspended in emergency situations to ensure that purchases can be made in the most-timely manner to alleviate or deal with an emergency situation. The provisions for Emergency Procurement however must not be used as an excuse for not complying with the Policy requirements.

For the purpose of this section, Emergency situations are restricted to:
- Community
  - genuine concerns for public health and safety;
  - avoiding major expenses; or
  - activation of the relevant Emergency Response Plans.

- Council Assets
  - ensuring that citizens, occupants, or hirers/users of Council-owned buildings and facilities, are not subject to undue discomfort or hardship due to the breakdown of building facilities or equipment;
  - security of the Council's assets;
  - activation of the Council's Business Continuity or Emergency Management Plans; or
  - determination of whether these situations apply will be at the discretion of the relevant Manager on a case by case basis.

Where a purchase is made under the Emergency Procurement provisions, the following will apply:
- expenditure must be within the staff members' delegated financial authority;
- expenditure must be limited to which is required to alleviate the emergency situation only; and
- the staff member must ensure that appropriate methods of purchase are resumed as soon as practicable.
- the staff member must inform their respective General Manager and immediate Manager, with details of the Emergency Situation and the actions undertaken to alleviate or deal with the situation, as soon as possible following the emergency situation.

Outsourcing

Any proposal to purchase by outsourcing of any service or function which is currently performed predominantly 'in house' by Council staff, must in any circumstance and all times, be approved by the Chief Executive Officer.
Community Consultation

Where a purchase requires community consultation, the consultation process must be conducted in accordance with the Council’s Community Consultation Policy.

Health, Safety and Welfare

The City of Norwood Payneham & St Peters will only engage contractors and suppliers who are able to maintain the required level of Health, Safety and Welfare which is acceptable to the Council for the contract which they are engaged to undertake. As a minimum, this will be compliance with all applicable legislation, regulations, project requirements, standards and Council policies and as specified in terms and conditions of contractual arrangements.

REVIEW PROCESS

The Council will review this Policy within 24 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is Council’s Financial Services Manager, telephone 8366 4548.

ADOPTION OF THE POLICY

This Policy was endorsed by the Audit Committee on 25 May 2015.
This Policy was adopted by the Council on 1 June 2015.
This Policy was endorsed by the Audit Committee on 29 February 2016.
This Policy was adopted by the Council on 7 March 2016.
These guidelines are to be applied in conjunction with the Procurement Policy

BACKGROUND

These Guidelines have been prepared to provide clear direction to all Council staff when undertaking procurement activities during the course of performing their duties at the City of Norwood Payneham & St Peters (the “Council”), as required by the Council’s Procurement Policy.

GUIDELINES

PROCUREMENT METHODS

Generally, open and fair competition is best achieved by undertaking a tender process so that all interested parties have an opportunity to bid. However, there may be procurements in which a tender process will not necessarily deliver the most advantageous outcome for the Council – in such instances, other market approaches may be more appropriate.

When determining which procurement method should be applied, consideration should be given to;

- the value of the purchase;
- the level of risk associated with the purchase;
- the complexity of the purchase; and
- the time period in which the purchase will apply.

The Council may, having regard to its Procurement Principles as set out in the Council’s Procurement Policy and any other factors which are considered relevant by the Council, in its absolute discretion, determine to utilise one or more of the following procurement methods:

- **Direct Purchasing**

  Direct Purchasing is where the Council purchases from a single source, without first obtaining competing bids.

  This method is best suited for low value, low risk goods and services, and where the supplier already has a successful service history with the Council.

- **Quotations (Informal)**

  The quotation method involves obtaining quotations from prospective suppliers. Generally, a minimum of three (3) quotes must be sought. Depending on the value of the transaction, written quotes must be provided. If a written quote cannot be obtained or not required due to the value of the transaction, a detailed written record must be prepared by the staff member dealing with the procurement and or contractors and kept of the verbal quotation which has been obtained, including details of the commercial terms of the quotation.

  Both written and verbal quotes must be registered in the Council’s Records Management System.
Where a minimum of three (3) quotations are not sourced, the reasons for not sourcing three (3) quotes must be documented and approved in line with the Procurement Policy, prior to the procurement taking place.

This method is generally suitable for low value, low risk goods and services.

- **Purchase Orders**
  
  Purchase orders can be sued when purchasing routine, low value and low risk goods and services.
  
  Generally, Purchase Orders have limited terms and conditions and should not be used for non-routine, high value and high risk goods and services.

- **Request for Quotations (RFQ)(Formal)**
  
  This involves obtaining written quotations from prospective suppliers. The RFQ is a more formal version of the Quotation Method, where the purchase is low risk but involves higher value purchases.
  
  A minimum of three (3) written quotations are required. Where a minimum of three (3) quotations are not sourced, the reasons for not sourcing three (3) quotations must be documented by the staff member undertaking the procurement and approved in line with the Council’s Procurement Policy prior to the procurement taking place.
  
  A “Short Form Request for Quotation” can be used for purchases with minimal specifications.
  
  A “Long Form Request for Quotation” can be used for purchases with detailed specifications.

- **Requests for Expressions of Interest (REOI)**
  
  When utilising REOI, an open invitation for the provision of the proposed goods and/or service is required to be issued.
  
  REOI is used where there is potentially a large market for the proposed goods and/or service, and the Council wishes to prepare a short list of suppliers or contractors to then invite to participate in a formal tender process.
  
  REOI are suitable for the purchase of goods and services which are of a higher value and involves a higher degree of risk and complexity.

- **Request for Tenders (RFT)**
  
  Request for Tenders involves the issuing of a tender for the purchase of goods and services.
  
  A “Select” Request for Tender may be issued, where a REOI has already been issued, or where there are reasonable grounds for only dealing with a select group of potential suppliers or contractors.
  
  Where a “Select” Request for Tender is used, a minimum of three (3) suppliers or contractors must be selected.
  
  Where the “Select” Tenderer list has not been determined by a REOI process, the reason for the selection of prospective suppliers must be documented by the staff undertaking the procurement and approved by the relevant General Manager or Chief Executive Officer and registered in the Council’s Records Management System.
  
  Alternatively, the Council may issue an “Open” Request for Tender.
  
  Both “Open” and Select RFT’s are required to be conducted in accordance with the prescribed Conditions of Tender.
  
  “Open” Request for Tenders will be advertised on the SA Tenders website and the appropriate newspaper. The tender advertisement shall:
• outline the purpose of the proposed tender; and
• give details closing date and the person from whom further details may be obtained

For “Select” Requests for Tender, Invitations to Tender shall be offered to at least three (3) independent suppliers. Where three (3) such suppliers cannot be identified by diligent reasonable effort, such effort shall be documented and tendering shall not proceed without the prior written approval of the Chief Executive Officer.

The timeframe provided to Tenderers to lodge submissions will be dependent on the complexity of the goods or service being procured or project which is proposed to be undertaken, however at a minimum, the closing date for tender submissions will be at least ten (10) working days from the date of publication.

All tenders must be submitted to the Council’s Principal Office (Norwood Town Hall), either by hand delivery or post, in a sealed envelope and must be appropriately marked on the outside to identify the particular project, goods or services which is being tendered and marked confidential. Tenders submitted by e-mail, facsimile and other electronic device will not be accepted.

Upon receipt, each envelope containing the tender documents shall promptly be marked with the date and time of receipt and shall be placed unopened in a secure Tender Box. Envelopes may only be opened after the time specified for the close of tenders.

Tender Opening

Upon closure of Tender Submissions, the Tender Box will be opened in the presence of at least two (2) staff members. The number of tenders which have been submitted is to be documented and forwarded to the staff member managing the Request for Tender.

The Tender Opening Panel will comprise of at least one (1) of the following persons:
• Chief Executive Officer;
• General Manager, Urban Services;
• General Manager, Urban Planning and Environment;
• General Manager, Governance & Community Affairs; or
• General Manager, Corporate Services;

and two Managers (or General Managers).

Immediately after each tender document is opened, the covering letter, along with the pages containing the tender price, rates and any limitations will be signed and dated by all members of the Tender Opening Panel.

Upon opening all tenders which have been received, the “Tender Opening Record” is to be signed and dated by all members of Tender Opening Panel.

All Tenders which have been received, the Tender Opening Record and the notification of the number of tenders which have been received, is to be forwarded to Corporate Records for registering.

If no Tenders are received by the closing deadline, the “Tender Opening Record” must be signed and dated by all members of the Tender Opening Panel and forwarded to Corporate Records for registering.

Tender Assessment

Tenders are to be assessed as soon as practicable following opening of the Tenders. Only tenders which are received by the closure deadline will be assessed.

The assessment of tenders must be based on the Evaluation Criteria set out in the Conditions of Tender.

If only one (1) tender is received, either via a select or open call tender, the tender evaluation shall not proceed without prior written approval of the Chief Executive Officer. If approved, the tender must be evaluated against the tender evaluation criteria specified in the Conditions of Tender.
All tenders must be evaluated on the basis of consistently applied weightings as detailed in the conditions of tender and a consistent consideration of the evaluation criteria across all tenders which are being evaluated.
The composition and number of members of a Tender Assessment Panel will depend on the nature and complexity of the goods or services being purchased and the risks associated with the procurement activity. The evaluation of tenders will not under any circumstances be undertaken by one (1) person and generally the Tender Assessment Panel should comprise of at least three (3) staff members. Members of the Tender Assessment Panel are required to have the requisite mix of skills and experience to evaluate the tender submissions. Where the Tender Assessment is undertaken by less than three (3) staff members, the reasons for undertaking the evaluation on that basis must be documented and approved by the relevant General Manager or Chief Executive Officer.

Following the assessment of the tenders, a formal written report recommending the preferred Tenderer shall be prepared for consideration of the Authorising Officer, who will be the relevant General Manager, the Chief Executive Officer, or the Council. The Authorising Officer will be determined with reference to the Expenditure Delegations contained with the Council’s Expenditure Policy.

Pre-qualification of Suppliers

The Council may establish a register of Pre-Qualified suppliers and or contractors where the following factors exist:

- the procurement activity relates to a range of goods and services that are purchased by the Council on a regular basis;
- the scope and nature of individual procurements in a category of goods and services may not be fully defined but there is an indicative program, generally over a three (3) year period, of the future requirements of a common nature;
- there are numerous ‘credentialed’ players in the procurement related market sector(s) that satisfy the test of financial diligence;
- the procurement activity is low to medium risk; and
- the benefits of purchasing from pre-qualified suppliers exceed the cost in establishing and maintaining a pre-qualification register.

Contracts or purchasing arrangements established under this method will require quotations to be sought from the preferred supplier for each individual procurement activity.

Panel Contracts

The Council may establish panel arrangements with a select group of suppliers and or contractors. Generally, this occurs once the Council has completed its appointment of such suppliers and or contractors in accordance with the Procurement Policy, and can include either:

- a standing offer from a pool of suppliers and or contractors for the provision of goods and services on agreed terms; or
- the prequalification of certain suppliers and or contractors who may or may not be engaged on terms to be agreed.

Once a panel has been established, the Council may purchase the particular goods and/or service through such panel arrangements.

Panel Contracts may be established for the procurement of professional services.
Purchasing Thresholds

The appropriate method of procurement will be determined by reference to a number of factors, including those factors set out in Table 1 below:

Table 1: Purchasing Thresholds

<table>
<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>Commercial terms/Credit Card</td>
</tr>
<tr>
<td>$3,001 - $5,000</td>
<td>At least 3 Verbal Quotes Details of Verbal quotes must be documented</td>
<td>Purchase Order/ Other written Agreement</td>
</tr>
<tr>
<td>$5,001 - $10,000</td>
<td>At least 3 Written Quotes</td>
<td>Purchase Order/Other written Agreement</td>
</tr>
<tr>
<td>$10,001 - $50,000</td>
<td>Request for Quotation</td>
<td>Purchase Order/Contract/Other written Agreement</td>
</tr>
<tr>
<td>$50,001 - $100,000</td>
<td>Minimum of Select Tender</td>
<td>Contract</td>
</tr>
<tr>
<td>$100,001 +</td>
<td>Minimum of Open Tender</td>
<td>Contract</td>
</tr>
</tbody>
</table>

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is Council’s Financial Services Manager, telephone 8366 4548.
Attachment I

Finance Policies
Treasury Management Policy
NAME OF POLICY: Treasury Management
POLICY MANUAL: Finance

BACKGROUND
Sections 134, 139 and 140 of the Local Government Act 1999, provides for the following in respect to borrowings and investments:

**Borrowings**

(1) A council may borrow money and obtain other forms of financial accommodation.

(2) A borrowing may take any form considered appropriate by the council, including through the use of an overdraft or finance lease.

(3) A council may enter into financial arrangements for the purpose of managing, hedging or protecting against movements in interest rates or other costs of borrowing money, including—

(a) interest rate swaps;

(b) forward interest rate agreements;

(c) interest rate options;

(d) other prescribed arrangements.

(4) However, a council must not enter into a financial arrangement under subsection (3) unless or until—

(a) the council has obtained and considered independent and impartial advice about the proposed financial arrangements and the appropriate risk-management policies, controls and systems that should be in place from a person whom the council reasonably believes to be competent to give the advice; and

(b) the council has adopted risk-management policies, controls and systems by a resolution passed by at least a two-thirds majority of the members of the council.

**Part 4 – Section 139**

**Investments**

(1) A council may invest money under its control.

(2) A council must, in exercising its power of investment—

(a) exercise the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons; and

(b) avoid investments that are speculative or hazardous in nature.
(3) Without limiting the matters that a council may take into account when exercising its power of investment, a council must, so far as may be appropriate in the circumstances, have regard to—

(a) the purposes of the investment;
(b) the desirability of diversifying council investments;
(c) the nature of and risk associated with existing council investments;
(d) the desirability of maintaining the real value of the capital and income of the investment;
(e) the risk of capital or income loss or depreciation;
(f) the potential for capital appreciation;
(g) the likely income return and the timing of income return;
(h) the length of the term of a proposed investment;
(i) the period for which the investment is likely to be required;
(j) the liquidity and marketability of a proposed investment during, and on the determination of, the term of the investment;
(k) the aggregate value of the assets of the council;
(l) the likelihood of inflation affecting the value of a proposed investment;
(m) the costs of making a proposed investment.

(3) Without limiting the matters that a council may take into account when exercising its power of investment, but subject to the operation of subsection (3), a council may, so far as may be appropriate in the circumstances, have regard to—

(a) the anticipated community benefit from an investment;
(b) the desirability of attracting additional resources into its local community.

(5) A council may obtain and consider independent and impartial advice about the investment of funds or the management of its investments from a person whom the council reasonably believes to be competent to give the advice.

Part 4 – Section 140

Investments

A council must, at least once in each year, review the performance (individually and as a whole) of its investments.

DISCUSSION

The intent of this Policy is to provide clear direction regarding the Council’s treasury management function. This Policy underpins the Council’s decision making associated the financing of its operations as documented in its Annual Budget and Long-Term Financial Plan and associated projected and actual cash flow receipts and outlays.
KEY PRINCIPLES

Objectives

This Policy provides a framework to ensure that:

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

Treasury Management Strategy

The Council’s operating and capital expenditure decisions are made on the basis of:

- identified community need and benefit relative to other expenditure options;
- cost effectiveness of the proposed means of service delivery;
- affordability of proposals having regard to the Council’s long-term financial sustainability and the Council’s Net Financial Liabilities and Interest Cover ratios;
- borrowing funds in accordance with the requirements set out in its annual budget and projections in its Long-Term Financial Plan (LTFP);
- invest any funds that are not immediately required to meet approved expenditure with the Local Government Finance Authority and/or the ANZ Bank, in accounts which will generate the best return for the time the funds are projected to be available; and
- where excess funds are expected to be available for a considerable period of time as identified in the LTFP, consideration is to be given to reduce the level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

Policies

Borrowings

The Council will borrow long term to fund Capital Expenditure only (i.e. Fixed Assets).

The term of the borrowing will not exceed the useful life of the asset which is being funded.

- Each year, as part of the budget setting process and with reference to the Annual Capital Expenditure Program, the Council will determine the maximum value of borrowings for the given financial year.
- The Council will take out long term borrowings with the Local Government Financing Authority.
- Borrowing from other financial institutions must be authorised by the Council.
- The Council will utilise the Cash Advance Debenture facility to borrow for short term cash flow deficits.
- The Chief Executive Officer and General Manager, Corporate Services, are authorised to enter into long term borrowing arrangements (in line with this Policy and the Act), up to the annual maximum value which is set by the Council.

Interest Rate Risk Exposures

In order to spread its exposure to interest rate movements, the Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity range and will consider the best option available at the time (i.e. variable or fixed rate options).

Investments

Funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings, will be invested. The balance of funds held
in any operating bank account, shall be kept at a level that is no greater than the amount which is required to meet immediate working capital requirements.

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

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

The Council’s management may from time to time invest surplus funds in:
- deposits with the Local Government Finance Authority; and/or
- bank interest bearing deposits.

Any other investment will require the specific approval of the Council.

Reporting

At least once a year, a specific report regarding the performance of the Council’s treasury management relative to this Policy, will be provided to the Council. The report is required to highlight the following borrowing and investment:

- the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report; and
- the proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period.

REVIEW PROCESS

This Policy will be reviewed within 24 months of the adoption date of the Policy or when a change of legislation occurs beforehand.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is Council’s Finance Services Manager, telephone 8366 4548.

ADOPTION OF THE POLICY

This Policy was endorsed by the Audit Committee on 11 December 2008.
This Policy was adopted by the Council on 20 January 2009.
This Policy was endorsed by the Audit Committee on 26 March 2012.
This Policy was adopted by the Council on 2 April 2012.
This Policy was endorsed by the Audit Committee on 25 February 2013.
This Policy was adopted by the Council on 4 March 2013.
This Policy was endorsed by the Audit Committee on 28 July 2014.
This Policy was adopted by the Council on 4 August 2014.
This Policy was endorsed by the Audit Committee on 27 July 2015.
This Policy was adopted by the Council on 3 August 2015.
This Policy was endorsed by the Audit Committee on 29 February 2016.
This Policy was adopted by the Council on 7 March 2016.

TO BE REVIEWED
7.5 INTERNAL CONTROL AND RISK MANAGEMENT ASSESSMENT

REPORT AUTHOR: Management Accountant
GENERAL MANAGER: General Manager, Corporate Service
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S/01823
ATTACHMENTS: A - C

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with an update on the status of the Council’s major risks and the assessment of the Council’s internal controls.

BACKGROUND

The Audit Committee’s Work Program provides for the following:

Identify whether weaknesses in internal controls have been previously identified, e.g. by management or Council’s external auditor, and if so whether action has been taken to have them addressed:

- consider the range of documented internal control policies and procedures; and
- whether they are being followed.

Develop and monitor the delivery of the Council’s Strategic Internal Audit Plan by:

- meeting with the Council’s Internal Auditors to discuss any points of concern raised by the Internal Auditor, as part of the delivery of the Strategic Audit Plan;
- assessing the appropriateness of the Council’s response to matters raised in the Internal Audit Reports; and
- annually review the appropriateness of the Council’s three (3) year Strategic Internal Audit Plan.

Review Management’s assessment of Council’s major risks.

Establish whether locally appropriate strategies exist to minimise the likelihood of occurrence and adverse consequence for obvious and major risks. Consider:

- whether an assessment has been undertaken to identify foreseeable events with potentially catastrophic consequences and actions established to minimise their likelihood and effect;
- whether a business continuity plan has been developed in case of major damage to key Council properties or other, (e.g. computer, assets);
- whether there are significant risks that have been identified by Council’s insurers that have not been reasonably addressed and therefore could jeopardise insurance cover in this regard; and
- adequacy of insurance coverage.

At its meeting held on 15 October 2010, the Audit Committee requested that Risk Management be a standard agenda item and that a brief report be prepared for each meeting confirming that the risks remain current and that the identified existing controls remain in place.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Additional funding may be required to complete the work which has been requested by the Audit Committee, depending on the nature and timeframes set for any further work required to be undertaken.

EXTERNAL ECONOMIC IMPLICATIONS

Nil.
SOCIAL ISSUES
Nil.

CULTURAL ISSUES
Nil.

ENVIRONMENTAL ISSUES
Nil.

RESOURCE ISSUES
Refer to Financial Implications above.

RISK MANAGEMENT
The risks identified to be managed are contained in Attachment C.

CONSULTATION
- Committee Members
  Not Applicable.
- Community
  Not Applicable.
- Staff
  Where Applicable.
- Other Agencies
  Not Applicable.

DISCUSSION

Internal Audit
As part of the Council's Internal Audit Plan, an ICT Health Check was undertaken in August 2017.

The overall objective of this audit was to review the system of internal controls and related management processes for the purposes of providing reasonable assurance that adequate management controls are in place to mitigate risk and maximise opportunity.

The specific objectives of the audit are to:

- assess compliance with applicable laws and regulations;
- assess the efficiency of the it operation including internal service delivery and external service provider;
- determine the adequacy of current internal controls in addressing risks associated with the it operation; and
- identify future initiatives to be undertaken as a priority for the purpose of cost saving and process improvement.
Issues associated with governance, where relevant, have also been considered. This included an assessment of whether governance processes are in place, including:

- defined roles and responsibilities;
- segregation of duties;
- appropriate levels of delegated authority;
- monitoring and reporting of abnormal activities; and
- Records Management and documented audit trails.

Good practices identified during the review included:

- **Governance structure.** The Executive Leadership Team (ELT) leads the organisation to achieve its strategic objectives. A governance group was established for the Maximisation of Business Systems Project (MBSP), which is one of the 14 priority focus areas in the Organisational Strategy 2014-17 and includes the development of an IT Strategic Plan. Each General Manager is allocated with the governance responsibility for each project. Business areas are consulted during the project delivery and staff representatives are included in the Project Team.

- **Major systems security.** Security for the Council’s IT system Authority is being moved from a function based framework to a role based framework for ease of administration; and SharePoint security is role based. Security access of these two major systems is controlled with the required access provided to each staff member.

- **Cost effective technology.** Thin Clients in a virtual desktop environment is an acceptable system for the Council to have as they are low maintenance and are not costly to replace. For field staff, iPads are being used to access OneNPSP (intranet) which is a relatively low cost and easy way of accessing the relevant data.

The Audit identified six (6) key findings, with two (2) being rated as representing a high risk to the Council, three (3) as a medium risk and one (1) low risk. The low risk finding was addressed during the review. Overall, the control environment was assessed as Majority Effective.

The high risk items relate to the following:

- a non-current IT Strategy and the adequacy of IT policies; and
- business resilience, in particular, the absence of and IT Business Continuity Plan and IT Disaster Recovery (DR) Plan.

With respect to the finding on Business Resilience, as previously advised, the Disaster Recovery Site has been commissioned and St Peters Library and all backups, have been reconfigured to back up to the Disaster Recovery Site. A draft Disaster Recovery Plan has been prepared and is currently being reviewed.

The Disaster Recovery Site is based on a VMWare Site Recovery Solution to streamline and automate the DR recovery process. Servers at the head site are being replicated to the Disaster Recovery site, with the replication schedule varying depending on the server. Servers with high transaction data (i.e. Authority) are being replicated on a 15 minute schedule and the remaining servers are on a one (1) hour, four (4) hour or twelve (12) hour replication schedule depending on the type of data and recovery points required.

The next phase of the implementation is to perform a DR Test, which will be performed in two stages. The initial test will be a system restore undertaken by the Information Services staff. The purpose of the test is to review the solution and make and changes if required. The second stage will involve end users and perform a full DR test to ensure the solution delivers the required outcome within an acceptable time frame.

The report detailing the Internal Audit findings and the Management response to those findings is contained in Attachment A.
In addition, a review of the Council’s Rating Procedures was undertaken in December 2017. The draft report is currently being reviewed, with management response and actions to the issues which have been identified being prepared. The final report will be presented to the Audit Committee at its meeting scheduled for 28 May 2018.

At the Audit Committee Meeting held on 22 May 2017, the Internal Audit Review on the Council’s Recruitment, Selection, Induction and Probation (RSIP) processes and procedures was considered. As status report on the actions identified as part of the Management Response to the RSIP Review report is contained in Attachment B.

Risk Management Assessment

At the time of preparing this report, no additional risks, to those identified as part of the Risk Workshop held on 27 July 2015, have been identified. Of those risks which have been identified, eleven (11) risks have been identified with a target risk greater than the residual risk as a result of exiting mitigating controls that have been implemented by the Council. The status of the risks requiring additional mitigation strategies and controls is contained in Attachment C.

Information Security Breaches

Since the last Audit Committee Meeting held on 23 October 2017. During that time the Information Security Committee (the Committee) have tracked and reviewed four (4) security incidents, one (1) incident related to Confidentiality and the remaining three(3) relate to System Integrity. Details of the incidents reviewed are contained in Table 1 below. There have been no new security breaches since the last meeting. At the time of preparing this report, there has been 679 days since the last information security breach.

**TABLE 1: SECURITY INCIDENTS SINCE 23 OCTOBER 2017**

<table>
<thead>
<tr>
<th>Incident Category</th>
<th>Threat Type</th>
<th>Impact</th>
<th>Reactive Actions</th>
<th>Preventative Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrity</td>
<td>Virus</td>
<td>False positive – no virus found</td>
<td>Driver updates</td>
<td>None</td>
</tr>
<tr>
<td>Integrity</td>
<td>Security advisory from industry</td>
<td>None</td>
<td>Manager, Information Services reviewed risk and attack surfaces (IOS devices, Wi Fi access points) Response plan documented</td>
<td>Firewall, access points and Wi-Fi devices have been patched. IOS devices are updated as part of ongoing normal administrative process</td>
</tr>
<tr>
<td>Integrity</td>
<td>Virus protection Software failure</td>
<td>Reduced system protection levels</td>
<td>Resolved database error. Configuration updated to allow continued ongoing protection.</td>
<td>Administrative processes adjusted to facilitate regular checks on Virus protection software. Manager, Information Services confirmed a weekly ‘check’ schedule.</td>
</tr>
<tr>
<td>Confidentiality</td>
<td>Security advisory from Vendor</td>
<td>None</td>
<td>Manager, Information Services reviewed risk. Project Manager liaised with vendor to obtain and apply fix.</td>
<td>None</td>
</tr>
</tbody>
</table>
Internal Controls

A major upgrade of the Council’s Business System, Authority has recently been completed. As part of the upgrade process, the opportunity was taken to improve system access by implementing Role-based security. This involved critically reviewing job functions of the users to develop Functional Access Role Statements to ensure the System Access is consistent with the users’ roles and responsibilities.

Applying Role-based security not only improves the efficiency of user administration but also ensures that users are not inadvertently provided access to Authority Modules which are beyond the scope of their respective job function, hence improving the internal control environment surrounding data and information security.

OPTIONS
Nil.

CONCLUSION
Nil.

COMMENTS
Nil.

RECOMMENDATION
That the report be received and noted.
Attachment A

Internal Control and Risk Management Assessment
City of Norwood, Payneham & St Peters

IT Health Check
Internal Audit Report

August 2017
23 November 2017

Sharon Perkins
General Manager, Corporate Services
City of Norwood, Payneham & St Peters
PO Box 204
KENT TOWN SA 5071

Dear Sharon,

Internal Audit Report

Please find attached our report on the IT Health Check for the City of Norwood, Payneham & St Peters.

We would like to take this opportunity to thank management and staff for the assistance provided to us during the course of our audit.

If you have any queries, please feel free to contact me on 08 8372 7900 at any time.

Yours sincerely,

DAVID PAPA
PARTNER

Enclosure
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Inherent Limitations
Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to this review operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by City of Norwood, Payneham & St Peters management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed. The findings expressed in this report have been formed on the above basis.

Third Party Reliance
This report is solely for the purpose set out in the Official Order and for City of Norwood, Payneham & St Peters information, and is not to be used for any other purpose or distributed to any other party without Bentleys (SA) Pty Ltd’s prior consent.

This summary report has been prepared at the request of City of Norwood, Payneham & St Peters management or its delegate. Other than our responsibility to the management of City of Norwood, Payneham & St Peters, neither Bentleys (SA) Pty Ltd nor any member or employee of Bentleys (SA) Pty Ltd undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Norwood, Payneham & St Peters external advisors, on this summary report. Any reliance placed is that party’s sole responsibility. Liability limited by a scheme approved under Professional Standards Legislation.
EXECUTIVE SUMMARY

Background

The Council has engaged Bentleys SA Pty Ltd to conduct an internal audit project – IT Health Check in August 2017 in line with the Audit Committee’s Internal Audit Program.

This report outlines findings and recommendations in respect of the IT operation and its purpose within the council.

Audit Objectives

The overall objective of the audit was to review the system of internal controls and related management processes, providing reasonable assurance that adequate management controls exist to mitigate risk and maximise opportunity.

The specific objectives of the audit were to:

- Assess compliance with applicable laws and regulations;
- Assess the efficiency of the IT operation including internal service delivery and external service provider;
- Determine adequacy of current internal controls in addressing risks associated with the IT operation; and
- Identify future initiatives to be undertaken as a priority for the purpose of cost saving and process improvement.

Governance objectives, where relevant, were considered. This included an assessment of whether governance processes were in place, including:

- Defined roles and responsibilities;
- Segregation of duties;
- Appropriate levels of delegated authority;
- Monitoring and reporting of abnormal activity; and
- Records management and documented audit trails.

Audit Scope and Approach

The audit scope includes:

- Review IT environment based on the COBIT (Control Objectives for Information and Related Technology) framework, which is a leading framework for IT governance;
- Review IT governance and management arrangements;
- Review IT strategies, policies and procedures;
- Conduct an internal survey on the satisfaction of IT systems and service;
- Review role based security systems, assess the IT roles, responsibilities and reporting lines;
- Review IT network security and data protection excluding data penetration and vulnerability procedures;
Review systems resilience;
Review of rights and access levels and identify incompatible duties/access;
Conduct a gap analysis between IT strategy, policy and procedures, roles and responsibility, risk assessment, BCP and DRP, hardware and software asset management, IT engaging both internally and externally;
Review IT monitoring, reporting and continuous improvement; and
Review IT training arrangement.

Our approach involved reviewing the process, procedures, policies and documentation; interviewing key staff; conducting an IT Customer Satisfaction Survey; observation, walkthrough and substantive testing where possible.

Our audit reviewed the key processes and documents which drive the Council’s IT operation. Refer to Documents Accessed and Consultation (Appendix 3) for detailed information.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

**IT Customer Satisfaction Survey**

As part of this audit we conducted an IT Customer Satisfaction Survey among 43 key stakeholders between 7 and 20 August 2017. The key stakeholders involved were identified by the Manager Information Services, including:

- Chief Executive Officer;
- General Managers, Managers;
- Supervisors/Team Leaders; and
- Module Champions/Power Users.

There were 24 responses received from the Chief Executive’s Office and four (4) Council Departments (for details refer to Appendix 4). The service length of participants varied from less than one (1) year to over ten (10) years.

The survey results represent the opinion of the Council’s employees. The survey results do not mean IT functions are either satisfactory or unsatisfactory from a technical perspective, just that the user experience is satisfactory or unsatisfactory.

The relevant IT functions included:

- Information Services within the Corporate Services Department responsible for in-house IT operation and projects across the Council;
- The Website Officer within the Governance & Community Affairs Department responsible for the Council’s website; and
- The Manager City Assets in the Urban Services Department responsible for the Conquest Hosted Services.

In general, the IT services provided are adequate with achieving a mean score of 3.43 (out of 5 on a 0 to 5 scale), though there is still room for improvement. A fair working relationship has been developed between the IT functions and the users within the Council.

The survey identified the top three (3) stakeholders’ expectations as follows, which are the best rated areas (for details refer to Appendix 4):

- Efficient and effective IT operation (95.65% of responses);
Out of the 75 questions (covering general, overall and 11 specific IT service categories) in the survey, the following seven (7) questions (9%) had a mean score below 3 reflecting that users were not satisfied with the service provided and required action to investigate and improve performance:

- Communication provided regarding innovation, future improvements and suggested solutions (e.g. trends in technology) (2.76) – participants indicated that communication did not occur in a structured way. They suggested a formal and proactive communication should be used. This includes guiding where each business area should be heading in regards to IT;
- GIS functionality/access levels/support (2.82) – participants indicated that there was insufficient knowledge and ownership of Geographic Information System (GIS) functionality and the function should be utilised more;
- Authority integration with other systems (2.89);
- WiFi support (System/Device) (2.90) – participants addressed the unresolved wireless customer printing issue raised in 2016, and OneNPSP WiFi not fit for purpose;
- Documentation and user training provided for new systems (2.91);
- Disaster recovery and business continuity services provided (2.93); and
- The strategic vision for the IT systems (2.95) – participants addressed that there is no strategic vision.

There were four (4) (5%) questions that received a mean score of 3. If these areas are not managed carefully, the quality of the services may become substandard (for mean scores summary refer to Appendix 4):

- Authority reporting/data exports;
- Procurement purchasing policies;
- IT Project scoping; and
- IT Project planning (includes outcomes and accuracy of cost and resource estimates).

Further, there were repeated comments in the following areas:

- There was a slow and reactive system to address business areas’ strategic and future needs, offer suggestions on new products and systems application, support innovation and make improvements;
- There was lack of empathy and understanding about the impact of the problem on staff and customers (both internal and external viewpoint);
- There was lack of understanding of Library IT products, systems (including telephone, wireless printing, internet access) and needs to be appropriately delegated to provide first level support;
- There was lack of communication on the progress of resolving issues and resolution times;
- IT projects (including phones, photocopiers) were often not completed on time due to lack of resources, mutually convenient schedules, or engagement of stakeholders from beginning to end; and
- After hours’ support was not always available, especially for some units open until 8pm three nights a week and both weekends and the committee meetings including public gallery.

This response indicates there is a need to investigate the validity of the claims above continuance of the above will have a significant cultural impact on the staff of the council in addition to the existence of inefficiencies.
Good Practices Observed

Throughout this review we compared the Council’s processes to our knowledge and understanding of Local Government Association guidance and good business practice. The following good practices were observed during the review:

- **Governance structure.** The Executive Leadership Team (ELT) leads the organisation to achieve its strategic objectives. A governance group was established for the Maximisation of Business Systems Project (MBSP), which is one of the 14 priority focus areas in the Organisational Strategy 2014-17 and includes the development of an IT Strategic Plan. Each General Manager is allocated with the governance responsibility for each project. Business areas are consulted during the project delivery and representatives are included in the project team.

- **Major systems security.** Authority security is being moved from function based to role based for ease of administration; and SharePoint security is role based. Security access of these two major systems is controlled with the required access provided to each staff member.

- **Cost effective technology.** Thin Clients in a virtual desktop environment is an acceptable system for the Council to have because they are low maintenance and cheap to replace. In the field, iPads are being used to access OneNPSP (intranet) which is a relatively cheap and easy way of accessing the relevant data.

Key Findings and Observations

A summary of the risk rated findings are provided below:

<table>
<thead>
<tr>
<th>Ref #</th>
<th>Description of Findings</th>
<th>Risk Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IT strategy, policies and procedures</td>
<td>High</td>
</tr>
<tr>
<td>2</td>
<td>Business resilience</td>
<td>High</td>
</tr>
<tr>
<td>3</td>
<td>Hardware asset management</td>
<td>Medium</td>
</tr>
<tr>
<td>4</td>
<td>Risk management</td>
<td>Medium</td>
</tr>
<tr>
<td>5</td>
<td>Training and communication</td>
<td>Medium</td>
</tr>
<tr>
<td>6</td>
<td>Compliance with delegation policy</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Improvement Opportunities</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Service level agreement renewal</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Refer to Detailed Findings and Agreed Action Plan (Appendix 1), Improvement Opportunities (Appendix 2) for detailed information.

Each key finding is rated based on the impact to the process considered. Refer to Risk Framework (Appendix 7) for detailed information.

Gap analysis of the current IT environment against the COBIT framework is included in Appendix 5.
Controls Assessment

The control effectiveness assessment below is an indicator of the current state of the control environment within business operations and its ability to mitigate against the risk exposures.

Given the Council does not have its control effective ratings in the risk management policy, we adopted the definitions of control effectiveness ratings from the Better Practice Model – Internal Financial Control developed by the South Australian Local Government Financial Management Group Inc (SALGFMG).

Key controls were identified during the audit. Refer to Controls Assessment (Appendix 6) for detailed information.

Based on the internal audit work completed, documents inspected and interviews with key stakeholders, it is the view of Bentleys SA that the control environment of IT operation is Majority Effective.

Control Effectiveness Graph

<table>
<thead>
<tr>
<th>Control Effectiveness</th>
<th>Number of Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ineffective</td>
<td>0</td>
</tr>
<tr>
<td>Requires significant improvement</td>
<td>1</td>
</tr>
<tr>
<td>Partially Ineffective</td>
<td>2</td>
</tr>
<tr>
<td>Majority Effective</td>
<td>5</td>
</tr>
<tr>
<td>Effective</td>
<td>2</td>
</tr>
</tbody>
</table>

Overall Controls Assessment

<table>
<thead>
<tr>
<th>Effective</th>
<th>Majority Effective</th>
<th>Partially Ineffective</th>
<th>Requires Significant Improvement</th>
<th>Ineffective</th>
</tr>
</thead>
</table>
| (1) Limited to audit scope and based on test results.
Risk Assessment

Provided below is an audit assessment of the residual risk (based on the Council’s risk framework) in respect of the process reviewed, having regards to the issues identified by the audit.

Key inherent risks (before controls) include:

- Non-compliance with legislation and regulation;
- System and data integrity may be compromised;
- Unauthorised access, disclosure or use of personal or confidential information;
- Ongoing service delivery may fail; and
- Reputational damage.

Acknowledgement

We appreciate the assistance and cooperation received from management and staff of City of Norwood, Payneham & St Peters in completing this review.
APPENDIX 1
Detailed Findings and Agreed Action Plan

<table>
<thead>
<tr>
<th>Finding 1.</th>
<th>IT strategy, policies and procedures</th>
<th>Risk Category</th>
<th>C, D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact:</td>
<td>Major</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Likelihood:</td>
<td>Likely</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Rating:</td>
<td>High</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Finding(s)

The IT strategy and available policies are inadequate for an organisation the size and complexity of the Council. There are two draft strategic plans developed, incomplete in key areas and with policies and procedures not reviewed and updated regularly to ensure the quality of ongoing service delivery.

**IT strategic plan**

Information Services has no current complete and approved strategy or strategic plan, which exposes the Council to significant strategic and operational risks. The development of the plan was suspended due to lack of resources and strategic direction. Although two drafts were created, they are isolated documents and contain significant shortcomings such as:

- The draft Information Services Strategic Plan 2014-2017 focuses on infrastructure and the draft Information Services Strategic Plan 2013-2017 focuses on strategic direction to meet the Council’s values and objectives;
- Key stakeholders and their expectations are not identified;
- There is lack of integration among the IT services goals, stakeholders’ expectations and the Council’s strategic objectives; and
- The finance and resource implications of implementing the plans have not been fully assessed.

**IT policies and procedures**

The following IT strategy/policies covering common areas in state/local government do not exist in the Council to ensure effective IT use and protect staff and organisation:

<table>
<thead>
<tr>
<th>IT strategy/policies</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Transformation Strategy</td>
<td>Alignment with the Digital by Default Declaration and the across-government Digital Strategy and proactively transforming the Council’s services using digital technology.</td>
</tr>
<tr>
<td>Data Protection</td>
<td>What does Council do to protect sensitive data</td>
</tr>
<tr>
<td>Website Privacy</td>
<td>This site on the Council’s website, so visitors know how Council use their data</td>
</tr>
<tr>
<td>IT Security</td>
<td>Procedures and precautions to keep data and systems safe</td>
</tr>
<tr>
<td>Email Use</td>
<td>How employees are permitted to use email at work</td>
</tr>
<tr>
<td>Internet Use</td>
<td>How employees can and cannot use the internet at work</td>
</tr>
<tr>
<td>IT Training and Support</td>
<td>How to provide training and support to staff</td>
</tr>
</tbody>
</table>

Although the Mobile Phone Policy & Guidelines is in place, it does not cover the following key components:

- Allocation, replacement, and disposal of mobile devices (for details refer to Finding 3); and
- Monitoring and escalation of infrequent use of mobile devices – It was identified at the time of the audit on 1 August 2017 that there were two (2) mobile phones not used for over 12 months and ten (10) mobile devices not frequently used according to the Airwatch Mobile Device Manager (monitoring system). Although the Systems Administrator followed up with the users, the usage of these mobile devices did not improve. Meanwhile, complaints of insufficient mobile devices were raised via two interviews on 15 August 2017. The current practice is not an effective approach to use the resources available. The necessity of the mobile phone users should be based on defined criteria to support delivery needs of the position.

Further, the following existing policies and procedures are not up to date to ensure their currency as
required by the Local Government Act 1999 Section 125 “internal control policies”:

- Risk Management dated 21 October 2013 – was not reviewed and updated in the past four (4) years and the Council is currently updating it to reflect current changes and requirements;
- Social Media Electronic Communications Policy dated 9 May 2015 (next review due June 2017) – was overdue for review;
- Electronic Communication Devices Policy and Procedure dated 25 May 2015 – does not reflect the current technology and is overlapping with the Mobile Phone Policy & Guidelines dated 20 December 2010 (which seems obsolete); and
- Mobile Phone Policy & Guidelines dated 20 December 2010 – was not reviewed and updated in the past seven (7) years to reflect current changes and requirements. The policy does not include all mobile devices these days such as iPhone and iPad and is limited to the traditional mobile phones. Smart devices have internet access which, if not appropriately managed, poses a risk of leaking Council information. This has the potential to damage Council’s reputation.

It should be recognised that Work Instructions are documented in the Kiwi system for internal use within Information Services. However, the quality of documentation varies and, therefore, does not provide ideal direction to ensure the implementation of consistent processes.

**Risk**

- Absence of strategic management plans including an IT Strategic Plan could result in non-compliance with the Local Government Act 1999 Section 122 “strategic management plans”;
- Without an IT Strategic Plan, services may not address and meet current and future business requirements and users’ benefits may not be realised; and
- Lack of formalised and up-to-date policies and procedures could potentially result in errors when someone unfamiliar with the process is required to undertake the function.

**Recommendation**

We recommend management

- Develop a revolving three-year strategic plan with forward looking focus and include the following key components:
  - Needs Analysis – outlines the key areas that have required assessment over the last 12-18 months, such as system/infrastructure replacement and upgrade, user experience and productivity, mobile devices, remote access, and external support service etc.;
  - Options Assessment – identifies new infrastructure options, compares costs of different proposals, conducts risk assessment, and determines best solution; and
  - Phases and Timeframes – proposes actions based on urgency of needs and availability of resources;
- Formalise and approve the IT policies and procedures;
- Regularly review and update the policies and procedures; and
- Formalise the processes by using standard operating procedures such as the flowcharts and checklists, and conduct reviews periodically.

**Management Response**

Your comments are noted regarding the development of an IT Strategic plan.

In response to other recommended actions:

- Continue to encourage use and review of IT Wiki for standard operating procedures;
- Complete policy review including gap analysis i.e. Bring Your Own or Remote Access;
- Prioritise high-risk processes i.e. starters and leavers. Engage stakeholders, document process(es) and socialise;
- Create and socialize IT Action plan (12-24 months); and
- Align with Department objectives and use feedback to drive creation of IT Strategy.

**Responsible Officer**

Project Manager, ICT
Manager, Information Services

**Target Date**

30 June 2018

**Comment [CoNPaSP1]**: Based on 4 streams (subject to review):
1. Hardware
2. Systems
3. Security
4. Digital Strategy
Finding 2. Business Resilience

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>A, B, D, E¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact:</td>
<td>Critical</td>
</tr>
<tr>
<td>Likelihood:</td>
<td>Possible</td>
</tr>
<tr>
<td>Risk Rating:</td>
<td>High</td>
</tr>
</tbody>
</table>

Finding(s)

The Council’s system resilience is low. There is no current Business Continuity Plan (BCP) and the Disaster Recovery Plan (DRP) is at an early stage of development. The disaster recovery (DR) test has not been done since 2008. There is a risk that if a major incident occurs, the administration will not be able to restore services in a timely and efficient manner and that service delivery will consequently be affected adversely.

Gap analysis of the current IT environment against the COBIT framework is included in Appendix 5.

**Business Continuity**

There is no current BCP for IT function. The BCP drafted in January 2016 is a DR document not a BCP. This DR document addresses only the worst-case scenario but does not adequately cover lesser disruptions, including short term black outs, failed infrastructure, system outages, and internet/WAN outages.

The existing Council’s BCP is out of date. The plan developed by the Local Government Risk Services (LGRS) in 2012 addressed the action to “undertake a council review of the disaster recovery plan” at a high level; however, it was not implemented. Manager, Work Health Safety & Risk has raised the proposal for a Council BCP Maintenance Program in March 2017. A review of the BCP was included as a project proposal as part of the 2017-18 Budget, which was considered by the Council in April and adopted by the Council in July 2017.

**Disaster Recovery**

The DR document drafted in January 2016 is not a mature or robust document. The following gaps have been identified:

- The document does not indicate Council’s internal controls but simply quotes industry standard practices. For example, Section 1.3.6 “Data loss due to the activation of Plan” refers to a generic industry standard of “a Tier 3 R.P.O. (Recovery Point Objective) of 24+ hours”. This means on execution of the plan, it may recover data 24 hours old if the timing of the failure is unfortunate against the backup cycle. It appears that the business has not defined what is an acceptable recovery time for its business data, so the document has no choice but to refer to industry best practices.
- The document does not outline any limitations on operating capacity. For example, the environment can only operate at 75% production capacity. When the operating capacity is above 75%, the system will be slower.
- The document is not clearly communicated. For example, Section 5.8 defines that the activation checklist “can be used by any skilled personnel” however, without further interpretation by the document owner, no one else can configure the environment and activate the alternate site when the Plan is invoked.

The previous BCP/DRP developed in 2006 was not regularly updated and tested. The last DR test was performed in 2008 and no further tests have been arranged in the past nine (9) years. DR equipment is currently kept in the server room on site and is waiting to be moved back to the DR location off site after trial testing is done. The Council is in the process of establishing an off-site DR site at St Peters Library. Systems are currently backed up nightly to discs in the basement of the Norwood Town Hall protected by a separate firewall from the server.

The above has exposed the Council to significant risks of business continuity in the event of an emergency situation. There is a risk of undesirable delay to resume the business should an adverse

¹ Refer to Appendix 7 for detailed risk category
event occur.

**Risk**

- Key services may not be restored in a timely and efficient manner;
- Ongoing service delivery may be adversely affected;
- Reputational damage; and
- Financial loss.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Management Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>We recommend management</td>
<td>Your comments are noted.</td>
</tr>
<tr>
<td>- Prioritise resources to formalise an IT BCP according to best practice that works through each scenario based on priority and impact to the business, outage length, work around measures, activation triggers and task lists;</td>
<td>As part of the 2017-2018 Budget, funding has been allocated to review and update the Councils’ Business Continuity Plan. The review program commenced on 6 November 2017. This review program will be managed by the Council Manager, Work Health Safety &amp; Risk.</td>
</tr>
<tr>
<td>- Ensure the IT BCP is applied to each area of the business that could be impacted by any short-term outage/issue which details how it would continue to operate based on that failure;</td>
<td>The IT Business Continuity sub-plan will form a key part of the reviewed Business Continuity Plan.</td>
</tr>
<tr>
<td>- Ensure all aspects of IT are reviewed and considered with BCP checklists designed around each element i.e. core switch failure/internet down/servers offline etc.;</td>
<td>The Council has recently established the IT disaster recovery site at the St Peters Library. Information Services is finalising the IS DR Plan based on the new site.</td>
</tr>
<tr>
<td>- Develop a DRP to support the BCP document in instances where impact to the business is critical;</td>
<td></td>
</tr>
<tr>
<td>- Conduct regular tests (at least every six (6) months) to make sure everything will go according to plan, including tests offline to get a feeling for timings and any issues that may arise; and</td>
<td></td>
</tr>
<tr>
<td>- Conduct regular reviews outcomes and keep the documents up to date.</td>
<td></td>
</tr>
</tbody>
</table>

**Responsible Officer**

<table>
<thead>
<tr>
<th>Responsible Officer</th>
<th>Target Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager, Information Services</td>
<td>30 March 2018</td>
</tr>
</tbody>
</table>
## Finding 3. Hardware asset management

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>B, D, E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact:</td>
<td>Moderate</td>
</tr>
<tr>
<td>Likelihood:</td>
<td>Possible</td>
</tr>
<tr>
<td>Risk Rating:</td>
<td>Medium</td>
</tr>
</tbody>
</table>

**Finding(s)**

Management of hardware assets is weak. There is no complete and accurate IT Asset Register and the existence of assets is not validated through stocktake. The reason is relevant processes are not documented in any policy (Finding 1).

The current Asset Register of total 379 items (including 372 owned and leased assets and 7 disposed) is not complete and does not record asset information consistently. The asset information was recorded into the HelpDesk system in April 2017 as part of the Server Refresh program and was not finalised. The Systems Administrator has been assigned as the responsible officer to complete this task. Review of the register found that the register has no complete information of asset tag, department, lease start and end date, acquisition and expiry date (for owned assets).

There is no regular asset audit/stocktake performed for owned and leased physical IT assets. The last asset audit was started in 2016 but not finalised due to lack of the resources. Although the Airwatch Mobile Device Manager monitors the use of mobile devices (totalling 77 items, including 38 mobile phones, 38 iPads and 1 MacBook), this process does not include all IT assets. There is a risk of loss or misuse of physical assets and facilities.

Further, through discussion with management and review of documentation, it was identified that the allocation, replacement and disposal of the sensitive assets including mobile devices are not formally documented to ensure transparency of the processes and identify obsolete or underutilised equipment. For instance, the current processes of mobile devices management are as follows:

- There were ten (10) new iPhone 7 purchased in March 2017, including five (5) charged to the Telstra Motif fund;
- The trigger for the procurement was to use the annual Telstra Motif fund;
- The new iPhones were allocated from top down to the Chief Executive Officer, General Managers and Managers first, but not systematically based on the needs of the work responsibilities;
- The old iPhones replaced were reallocated on an ad-hoc basis to those who had phones broken or requested a smart phone previously; and
- The broken phones were either stored, decommissioned or auctioned depends on the condition at the discretion of the Systems Administrator.

**Risk**

- No regular asset audit/stocktake may lead to loss or misuse of physical assets and facilities; and
- Unformalised processes may lead to inconsistent practice, dispute and insufficient use of resources.

**Recommendation**

We recommend management:

- Prioritise resources to finalise the asset audit/stocktake started in 2016, and schedule and implement regular asset audit/stocktake;
- Complete the Asset Register with all assets and key information consistently; and
- Review and formalise the processes of allocation, replacement and disposal of the sensitive assets including mobile devices.

**Management Response**

Ensure all new assets are captured on the assets register upon delivery and systematically audit/stocktake all assets over a twelve month period.

<table>
<thead>
<tr>
<th>Responsible Officer</th>
<th>Manager, Information Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Date</td>
<td>1 November 2018</td>
</tr>
<tr>
<td>Finding 4. Risk management</td>
<td>Risk Category</td>
</tr>
<tr>
<td>----------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Impact:</td>
<td>Minor</td>
</tr>
<tr>
<td>Likelihood:</td>
<td>Likely</td>
</tr>
<tr>
<td>Risk Rating:</td>
<td>Medium</td>
</tr>
</tbody>
</table>

**Finding(s)**

There is no IT Operational Risk Register to record and maintain the relevant IT operational risks. Without a Risk Register, there is no systematic approach to manage IT risks. It is not compliant with the Council’s Risk Management Policy, which requires that Council to be committed to effective risk management. Risk management processes should be integrated into all of the Council activities and in keeping with good corporate governance practice.

Project Risk Registers of individual projects are maintained, but in our opinion insufficient with no documentation of risk rating, treatment, and monitoring through the life cycle of the projects. This does not support a satisfactory achievement of projects as a means of minimising the impact of undesired events.

**Risk**

- Not focusing on the risk based Council areas could result in inefficiency; staff disengagement; data or asset loss; upsetting the community; and a potential reputational impact to the Council;
- No risk rating could result in wasteful resources on less vulnerable areas; and
- No treatment and monitoring could result in risks are not managed appropriately.

**Recommendation**

We recommend management

- Record and maintain an Operational Risk Register to capture and monitor IT operational risks;
- Include and document risk rating, treatment and monitoring in the Project Risk Registers to effectively manage the project risks; and

**Management Response**

Develop an IS Operation Risk Register.

Ensure all IS projects have a risk registers.

**Responsible Officer**

Manager, Information Services

**Target Date**

1 January 2018
### Finding 5. Training and communication

<table>
<thead>
<tr>
<th>Finding(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT training provided was not tailored to meet users’ needs, and communication between Information Services and users were not sufficient. Users’ feedback for the Helpdesk service and IT training has not been obtained since 2007. The following major gaps were identified in the users’ survey (for details refer to IT Customer Satisfactory Survey on pages 4 and 5):</td>
</tr>
<tr>
<td>- Communication regarding innovation, trends in technology and suggested solutions did not occur in a structured way (mean score 2.76 out of 5 on a 0 to 5 scale). However, the key stakeholders expected a formal and proactive communication approach;</td>
</tr>
<tr>
<td>- The need for user training provided for new systems was not satisfied (mean score 2.91); and</td>
</tr>
<tr>
<td>- Repeated comments indicated lack of empathy about the IT problems and related impact and lack of communication on the progress of resolving issues.</td>
</tr>
</tbody>
</table>

Discussion with the Manager Organisational Development and review of the Corporate Training Calendar 2017-2018 identified that IT relevant training was provided as part of the corporate training programs. Training was also provided after major IT projects completion, such as a photocopier and audio visual equipment training at library. However, if stakeholders are not being engaged appropriately, the training provided may not be meeting their expectations.

### Risk

- Lack of appropriate training may result in no skilled personnel to perform their roles and responsibilities;
- Poor communication may lead to failure of IT service delivery; and
- Poor communication may stain the productivity of the Council.

### Recommendation

We recommend management

- Engage IT stakeholders and user groups appropriately and conduct effective two-way communication to understand their needs in any implementation or technology change, and deliver training and services accordingly; and
- Assess and determine the appropriate approach to obtain regular and timely feedback on initiatives and service provision.

### Management Response

Your comments are noted and in response to the recommended action, the following actions will be undertaken.

- Work with HR to introduce feedback model into Corporate Training calendar.
- Identify and schedule new training requirements.
- Re-introduce helpdesk survey (implemented)
- Introduce pro-active strategic sessions on new solutions and technologies.
- Introduce follow-up on helpdesk issues
- Ensure training/rollout feedback considered as a KPI in IT change projects

<table>
<thead>
<tr>
<th>Responsible Officer</th>
<th>Target Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Manager, ICT</td>
<td>31 Jul 2018</td>
</tr>
</tbody>
</table>
Finding 6. Compliance with delegation policy

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>D, E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact</td>
<td>Minor</td>
</tr>
<tr>
<td>Likelihood</td>
<td>Possible</td>
</tr>
<tr>
<td>Risk Rating</td>
<td>Low</td>
</tr>
</tbody>
</table>

**Finding(s)**

The Manager Information Services’ delegation limit to approve a single procurement was $20,000 (excluding GST); however, his limit in the purchasing system was $25,000 (excluding GST) – higher than his delegation limit.

There was no unauthorised procurement identified because there was no IT procurement between $25,000 (excluding GST) and $20,000 (excluding GST) and, in practice, the General Manager, Corporate Services co-signs off. However, there was a potential for the Manager Information Services to make unauthorised procurement.

This issue was rectified at the time of the audit.

**Risk**

- Unauthorised purchase; and
- Financial loss.

**Recommendation**

We recommend management ensure the Delegation Policy is implemented.

**Management Response**

Your comments are noted

<table>
<thead>
<tr>
<th>Responsible Officer</th>
<th>Target Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Manager, Corporate Services</td>
<td>Complete</td>
</tr>
</tbody>
</table>
APPENDIX 2
Improvement Opportunities

1. Service level agreement renewal

<table>
<thead>
<tr>
<th>Observation(s)</th>
<th></th>
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<tbody>
<tr>
<td>Website maintenance is conducted by the Website Officer with the involvement of the contractors where relevant. The current service level agreement (SLA) with Karmabunny Pty Ltd was signed by the General Manager of Governance &amp; Community Affairs on 21 August 2013 and does not state the period covered. When the contractor was engaged for a single job, a separate quote was obtained and the total payment for the 2016-17 was $16K. There is an opportunity to update the contract clauses to support service delivery better.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity(ies)</th>
<th>Management Response</th>
<th>Responsible Officer</th>
<th>Target Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is recommended that the SLA is renewed regularly at least every two years to ensure relevance of the clauses, for example, the requirements for service delivery.</td>
<td>Your comments are noted</td>
<td>Website officer</td>
<td>31 Dec 2017</td>
</tr>
</tbody>
</table>

Comment [CoNPSP2]: Received confirmation previously from Julie that this is subject to review in 2H 2017
APPENDIX 3
Documents Accessed and Consultation

Documents provided by the Council and accessed include:

- Information Services Strategic Plan 2013-2017 (Draft)
- Information Services Strategic Plan 2014-2017 (Draft)
- Council’s strategic planning documents
- Job Descriptions of the Information Services employees
- Risk Management Policy dated 6 September 2010
- Procurement Policy dated 7 March 2016
- Disposal of Land and Assets Policy dated 1 June 2015
- Social Media and Electronic Communications Policy and Procedure dated 19 May 2015
- Mobile Phone Policy & Guidelines dated 20 December 2010
- Information Services Work Instructions in Wiki
- Financial Delegation of Authority Schedule November 2016
- IT project and operation budgets 2016-2017
- IT Service Catalogue
- IT project documents
- Service Level Agreement with Karmabunny Pty Ltd
- IT Asset List in Helpdesk
- Business Continuity Plan January 2016 (Draft)
- Business Continuity Plan and Disaster Recovery Plan March 2006
- Council Business Continuity Plan May 2012
- Council Training Calendar 2017-2018 and IT training documents
- Helpdesk services feedback 2007

We would like to extend our appreciation to the following individuals who participated in, and provided information during this internal audit review.

- Aerken Kuerban, Manager Information Services
- Nighmat Hasanoff, Systems Administrator
- Tony Tyler, Project Manager ICT Solutions
- Claude Malak, Manager City Assets
- Mark Draper, Assets & Special Project Officer
- David Maywald, Team Leader, Customer & Regulatory Services
- Julie Adair-Cullen, Website Officer, Communications & Community Engagement
- Antoniette Spiniello, Records Coordinator, Records Management
- Sean Faulkner, Manager, Work Health Safety & Risk
- Henry Colston, Building Maintenance Officer
- Nicole Newton, Manager Organisational Development
APPENDIX 4
IT Customer Satisfaction Survey

Figure 1: Survey participants from Council’s Departments

Figure 2: Stakeholders’ expectations for IT services

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Chief Executive’s Office</th>
<th>Urban Services</th>
<th>Urban Planning &amp; Environment</th>
<th>Corporate Services</th>
<th>Governance &amp; Community Affairs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficient and effective IT operation</td>
<td>9</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Improve business agility through a more flexible IT environment</td>
<td>9</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Use of new technology</td>
<td>9</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Resilient IT operation</td>
<td>9</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Achievement of Strategic Objectives</td>
<td>9</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Data security</td>
<td>9</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Regulation compliance</td>
<td>9</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>IT-related risks assured</td>
<td>9</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Cost of IT services</td>
<td>9</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Other</td>
<td>9</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>9</td>
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<tr>
<td>Category</td>
<td>Survey Questions</td>
<td>Mean Score (maximum 5 Very Satisfied)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>--------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>---------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General</strong></td>
<td>How satisfied are you in respect of</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>IT's empathy and understanding of your problem</td>
<td>3.74</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>IT's product/system knowledge</td>
<td>4.00</td>
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<td></td>
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<tr>
<td></td>
<td>IT's ability to provide clear and simple instructions/answers</td>
<td>3.65</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Training provided in respect of briefings, workshops, classroom-based and e-learning</td>
<td>3.35</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>IT's level of experience</td>
<td>3.86</td>
<td></td>
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<tr>
<td></td>
<td>IT's ability to solve your issues in the first instance</td>
<td>3.48</td>
<td></td>
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<tr>
<td><strong>Application Software and System Administration</strong></td>
<td>Authority functionality</td>
<td>3.17</td>
<td></td>
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<tr>
<td></td>
<td>Authority access levels/security</td>
<td>3.45</td>
<td></td>
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<tr>
<td></td>
<td>Authority support (internal and external)</td>
<td>3.23</td>
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<td></td>
<td>Authority user maintenance</td>
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<td></td>
<td>Authority reporting/data exports</td>
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<td></td>
<td>Authority integration with other systems</td>
<td>2.89</td>
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<td></td>
<td>Conquest functionality/access levels/support</td>
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<td></td>
<td>GIS functionality/access levels/support</td>
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<td></td>
<td>Council website navigation/content</td>
<td>3.57</td>
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<td>Microsoft Office version/configuration/support</td>
<td>3.70</td>
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<td><strong>IT Incident and Problem Management (Including Help Desk Coordination)</strong></td>
<td>Hardware support (PC/Laptop/Tablet)</td>
<td>3.86</td>
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<td></td>
<td>Phone system support (Desk/Mobile)</td>
<td>3.73</td>
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<td></td>
<td>Email support (Outlook/SPAM)</td>
<td>3.86</td>
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<td>Printer support (System/Hardware)</td>
<td>3.64</td>
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<tr>
<td></td>
<td>WiFi support (System/Device)</td>
<td>2.90</td>
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<tr>
<td></td>
<td>Data recovery</td>
<td>3.63</td>
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<td>Elected members support</td>
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<tr>
<td></td>
<td>Server support (administration/outages)</td>
<td>3.55</td>
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<td></td>
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<tr>
<td></td>
<td>Network support (administration/outages)</td>
<td>3.45</td>
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<td></td>
<td>Internet support (speed/connectivity/access)</td>
<td>3.19</td>
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<td></td>
<td>AV support</td>
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<td>After hours support</td>
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<td><strong>IT Policies and Procedures</strong></td>
<td>Your knowledge and understanding of the IT policies and procedures</td>
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<td>The level of detail in the policies and procedures</td>
<td>3.26</td>
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<tr>
<td></td>
<td>They are relevant and up to date</td>
<td>3.30</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>There is sufficient coverage for IT systems and hardware</td>
<td>3.35</td>
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<tr>
<td></td>
<td>WHS is adequately covered in relation to IT</td>
<td>3.60</td>
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<td><strong>Innovation and Strategic Planning</strong></td>
<td>The strategic vision for the IT systems</td>
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<td>IT's level of engagement with the business</td>
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<td>IT's ability to play an advisory role in the business</td>
<td>3.14</td>
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<td>IT's ability to bring new ideas and technology to management</td>
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<td></td>
<td>IT's ability to understand the needs of the council</td>
<td>3.29</td>
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<tr>
<td></td>
<td>Business continuity planning/disaster recovery</td>
<td>3.45</td>
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<tr>
<td><strong>IT Project Management and Implementation</strong></td>
<td>The manner in which IT projects are managed</td>
<td>3.52</td>
<td></td>
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<tr>
<td></td>
<td>The level of user/system testing that is conducted</td>
<td>3.20</td>
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<td>Vendor engagement and management throughout the process</td>
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<td></td>
<td>Documentation and user training provided for new systems</td>
<td>2.91</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>Projects are completed on time</td>
<td>3.30</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>IT support post implementation</td>
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<tr>
<td><strong>IT Infrastructure and Management</strong></td>
<td>IT Server Infrastructure</td>
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</tr>
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<td></td>
<td>IT Network Infrastructure</td>
<td>3.53</td>
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<tr>
<td></td>
<td>IT Management/Monitoring utilities</td>
<td>3.72</td>
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<td><strong>Third Party Management</strong></td>
<td>Third party server/network infrastructure management/support</td>
<td>3.29</td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td>Third party software support</td>
<td>3.29</td>
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<tr>
<td></td>
<td>Third party agreement and maintenance contracts</td>
<td>3.17</td>
<td></td>
<td></td>
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</tr>
<tr>
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<td>Third party relationships</td>
<td>3.17</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Third party understanding of business needs/requirements</td>
<td>3.17</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Data Security
- Physical environment (i.e. securing offices, rooms and facilities): 3.80
- Equipment security: 3.70
- Network access control: 3.74
- System access control: 3.71
- Remote access control: 3.50
- Internet/Firewall access control: 3.06

## Procurement
- Vendor selection: 3.09
- Standardisation of equipment/Economies of scale: 3.14
- Fit in purpose: 3.18
- Value for money: 3.23
- Purchasing policies: 3.00

## Project Management
- Project scoping: 3.00
- Project planning (includes outcomes and accuracy of cost and resource estimates): 3.00
- Project scheduling (detailed delivery schedules): 3.13
- Project governance (e.g. clear ownership and accountabilities, risks are managed, project reports provide full transparency of progress): 3.28
- Stakeholder communication (the right people receive the right information at the right time): 3.06
- Project Implementation: 3.16

## Change Management and Business Continuity Services
- Change management and release management service provided: 3.13
- Disaster recovery and business continuity services provided: 2.93

## Overall
- Communication provided regarding innovation, future improvements and suggested solutions (e.g. trends in technology): 2.76
- Improvement made during the FY2016/17: 3.39
- Overall service provided by IT: 3.43

**Legend:**
- [ ] Scored 3
- [ ] Below Score 3
APPENDIX 5 IT Governance and Management Framework

Delegate
Stakeholders
Enterprise Goals
Governing Body
Management
Operations

1. Meeting Stakeholder Needs
2. Covering the Enterprise End-to-end
3. Applying a Single Integrated Framework
4. Enabling a Holistic Approach
5. Separating Governance from Management

1. Stakeholders
   - Stakeholder Needs
   - Enterprise Goals
   - IT Goals
   - Enabler Goals

2. Governing Body
   - Governance Framework
   - Benefit Delivery
   - Risk Optimisation
   - Resource Optimisation
   - Stakeholder Transparency

3. Management
   - Principles
   - Processes
   - Organisational Structures
   - Culture, Ethics and Behaviour
   - Information
   - Services, Infrastructure and Applications
   - People, Skills and Competences

4. Operations
   - IT Disaster Recovery Plan
   - IT Business Continuity Plan
   - IT Services Catalogue
   - IT Project Register
   - IT Asset Register
   - IT Operation/Project Risk Register
   - IT Training Schedule
   - IT Services Feedback & Communication

Legend
F Finding

COBIT 5 Principles

Finding
F1 F2 F3 F4 F5 F6
### APPENDIX 6

**Controls Assessment**

**Key Controls**

Key controls identified during the audit include:

<table>
<thead>
<tr>
<th>No.</th>
<th>Control Name</th>
<th>Control Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IT governance and management arrangements</td>
<td>Partially Ineffective</td>
</tr>
<tr>
<td>2</td>
<td>IT strategy, policies and procedures</td>
<td>Partially Ineffective</td>
</tr>
<tr>
<td>3</td>
<td>IT risk management</td>
<td>Majority Effective</td>
</tr>
<tr>
<td>4</td>
<td>IT customer satisfaction management</td>
<td>Majority Effective</td>
</tr>
<tr>
<td>5</td>
<td>IT security and access management</td>
<td>Effective</td>
</tr>
<tr>
<td>6</td>
<td>IT system resilience management</td>
<td>Require Significant Improvement</td>
</tr>
<tr>
<td>7</td>
<td>IT asset management</td>
<td>Majority Effective</td>
</tr>
<tr>
<td>8</td>
<td>Third party service delivery management</td>
<td>Effective</td>
</tr>
<tr>
<td>9</td>
<td>Reporting and monitoring</td>
<td>Majority Effective</td>
</tr>
<tr>
<td>10</td>
<td>Training and communication</td>
<td>Majority Effective</td>
</tr>
</tbody>
</table>

**SALGFMG Control Assessment Table**

<table>
<thead>
<tr>
<th>Control / Mitigating Factor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective</td>
<td>Nothing more to be done except review and monitor existing control. Control is well designed for the risk, addresses the root causes and management believes that they are effective and reliable at all times (no audit findings for the control).</td>
</tr>
<tr>
<td>Majority Effective</td>
<td>The control design is correct and is in place and effective. Some more work is to be done to improve operating effectiveness or management has doubts about operational effectiveness and reliability (minor audit findings relating to the control).</td>
</tr>
<tr>
<td>Partially Ineffective</td>
<td>While the design of the control may be largely correct in that it will treat most of the root causes of the risk, it is not currently very effective. Or Part of the control does not seem correctly designed in that it does not treat root causes and/or the part that is correctly designed is not operating effectively.</td>
</tr>
<tr>
<td>Requires Significant Improvement</td>
<td>During the period, the control has been implemented as described, but with significant deficiencies in the consistency or effectiveness of implementation. Significant management action required to implement processes to improve the effectiveness of the control.</td>
</tr>
<tr>
<td>Ineffective</td>
<td>Virtually no credible control or significant control gaps where either control does not treat the root causes, or it does not operate effectively at all. Management has no confidence that any degree of control is being achieved due to poor control design and/or very limited operational effectiveness.</td>
</tr>
</tbody>
</table>
APPENDIX 7
Risk Framework

The following framework for Assurance ratings was developed by the Council to prioritise findings according to their relative significance depending on their impact to the process.

<table>
<thead>
<tr>
<th>LIKELIHOOD</th>
<th>CONSEQUENCES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Catastrophic</td>
</tr>
<tr>
<td>Almost Certain</td>
<td>Extreme</td>
</tr>
<tr>
<td>Likely</td>
<td>Extreme</td>
</tr>
<tr>
<td>Possible</td>
<td>Extreme</td>
</tr>
<tr>
<td>Unlikely</td>
<td>High</td>
</tr>
<tr>
<td>Very Unlikely</td>
<td>Substantial</td>
</tr>
</tbody>
</table>

Measures of Corporate Risk Likelihood

The likelihood of a risk eventuating must be identified in the context of existing controls using the following as a reference:

<table>
<thead>
<tr>
<th>LIKELIHOOD RATING</th>
<th>INDIQUE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost Certain</td>
<td>&lt; 1 in 10</td>
<td>This risk is expected to occur during this task / activity / project as there is a history of regular occurrence.</td>
</tr>
<tr>
<td>Likely</td>
<td>1 in 10 - 100</td>
<td>There is a strong possibility the event will occur as there is a history of frequent occurrence during similar Council tasks / activities / projects.</td>
</tr>
<tr>
<td>Possible</td>
<td>1 in 100 - 1000</td>
<td>The risk might occur at some time as there is a history of casual occurrence during similar Council tasks / activities / projects</td>
</tr>
<tr>
<td>Unlikely</td>
<td>1 in 1000 - 10000</td>
<td>hasn't happened yet, but there's a slight possibility it may occur at some time during the task / activity / project</td>
</tr>
<tr>
<td>Very Unlikely</td>
<td>&gt; 1 in 10000</td>
<td>Highly unlikely, but it may occur in exceptional circumstances. It is conceivable, but probably never will occur.</td>
</tr>
</tbody>
</table>
Measures of Corporate Risk Consequence or Impact

Where a risk has implications across a number of areas of impact, the highest rating should be used to determine the overall level of risk. However, each identified risk should be assessed from a mitigation / action.

<table>
<thead>
<tr>
<th>RISK CATEGORY\CONSEQUENCE</th>
<th>WORK HEALTH &amp; SAFETY (A)</th>
<th>SERVICE INTERRUPTION (B)</th>
<th>LEGAL/REGULATORY (C)</th>
<th>BUSINESS IMPACT/FINANCIAL/ORGANISATIONAL (D)</th>
<th>REPUTATION/ENVIRONMENTAL (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minor</td>
<td>Minor injury or ailments requiring onsite first aid (First Aid Injury (FAI) - No loss of time)</td>
<td>No noticeable impact on service delivery (&lt;4 hours) Negligible loss or damage to asset</td>
<td>Innocent procedural breach, evidence of good faith. No consequence on operations or licensing Legal action highly unlikely.</td>
<td>&lt;5% of budget/project Unexpected/unplanned loss of a staff member</td>
<td>No Noticeable impact, no allegation, no media attention. Minor Environmental damage contained on site. “Nuisance” category under Environmental Protection Act 1993.</td>
</tr>
<tr>
<td>Moderate</td>
<td>Injury or ailments requiring Follow-up medical assistance (i.e. attend medical appointment(s) - Medical Treatment Injury)</td>
<td>Limited disruption to service provision capability requiring altered operational arrangements for a short period (between 4 – 8 hours) Localised or cosmetic loss/damage to asset.</td>
<td>Minor Legal, regulatory or internal policy failure. Minimal impact on operations or licensing Involvement of legal firms but limited to normal insurance claims.</td>
<td>5%-14% of budget/project Unexpected/unplanned loss of a key staff member</td>
<td>Single individual with minor breach settled quickly. Localised community concern. Non-headline exposure. Environmental damage to more than one site (but still localised). “Nuisance” category under Environmental Protection Act 1993.</td>
</tr>
<tr>
<td>Major</td>
<td>Minor Personal injury (MPI) resulting in loss of shift / requiring immediate medical review (i.e. Ambulance called or taken to see GP)</td>
<td>Significant impairment of service provision (up to 24 hours) Asset and Building deterioration occurs.</td>
<td>Negligent breach/non-compliance with legislation or policy. Some impact on impact on operations or licensing Findings or penalty Potential for litigation.</td>
<td>15%-24% of budget/project Unexpected/unplanned loss of several key staff from a single area</td>
<td>Ongoing community concern regarding incidents. Repeated non-headline exposure. Significant local environmental impact requiring long term clean up. “Material” category under the Environment Protection Act 1993.</td>
</tr>
<tr>
<td>Critical</td>
<td>Serious personal injuries (SPI) requiring immediate medical aid / hospitalisation. Long term rehabilitation required.</td>
<td>Significant impairment of service provision (between 1 and 2 days) Significant deterioration to assets &amp; buildings. Structural damage to infrastructure.</td>
<td>Serious breach of legislation or policy. Significant impact on operations or licensing Potential for serious litigation.</td>
<td>25%-35% of budget/project Unexpected/unplanned loss of a key senior manager</td>
<td>Reputation damage impacting on the entity. Local/state headline exposure. Ombudsman investigation. Reversible environmental damage, but clean up difficult and expensive. “Serious” category under Environment Protection Act 1993.</td>
</tr>
<tr>
<td>Catastrophic</td>
<td>Death, permanent disability or multiple serious personal injuries.</td>
<td>Total loss of service provision capability for extended period (greater than 2 days) Critical loss, irreversible damage to multiple properties/infrastructure.</td>
<td>Significant breach of legislation or policy. Serious or wilful breach, criminal negligence or act. Major impact on operations or licensing Major litigation with protracted and expensive consequences. Likely to require special funding to source legal defence.</td>
<td>&gt;35% of budget/project Unexpected loss of a number of key senior management</td>
<td>Widespread damage across the entity and/or individual reputation. Repeated local/state headline exposure. National/international headline exposure. Political investigation/consequences likely. Irreversible environmental damage. Death of animals in large numbers, permanent land contamination, widespread introduction of weeds. “Serious” category under Environment Protection Act 1993.</td>
</tr>
</tbody>
</table>
Attachment B

Internal Control and Risk Management Assessment
### Progress Update for Council’s Audit Committee
#### Recruitment Selection Induction & Probation (RSIP) Internal Audit Report

<table>
<thead>
<tr>
<th>Auditor’s Recommendation</th>
<th>Management Responses</th>
<th>Progress Update February 2018</th>
</tr>
</thead>
</table>
| **Finding 1** Risk Rating: Medium  
Lack of formalised policies and procedures. | Review current process, ‘policy’ and ‘procedure’ in consultation with Management and develop a RSIP package, including policy, procedure, tools, templates, forms, selection criteria, suite of interview questions and training, to be endorsed by the Executive Leadership Team (ELT).  
Target date: 31 June 2017 | Draft RSIP Process developed and to be presented to the Chief Executive Officer by end of February 2018.  
Decision not to draft policy, but ensure that the package, including, process, guide and templates, provide suitable instruction for hiring managers. |
| **Finding 2** Risk Rating: Medium  
Inconsistent use of Request & Authority to Recruitment Form | Maintain current expected use of form until review has been completed and RSP package developed. | Request & Authority to Recruit form is used for all recruitment. |
| **Finding 3** Risk Rating: Medium  
Timeliness of processing Payroll Authorisation Form | Maintain current expected use of form until review has been completed and RSP package developed.  
Review the use of request to recruit form as part of Finding 1: for consistency, need and specifically for casual employee engagement and document requirements in the Policy/Procedure.  
Train managers in the requirements of the endorsed package. | New Employee Authorisation Form – Form from Human Resources Officer to Payroll Administrator with source document (new employee’s acceptance of employment offer). No requirement for General Manager/Manager to sign this form.  
Practice improved: Manager, Swimming Centres is aware of timelines for processing Payroll Authorisation, particularly new Swimming Centres’ casual staff. |
| **Finding 4** - Risk Rating: Medium  
Records management | Ensure all corporate records comply with record keeping legislation, HR Officer to seek advice from Records Management staff.  
In-progress, develop record keeping refresher training course for all staff in conjunction with Records Staff. | Practice improved: Human Resources Officer (HRO) acting on advice from Records Management staff – HRO to receive applications (recruitment) file along with required documents for the corporate records file S/02728 from the Hiring Manager. |

http://onenpsp/sites/teams/cs/Finance/Shared Documents/Council and Committee Agenda Items/Audit Committee/03. February/7.5 B_Internal Control and Risk Assessment.docx
# Progress Update for Council’s Audit Committee
## Recruitment Selection Induction & Probation (RSIP) Internal Audit Report

<table>
<thead>
<tr>
<th>Auditor’s Recommendation</th>
<th>Management Responses</th>
<th>Progress Update February 2018</th>
</tr>
</thead>
</table>
| **Finding 5:** Risk Rating: Low  
Inconsistent use and incomplete Induction Booklet. | As part of a RSIP package – create RSIP for Managers information course and deliver to all managers. Include complete process, responsibilities, roles and accountability of managers in content.  
Sign off by hiring managers on each stage of the checklist ensuring the induction and probation review are undertaken and formal probation decision is made prior to end of probation period. | Improvement proposed: Induction Package for Hiring Managers to be developed with Probation Reviews to be separated from the current Welcome & Induction Booklet. |
| **Finding 6**  
Risk Rating: Medium  
Lack of performance monitoring and reporting | Provide six (6) monthly HR metrics to Executive Leadership Team in agreed format and template (in progress).  
Regular monthly report, along with appropriate commentary, be sent to management to enable them to more effectively monitor RSIP process to ensure activities are aligned with legislation and Council strategies. | Six monthly report (as at 30 June 2017) presented to ELT and next report (as at 31 December 2017) presented to the Chief Executive Officer. |
| **Observation 1**  
Workforce strategy alignment | Upon finalisation of the Organisational Strategy Functional Review Project, discuss options of workforce planning processes with ELT and assess feasibility to adopt a workforce planning method with ELT.  
Target Date: 31 October 2017 | Workforce planning discussed with Executive Leadership Team and decided local level planning of roles to occur through the review of the position upon resignation, as part of the request and authority to recruit process. No strategic workforce panning process has been approved by the Executive Leadership Team. |

http://onenbsp/sites/teams/cs/Finance/Shared Documents/Council and Committee Agenda Items/Audit Committee/03. February/7.5 B_Internal Control and Risk Assessment.docx
## Progress Update for Council’s Audit Committee
### Recruitment Selection Induction & Probation (RSIP) Internal Audit Report

<table>
<thead>
<tr>
<th>Auditor’s Recommendation</th>
<th>Management Responses</th>
<th>Progress Update February 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Observation 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Application forms</strong></td>
<td>Consider the merits of requiring applicants to complete more detailed job application forms tailored to the advertised role.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Complete the On-line Application process project</td>
<td>On-line Application now in operation - receiving job applications on-line.</td>
</tr>
<tr>
<td></td>
<td>Target Date: 30 June 2017</td>
<td></td>
</tr>
<tr>
<td><strong>Observation 3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interview process</strong></td>
<td>Ensure a consistent approach is used for the evaluation of interviews and consider the use of a descriptively anchored rating scale for scoring candidates interview responses for use in the selection decision.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provide access to training for managers in effective interview techniques, including how to structure an interview, note taking techniques, providing feedback and avoiding bias.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Perform periodic review of the interview question database, including seeking feedback from selection panel members.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Review current process, ‘policy’ and ‘procedure’ in consultation with Management and develop a RSIP package, including procedure, tools, templates, forms, selection criteria, suite of interview questions and training, to be endorsed by the Executive Leadership Team (ELT).</td>
<td>Improvement proposed: Interview techniques for managers training session to be included in the Corporate Training Calendar.</td>
</tr>
<tr>
<td></td>
<td>Train managers in RSIP package and interview techniques upon finalisation of package.</td>
<td></td>
</tr>
</tbody>
</table>
Attachment C

Internal Control and Risk Management Assessment
## IDENTIFIED RISK REQUIRING TREATMENT PLANS

<table>
<thead>
<tr>
<th>Risk</th>
<th>Inherent Risk</th>
<th>Residual Risk</th>
<th>Target Risk</th>
<th>Actions Taken to reduce risk</th>
<th>Status</th>
</tr>
</thead>
</table>
| Sufficiency of Staff skill set to meet the Council’s needs | Extreme 5 | Medium 17 | Low | • Identified as a key deliverable of the 2015-2018 Organisational Strategy  
• Included as project in in Draft Internal Audit Plan | Organisational Functional Review involving staff from across the organisation has been completed. The CEO is currently reviewing the results and is preparing a report which will be presented to the Council following consultation with the General Managers.  
• Internal review on recruitment, selection, induction and probation was undertaken in December 2016. An update on the actions resulting from the audit findings is provided in Attachment B to this report.  
• Resource Mapping Internal Audit review to be re-scheduled following the implementation of the Functional Review. |
| Loss of key management personnel | Extreme 5 | Medium 17 | Low | • Identified as a key deliverable of the 2015-2018 Organisational Strategy  
• Included as project in in Draft Internal Audit Plan | Will be considered following the implementation of the Functional review agreed actions.  
• Resource Mapping Internal Audit review to be re-scheduled following the implementation of the Functional Review agreed actions. |
## IDENTIFIED RISK REQUIRING TREATMENT PLANS

<table>
<thead>
<tr>
<th>Risk</th>
<th>Inherent Risk</th>
<th>Residual Risk</th>
<th>Target Risk</th>
<th>Actions Taken to reduce risk</th>
<th>Status</th>
</tr>
</thead>
</table>
| Contract & Contractor Management          | Extreme 2     | Medium 17     | Low         | • Identified as a key deliverable of the 2015-2018 Organisational Strategy  
• Included as project in in Draft Internal Audit Plan | • The Procurement Framework has been completed and is currently being trialled by key groups throughout the organisation. Upon completion of the trial, the procurement framework will be rolled out to all staff.  
• Participated in a Local Government Risk Services gap analysis review regarding Contractor Management. (WHS focus). The findings will be incorporated into the Contractor Management Framework |
| Project Management                        | Extreme 5     | Medium 17     | Low         | • Identified as a key deliverable of the 2015-2018 Organisational Strategy  
• Included as project in in Draft Internal Audit Plan | • Project Planning and Debrief Framework completed and staff are being provided trained in the use of the framework  
• Review included in Internal Audit Program                                                                                                           |
| Reputation risk (risk of community/business/economic investment in the City of Norwood, Payneham & St Peters) | Extreme 5     | Medium 17     | Low         |                                                                                                                                                        | • Internal Audit review which focuses on the Council’s complaint process is included in Internal Audit Plan.                                                                                           |
### IDENTIFIED RISK REQUIRING TREATMENT PLANS

<table>
<thead>
<tr>
<th>Risk</th>
<th>Inherent Risk</th>
<th>Residual Risk</th>
<th>Target Risk</th>
<th>Actions Taken to reduce risk</th>
<th>Status</th>
</tr>
</thead>
</table>
| Climate change and impact on the community (i.e. extreme hot weather, watercourse obstructions, etc.) | Extreme 5     | Substantial 18| Medium      | • Actively participated in the development of the Eastern Region Climate Adaptation Plan     | • Regional Climate Adaptation Plan adopted by the Council on 2 June 2016.  
• Council is working with other participating councils on the implementation of the recommendations contained in the Plan. |
| Re-zoning of Land Adjacent Highbury Landfill                         | Extreme 5     | Substantial 18| Low         |                                                                                              | Internal Audit review scheduled for December 2018.                   |
| Sickness/harm to general public as a result of food poisoning        | High 7        | Medium 17     | Low         | • Included as project in in Draft Internal Audit Plan                                        |                                                                        |
| Breach of Confidentiality                                            | Substantial 13| Medium 17     | Low         |                                                                                              |                                                                        |
| Destruction of ICT and Disaster recovery and response (operational and ICT), Disaster Recovery Plans (DRP), Business Continuity Plans (BCP), Business impact analysis | Extreme 4     | Medium 17     | Low         | • Included as project in in Draft Internal Audit Plan                                        | IT Health Check review undertaken in August 2017.  
• Internal Audit Review and Adequacy of BCP/DRP scheduled for August 2019.  
• An internal review of IT Business Interruption procedures and Disaster Response Plan is currently being undertaken. |
| Work Health & safety is not managed and implemented in processes and operations | Extreme 4     | Medium 17     | Low         | • Identified as a key deliverable of the 2015-2018 Organisational Strategy                   | Monitored by ELT via monthly WHS meetings  
• Mandatory WHS training incorporated in Corporate Training Calendar    |
7.6 FINANCIAL RECONCILIATIONS

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S/00238
ATTACHMENTS: Nil

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with a progress report on the status of the completion of the Council’s financial reconciliations for the year ended 30 June 2018.

BACKGROUND

At its meeting held on 11 December 2008, the Audit Committee requested “that a report on the status of the completion of the Council’s reconciliations be submitted to future meetings of the Audit Committee”.

The 2016-2017 Audit Committee Work Program provides for the Audit Committee to Review the Council’s financial governance arrangements and their effectiveness, which includes the completion of balance sheet reconciliations.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

The failure to undertake regular and timely reconciliations may lead to a material miss-statement of the Council’s Operating Surplus and Financial Indicators.

EXTERNAL ECONOMIC IMPLICATIONS

Nil.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

There are no resource issues arising from this report.

RISK MANAGEMENT

The Council is required by legislation to prepare Annual Financial Statements that present fairly, in all material respects, the financial position of the Council. Failure to undertake regular and timely financial reconciliation’s may result in Annual Financial Statements which do not provide a fair view of the Council’s Financial Position.
CONSULTATION

- Committee Members
  Not Applicable.

- Community
  Not Applicable.

- Staff
  Financial staff responsible for reconciliations.

- Other Agencies
  Not Applicable.

DISCUSSION

With the exception of the bank reconciliation, all major Balance Sheet items are reconciled on a monthly basis, with the finance department's work plan requiring that financial reconciliation's be completed within 10 working days from the close of the month end.

The Council's bank account is reconciled on a daily basis.

As at the date of compiling this report, the financial reconciliation's have been completed to 31 January 2018.

There are no items with respect to the financial reconciliation's to be considered by the Audit Committee.

OPTIONS

Not Applicable.

CONCLUSION

Nil.

COMMENTS

Nil.

RECOMMENDATION

That the report be received and noted.
7.7 EXTERNAL AUDITORS REPORT 2016-2017

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Service
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S/00238
ATTACHMENTS: A - C

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with the Audit Opinion and Auditors report regarding the 2016-2017 Financial Statements.

BACKGROUND

Pursuant to Section 129 (3) of the Local Government Act 1999 (the Act), the Council’s Auditor must provide to the Council, an audit opinion with respect to:

- the Financial Statements; and
- whether the internal controls of the Council are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and are in accordance with law.

Pursuant to Section 129 (4) of Act, the Council’s Auditor must provide written advice on any particular items that have arisen from the audit.

Pursuant to Section 129 (5b) (a) of the Act, the opinion and the advice must be presented to the Council at the next ordinary meeting of the Council. The Council considered the Audit Opinion and Management Letter at the Council Meeting held on 5 February 2018.

RELEVANT STRATEGIC DIRECTIONS AND POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Nil.
RISK MANAGEMENT

There are no risk management issues arising from this report which has been prepared in accordance with the statutory requirements.

CONSULTATION

- **Committee Members**
  A report on the Annual Financial Statements and the Audit Report was presented and considered by the Council at its meeting held on 23 October 2017.

- **Elected Members**
  A report on the Annual Financial Statements and the Audit Report was presented and considered by the Council at its meeting held on 6 November 2017.

- **Community**
  Not Applicable.

- **Staff**
  Not Applicable.

- **Other Agencies**
  Not Applicable.

DISCUSSION

The Council’s External Auditors, Dean Newbery and Partners, have completed the statutory audit of the City of Norwood Payneham & St Peters for the 2016-2017 Financial Year.

As advised at the Audit Committee meeting held on 23 October 2017, the External Auditors have issued an unqualified Audit Report on the Annual Financial Statements for the financial year ended 30 June 2017. A copy of the Audit Opinion is contained in Attachment A.

In addition to the Audit Report on the Annual Financial Statements, the External Auditors are required to undertake an audit of the internal controls which are exercised by the Council during the respective financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, so that the auditors can form an opinion as to whether the internal controls established by the Council are sufficient to provide reasonable assurance that the financial transactions undertaken by the Council, have been conducted properly and are in accordance with the legislative requirements. A copy of the Internal Controls Audit Opinion is contained in Attachment B.

In summary, in the Auditors opinion, the Council has complied, in all material aspects, with Section 129(1)(b) of the Act in relation to the internal controls which have been established by the Council relating to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Pursuant to Section 129 (4) of the Act, the Auditors are required to provide to the Council, in writing, details of any issues that arose from the statutory audit. A copy of the correspondence from the Auditors is contained in Attachment C.

OPTIONS

Not Applicable.

CONCLUSION

Nil.
COMMENTS

Nil.

RECOMMENDATION

1. That the Audit Opinion with respect to the 2016-2017 Financial Statements, as contained in Attachment A, be received and noted.

2. That the Audit Opinion with respect to the Council’s Internal Controls, as contained in Attachment B, be received and noted.

3. That the Auditor’s report to Council with respect to the 2016-2017 Financial Statements, as contained in Attachment C, be received and noted.
Attachment A
External Auditors Report 2016-2017
INDEPENDENT AUDITOR’S REPORT

To the members of the City of Norwood Payneham & St Peters


Opinion

We have audited the accompanying financial report, being a general purpose financial report, of the City of Norwood Payneham & St Peters (the Council), which comprises the Certification of Financial Statements on the annual statements giving a true and fair view of the financial position and performance, the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity, the Statement of Cash Flows for the year then ended 30 June 2017 and the notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial report of the Council is in accordance with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulation 2011, including;

(i) giving a true and fair view of the Council’s financial position as at 30 June 2017 and of its performance and cash flows for the year then ended; and

(ii) that the financial records kept by the Council are such as to enable financial statements to be prepared in accordance with Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the Auditor’s Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Council in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Chief Executive Officer for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011. This responsibility includes determining that the basis of preparation described in Note 1 is appropriate to meet the need of the members. The Chief Executive Officer’s responsibility also includes designing, implementing and maintaining internal controls relevant to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive Officer is responsible for assessing the Council’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

The Chief Executive Officer of the Council is responsible for overseeing the Council’s financial reporting process.
Auditor’s Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS

[Signature]

SAMANTHA ALLARD
PARTNER

Signed on the 7th day of November 2017,
at 214 Melbourne Street, North Adelaide
Attachment B
External Auditors Report 2016-2017
INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE CITY OF NORWOOD PAYNEHAM & ST PETERS

We have audited the Internal Controls of the City of Norwood Payneham & St Peters (Council) under the requirements of Section 129(1)(b) of the Local Government Act 1999 in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2016 to 30 June 2017 have been conducted properly and in accordance with law.

The Council’s Responsibility for the Internal Controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the Local Government Act 1999 to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Council’s compliance with Section 129(1)(b) of the Local Government Act 1999 in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures have been conducted properly and in accordance with law. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 Compliance Engagements, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the Local Government Act 1999 in relation only to the Internal Controls specified above for the period 1 July 2016 to 30 June 2017. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Our procedures included obtaining an understanding of controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management’s assessment of these controls, assessing the risk that a material weakness exists, and testing and evaluating the design of controls on a sample basis based on the assessed risks.

Limitation on Use

This report has been prepared for the members of the Council in accordance with Section 129(1)(b) of the Local Government Act 1999 in relation to the Internal Controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on internal controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
Independence

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the Council has complied, in all material respects, with Section 129(1)(b) of the Local Government Act 1999 in relation to Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2016 to 30 June 2017.

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS

Signed on the 7th day of November 2017
at 214 Melbourne Street, North Adelaide, South Australia, 5006
Attachment C
External Auditors Report 2016-2017
7 November 2017

Mayor Robert Bria
City of Norwood Payneham and St Peters
PO Box 204
KENT TOWN SA 5071

Dear Mayor Bria

RE: Completion of Balance Date Audit – Financial Year Ended 30 June 2017

As a result of the work recently completed in connection with our final Balance Date audit of your Council for the financial year ended 30 June 2017, we provide a summary of the audit matters we wish to bring to your attention.

We met with your Council’s Audit Committee on 23 October 2017 where the below matters were raised and discussed with members present. Since our meeting with Council’s Audit Committee we have issued an unqualified Auditor’s Report on the annual Financial Statements and Council’s Internal Controls per Section 129 of the Local Government Act 1999 (the Act) for the financial year ended 30 June 2017.

We wish to highlight to the following matters to you as a result of work recently completed:

1. We are confident that all audit matters raised in our Management Letters issued during the 2016/17 financial year audit have, or are in the process of being attended to by the Administration.

2. There remain no misstatements that have not been adjusted by the Administration that have been identified during the course of our audit or that in our assessment, require to be reported to the Council or Audit Committee.

3. During the financial year we were advised by the Administration that the Council was in the process of reviewing and updating the Council’s Asset Management Plans (AMPs) for the following asset classes (all previously adopted in February 2013):

   - Buildings
   - Roads, Footpaths and Kerb & Water Tables
   - Stormwater Drainage
   - Recreation & Open Space
We acknowledge a decision was made by the Administration to defer the adoption of the Asset Management Plans noted above in order to capture a number of key strategic changes to the Council assets. The Administration advised us that it was expected the AMPs will be completed and adopted by Council by November 2017.

Summary

I would like to thank the Council and the Administration for the assistance they provided to my audit staff during the course of our audit of the Council this financial year.

If any additional information is required on any of the audit matters raised above, please feel free to contact me on the details provided below.

Yours sincerely

DEAN NEWBERY & PARTNERS

Samantha Allard
Partner

T: 8267 4777
E: sam@deannewbery.com.au

C. Council’s Audit Committee
C. Council’s Chief Executive Officer
8. CONFIDENTIAL REPORTS
8.1 TENDER EVALUATION - EXTERNAL FINANCIAL AUDIT SERVICES

RECOMMENDATION 1

That pursuant to Section 90(2) and (3) of the Local Government Act, 1999 the Council orders that the public, with the exception of the Council staff present, be excluded from the meeting on the basis that the Council will receive, discuss and consider:

(k) tenders for the supply of goods, the provision of services or the carrying out of works;

and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

RECOMMENDATION 2

Under Section 91(7) and (9) of the Local Government Act 1999 the Council orders that the report and discussion be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed.

Under Section 91(7) and (9) of the Local Government Act 1999 the Council orders that the minutes be kept confidential until the contract has been entered into by all parties to the contract.
9. OTHER BUSINESS
   (Of an urgent nature only)

10. NEXT MEETING
    Monday 28 May 2018

11. CLOSURE