Audit Committee
Minutes

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.
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VENUE       Mayors Parlour, Norwood Town Hall
HOUR       7.00pm

PRESENT
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 (General Manager, Corporate Services)
            Andrew Alderson (Financial Services Manager)

APOLOGIES       Nil
ABSENT       Nil

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

Mayor Bria moved that the minutes of the Audit Committee meeting held on 23 October 2017 be taken as read and confirmed. Seconded by Mr Peter Holmes and carried.

2. PRESIDING MEMBER’S COMMUNICATION

The Presiding Member welcomed Representatives from the Regional Subsidiaries of which the City of Norwood Payneham & St Peters is a Member:
• Mr Rob Gregory (East Waste);
• Mr Michael Livori (Eastern Health Authority); and
• Mr Nathan Silby and Ms Carmen Tkalec (ERA Water).

3. JOINT VENTURE PRESENTATION

The Representatives from the respective Regional Subsidiaries made presentations to the Committee.

4. QUESTIONS WITHOUT NOTICE
Nil

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

_Mayor Bria moved:_

_That the report be received and noted._

_Seconded by Ms Julie Wobber and carried._
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 Councils 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 material movements in the components that make up the Operating Surplus following the Mid-Year Budget Review are detailed below.

**Recurrent Operating Budget**

For 2017-2018, the Recurrent Operating Budget forecast a Recurrent Operating Surplus of $2.869 million. Following the First Budget Update, the Recurrent Operating Budget Surplus was increased to $2.862 million. As a result of the Mid-Year Budget Review, the Recurrent Operating Surplus is forecast to be $3.166 million, an increase of $0.297 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 vacant and not backfilled with temporary staff.</td>
<td>$322,000</td>
</tr>
<tr>
<td>Recognition of performance rebates received from the Insurance Schemes. Due to the uncertain nature of the rebates, no funding allowance is made in the Adopted Budget</td>
<td>$100,000</td>
</tr>
<tr>
<td>Adjustment to depreciation expense based on 2016-2017 asset capitalisation, infrastructure unit cost revaluations and depreciation rates</td>
<td>$(139,000)</td>
</tr>
<tr>
<td>Increase in budget due to an underestimation of the Asset Insurance Renewals</td>
<td>$(22,000)</td>
</tr>
<tr>
<td>Manufacture costs of Wooden Christmas Trees as apart of Christmas on Parade</td>
<td>$(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

<table>
<thead>
<tr>
<th>Description</th>
<th>Favourable/ (Unfavourable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in Grant income to reflect the Kerbside Performance Grant received from the State Government</td>
<td>$40,416</td>
</tr>
<tr>
<td>Art on Parade: The budget is being transferred from Thinking Through the City</td>
<td>$10,000</td>
</tr>
<tr>
<td>Thinking Through the City: The budget is reduced by transferring to Art on Parade.</td>
<td>$(10,000)</td>
</tr>
<tr>
<td>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.</td>
<td>$(50,000)</td>
</tr>
</tbody>
</table>

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>
<th>$</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>
<td></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>
<td></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>
<td></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>
<td></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>
<td></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>
<td></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.

Cr Shepherdson moved:

*That the Mid-Year Budget Update Report be received and noted.*

Secounded by Mr Peter Holmes and carried.
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>Outcome</th>
<th>Indicator</th>
<th>Description of Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>A balanced budget</td>
<td>Operating Ratio</td>
<td>This indicator represents the percentage by which income source varies from the day to day operating expenditure. The ratio is calculated by measuring the Councils Operating result as a percentage of Rate Revenue, where Operating Result equals Operating Revenue less Operating Expenses (including depreciation).</td>
<td>0-10%</td>
</tr>
<tr>
<td>Rate stability</td>
<td>Rate revenue increases</td>
<td>Year on year increase in total rate revenue collected.</td>
<td>Between 2% and 4%</td>
</tr>
<tr>
<td>Infrastructure and Asset Management</td>
<td>Asset Sustainability Ratio</td>
<td>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.</td>
<td>Between 90%-110% on a rolling 3 year period</td>
</tr>
<tr>
<td>Debt Management</td>
<td>Net Financial Liabilities</td>
<td>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.</td>
<td>≤ 75%</td>
</tr>
<tr>
<td></td>
<td>Debt Servicing Ratio</td>
<td>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.</td>
<td>&lt; 15%</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 it 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 LTFFP. 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 LTFFP, 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.

*Mayor Bria moved:*

*That the report be received and noted.*

*Seconded by Mr Peter Holmes and carried.*
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</td>
<td>No recommended amendments.</td>
</tr>
<tr>
<td>and Guidelines (Attachment C)</td>
<td></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).
Ms Julie Wobber moved:

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).

Seconded by Cr Shepherdson and carried.
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 further 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>
<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.

Mr Peter Holmes moved:

That the report be received and noted.

Seconded by Cr Shepherdson and carried.
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.

Cr Shepherdson moved:

That the report be received and noted.

Seconded by Ms Julie Wobber and carried.
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.

Mr Peter Holmes moved:

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.

Seconded by Cr Shepherdson and carried.
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.

Cr Shepherdson moved:

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 [Chief Executive Officer, General Manager, Corporate Services and Financial Services Manager], 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.

Seconded by Ms Julie Wobber and carried unanimously.

Mayor Bria moved:

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.

Seconded by Cr Shepherdson and carried unanimously.
9. **OTHER BUSINESS**  
Nil

10. **NEXT MEETING**  
Monday 28 May 2018

11. **CLOSURE**  
There being no further business the Presiding Member declared the meeting closed at 9.10pm.

Cr John Minney  
PRESIDING MEMBER

Minutes Confirmed on ________________________________________________ (date)