Adelaide Hills
COUNCIL

AUDIT COMMITTEE

NOTICE OF MEETING

To: **Presiding Member** Cr Malcolm Herrmann

Members

Geoff Purdie
Peter Brass
Paula Davies
Cr Leith Mudge

Notice is hereby given pursuant to the provisions under Section 87 of the *Local Government Act 1999* that the next meeting of the Audit Committee will be held on:

Monday 12 August 2019
6.00pm
63 Mt Barker Road, Stirling

A copy of the Agenda for this meeting is supplied under Section 87 of the Act.

Committee meetings are open to the public and members of the community are welcome to attend. Public notice of the Agenda for this meeting is supplied under Section 88 of the Act.

Andrew Aitken
Chief Executive Officer

Adelaide Hills
COUNCIL

AUDIT COMMITTEE

AGENDA FOR MEETING
Monday 12 August 2019
6.00pm
63 Mt Barker Road, Stirling

ORDER OF BUSINESS

1.   COMMENCEMENT

2.   APOLOGIES/LEAVE OF ABSENCE

2.1.   Apology

2.2.   Leave of Absence

2.3.   Absent

3.   MINUTES OF PREVIOUS MEETINGS

3.1.   Audit Committee Minutes – 13 May 2019

Recommendation
That the minutes of the Audit Committee meeting held on 13 May 2019, as supplied, be confirmed as an accurate record of the proceedings of that meeting.

4.   DELEGATION OF AUTHORITY
The Audit Committee operates in accordance with the relevant sections of the Local Government Act 1999, and its Terms of Reference.

5.   DECLARATION OF INTEREST BY MEMBERS OF THE COMMITTEE

6.   **OFFICER REPORTS**

         6.1.   Action Report & Work Plan Update

         6.2.   End of Financial Year Update

         6.3.   External Audit Interim Letter

         6.4.   Actions from the 2018-19 Internal Controls Review

         6.5.   Placement of Council's Insurance Portfolio (for noting)

         6.6.   Quarterly Debtors Report

         6.7.   Procurement Policy & Framework

         6.8.   Disposal of Assets Policy

         6.9.   Risk Management Plan update

         6.10.   LGRS Risk Management Evaluation and Risk Framework

         6.11.   Internal Audit Quarterly Update

         6.12.   Audit Actions Implementation Update

7.   **NEXT MEETING**
The next Audit Committee meeting will be held on 14 October 2019 at 63 Mount Barker Road, Stirling.

8.   **CLOSE MEETING**

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 13 MAY 2019
63 MT BARKER ROAD STIRLING

In Attendance

Members:

Cr Malcolm Herrmann	Presiding Member
Peter Brass	Independent Member
Geoff Purdie	Independent Member
Paula Davies	Independent Member
Cr Leith Mudge – From 6.12pm	Council Member

In Attendance:

Andrew Aitken	Chief Executive Officer
Terry Crackett	Director Corporate Services
Mike Carey	Manager Financial Services
Steven Watson	Governance and Risk Coordinator Minute Taker

1. **COMMENCEMENT**

   The meeting commenced at 6.03pm

2. **APOLOGIES/LEAVE OF ABSENCE**

2.1. **Apology**

   Nil

2.2. **Leave of Absence**

   Moved Peter Brass
   S/- Paula Davies   **15/AC19**

   The Audit Committee resolves the leave of absence be approved for

   - **Geoff Purdie - 22 May 2019 to 20 June 2019 inclusive**
   - **Paula Davies - 15 June 2019 to 22 June 2019 inclusive**

		Carried Unanimously

Presiding Member _____   12 August 2019

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 13 MAY 2019
63 MT BARKER ROAD STIRLING

2.3. **Absent**

Nil

3. **MINUTES OF PREVIOUS MEETINGS**

3.1. **Audit Committee Meeting – 15 April 2019**

Moved Peter Brass
S/- Geoff Purdie **16/AC19**

That the minutes of the Ordinary Audit Committee meeting held on 15 April 2019, as supplied, be confirmed as an accurate record of the proceedings of that meeting.

Carried Unanimously

4. **Delegation of Authority**

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers. The Recommendation in Item 6.8 is to be submitted to Council for consideration.

5. **DECLARATION OF CONFLICT OF INTEREST BY MEMBERS OF AUDIT COMMITTEE**

5.1. **Conflict of Interest**

Nil

6. **OFFICER REPORTS – DECISION ITEMS**

6.12pm Cr Leith Mudge entered the meeting

6.1. **Action Report & 2019 Work Plan**

Moved Geoff Purdie
S/- Peter Brass **17/AC19**

The Audit Committee resolves that the report be received and noted

Carried Unanimously

Presiding Member _____ 12 August 2019

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 13 MAY 2019
63 MT BARKER ROAD STIRLING

6.2.   2018/AC19 End of Year Financial Reporting Timetable

Moved Paula Davies
S/- Peter Brass   **18/AC19**

That the Audit Committee:

1.   **Receives and notes the report.**
2.   **Endorses the proposed end of year reporting timetable for 2018/AC19 financial year.**

Carried Unanimously

6.3.   Internal Financial Controls Update

Moved Geoff Purdie
S/- Paula Davies   **19/AC19**

That the Audit Committee:

1.   **Receives and notes the report.**
2.   **Notes the further developments that have been undertaken in the reporting of internal financial controls.**

Carried Unanimously

6.4.   Risk Management Plan Update

Moved Peter Brass
S/- Cr Leith Mudge   **20/AC19**

That the Audit Committee

1.   **Receives and notes the report.**
2.   **Request the full Strategic Risk Register including controls and actions be presented in future Risk Management Plan Update Reports.**

Carried Unanimously

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 13 MAY 2019
63 MT BARKER ROAD STIRLING

6.5.   **Strategic Internal Audit Plan Review and Quarterly Update**

Moved Geoff Purdie
S/- Paula Davies   **21/AC19**

The Audit Committee resolves that the report be received and noted

Carried Unanimously

6.6.   **Quarterly Debtors Report**

Moved Paula Davies
S/- Peter Brass   **22/AC19**

That the Audit Committee

1.   **Receives and notes the report.**
2.   **Request an update on the level of rates overdue where sale of land under the Debt Recovery Policy is possible including a breakdown of the property age profiles.**

Carried Unanimously

6.7.   **Public Interest Disclosure Act 2018**

Moved Peter Brass
S/- Paula Davies   **23/AC19**

The Audit Committee resolves that the report be received and noted

Carried Unanimously

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 13 MAY 2019
63 MT BARKER ROAD STIRLING

6.8. **Risk Management Policy Review**

Moved Peter Brass
S/- Cr Leith Mudge   **24/AC19**

The Audit Committee resolves that:

1.   **The report be received and noted.**
2.   **The Audit Committee recommends the Risk Management Policy, Appendix 1 to Council for consideration.**

Carried Unanimously

7. **CONFIDENTIAL ITEMS**

Nil

8. **NEXT MEETING**

The next ordinary meeting of the Adelaide Hills Audit Committee will be held on Monday 12 August 2019 from 6.00pm at 63 Mt Barker Road, Stirling.

9. **CLOSE MEETING**

The meeting closed at 7.50pm

Presiding Member _____   12 August 2019

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 August 2019
AGENDA BUSINESS ITEM

Item:	**6.1**
Originating Officer:	**Lachlan Miller, Executive Manager Governance and Performance**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**Action Report and Work Plan Update**
For:	**Decision**

SUMMARY

A formal Audit Committee Action Report is maintained to record the items requiring 'actioning' that result from each of the Audit Committee meetings.

The Audit Committee Work Plan assists the Committee members and staff in scheduling both discussion and reports to ensure appropriate coverage of the Committee functions over the 12 month period.

The Audit Committee Workplan has undergone minor amendment to replace the Whistleblowers Policy review to the Public Interest Disclosure Policy review due to a legislative change.

RECOMMENDATION

The Audit Committee resolves:

1. **The report be received and noted.**
2. **To approve the updated Audit Committee Workplan V1.2.**

1. **GOVERNANCE**

   ➢ **Strategic Management Plan/Council Policy**

   Goal   Organisational Sustainability
   Strategy   Governance

   Monitoring Audit Committee decisions and actions and the Committee's Work Plan assist in meeting legislative and good governance responsibilities and obligations

> **Legal Implications**

Section 126 of the *Local Government Act 1999* sets out the functions of an audit committee. Management of Committee's action items and work plan facilitates the achievement of these functions.

> **Risk Management Implications**

The management of action items and the work plan will assist in mitigating the risk of:

Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (3D)	Medium (3D)

Note that there are many other controls that assist in mitigating this risk.

> **Financial and Resource Implications**

Council's current budget contains provision for the costs associated with the notification and conduct of audit Committee meetings

> **Customer Service and Community/Cultural Implications**

The timing and location of Audit Committee meetings should be considerate of the desire for community members to attend.

> **Environmental Implications**

Not applicable.

> **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Council Committees: Not Applicable

Advisory Groups: Not Applicable

Administration: Director Corporate Services
Manager Financial Services
Governance & Risk Coordinator

Community: Not Applicable

2.   BACKGROUND

Action Report
The Action List tracks the implementation of resolutions of the Audit Committee.

Work Plan
The functions of the Audit Committee are set out in part 7 (Role) of the Committee Terms of Reference.

Workplan Amendment

A Whistleblowers Protection Policy (the Policy) has been in place at Adelaide Hills Council (AHC) since 2007 to manage its obligations and responsibilities under the Whistleblowers Protection Act 1993 (the WP Act). The current version of the Policy was adopted in March 2016.

Late last year the South Australian Parliament passed the Public Interest Disclosure Act 2018 (PID Act). The PID Act commenced operation on 1 July 2019 and Council adopted a PID Policy at its 25 June Ordinary Council Meeting.

The Workplan has been update to reflect this policy change.

A Work Plan has been developed to assist the Committee members and staff in scheduling discussion and reports to ensure appropriate coverage of the functions over the 12 month period. The Audit Committee adopted a Work Plan for 2019 at its 05 November 2018 meeting and adopted a revised version at its 15 April 2019 meeting.

3.   ANALYSIS

Action Report

There are seven (7) completed items and four (4) outstanding items on the Audit Committee Action Report (*Appendix 1*) arising from the February, April and May 2019 Committee meetings. Commentary against each of the items is provided for the Committee's information.

Work Plan

As per the 2019 Audit Committee Work Plan (*Appendix 2*), the following items are scheduled for the February 2019 (this) meeting:

Item	Commentary
Action Report & Workplan	See Agenda Item 6.1
End of financial year update	See Agenda Item 6.2
External audit interim letter	See Agenda Item 6.3
Placement of Council's insurance portfolio (for noting)	See Agenda Item 6.5
Debtors Report	See Agenda Item 6.6
Risk Management Plan update	See Agenda Item 6.9

Item	Commentary
Implementation of LGA Risk Management Review Action Plan	See Agenda Item 6.10
Internal Audit quarterly update	See Agenda Item 6.11
Implementation of internal audit actions progress report	See Agenda Item 6.12

In addition, the following reports have been included in this Agenda.

Item	Commentary
Actions from Internal Controls Review	See Agenda Item 6.4
Procurement Policy	See Agenda Item 6.7
Disposal of Land & Other Assets	See Agenda Item 6.8

Workplan Amendment

Late last year the South Australian Parliament passed the Public Interest Disclosure Act 2018 (PID Act). The PID Act commenced operation on 1 July 2019 and Council adopted a PID Policy at its 25 June Ordinary Council Meeting.

For Council to meet its legislative obligations it adopted a PID Policy and rescinded the Whistleblowers Policy. The change to the Workplan is simply a reflection of those changes.

4.   OPTIONS

The Committee has the following options:

I.   To note the status of the Action Report and adopt the Workplan V1.2 as presented.

II.   To alter or substitute elements of the Action Report and/or Work Plan/s.

5.   APPENDICES

(1)   Audit Committee Action Report
(2)   2019 Audit Committee Work Plan (v1.2)

Appendix 1

Audit Committee Action Report

Meeting Date	Meeting	Res No.	Item Name	Previously Dec Action Required (Council Resolution)	Responsible Director	Responsible Officer	Status	Date of Update	Est. Completion	Status (for Council reporting)
18/02/2019	Audit Committee	3/AC19	External Audit Plan	To recommend to Council the approval of the: a. Audit Engagement Letter between Adelaide Hills Council and Galpins Accountants, Auditors and Business Consultants as contained in Appendix 1; and b. External Audit Plan (Appendix 2) by Galpins Accountants, Auditors and Business Consultants as contained in Appendix 2, with amendments to the timetable and risk assessment commentary.	Andrew Aitken	Lachlan Miller	Completed	8/05/2019	26/02/2019	The Committee's recommendation was contained in a report to Council at its 26 February meeting.
18/02/2019	Audit Committee	4/AC19	2018 – 19 Budget Review 2	Notes and recommends to Council that: c. the Operating Budget variations presented in Budget Review 2 increase the Budgeted Operating Surplus of $302k to $398k for the 2018-19 financial year. d. the proposed Capital Works amendments increase capital income by $9.719m and reduce total capital expenditure by $291k, resulting in a proposed capital expenditure budget of $17.626m. e. the proposed operating and capital adjustments result in Council's current Net Borrowing Result of $4.513m changing to a Net Lending Result of $5.993m for the 2018-19 financial year.	Terry Crackett	Mike Carey	Completed	10/07/2019	26/02/2019	The Committee's recommendation was contained in a report to Council at its 26 February meeting.
18/02/2019	Audit Committee	5/AC19	Long Term Financial Plan 2019 Review	Recommends Council endorse the Long Term Financial Plan, as contained in Appendix 1, for community consultation in accordance with Section 122 of the Local Government Act 1999.	Terry Crackett	Mike Carey	Completed	10/07/2019	26/02/2019	The Committee's recommendation was contained in a report to Council at its 26 February meeting.
18/02/2019	Audit Committee	6/AC19	Risk Management Plan Update	Requests an update to the Committee Workplan to include the Risk Management Framework Review for the August 2019 Audit Committee Meeting.	Andrew Aitken	Steven Watson	In Progress	6/08/2019	29/02/2020	Risk Management Policy was recommended by the Audit Committee to Council for the May 2019 Ordinary Council Meeting. Council adopted the Policy. With the impending LGRS Evaluation occurring in the current financial year, it was felt undertaking a Risk Management Framework review would be an inefficient use of council resources and potentially undertake work that in real terms should be undertaken once the LGRS Evaluation is complete. Subsequently the Risk Management Framework Review has been delayed to follow the 2019 LGRS Evaluation and any outcomes therein.
18/02/2019	Audit Committee	9/AC19	Internal Audit Quarterly Update	Recommends to Council to amend the Strategic Internal Audit Plan 2018-2022 to include a specific audit on Purchase Cards in the 2018-2019 financial year in light of heightened public interest.	Andrew Aitken	Lachlan Miller	Completed	8/05/2019	18/02/2019	The Committee's recommendation was contained in a report to Council at its 26 February meeting.
15/04/2019	Audit Committee	12/AC19	Council Corporate Purchase Cards	That the CEO provides a report to the Audit Committee on the use of Council Corporate Purchase Cards within the context of the Corporate Procurement Framework.	Terry Crackett	Mike Carey	In Progress	11/06/2019	12/08/2019	Procurement Framework is being finalised with objective of review by Executive Leadership Team before the end of the financial year prior to reporting through to the Audit Committee in August.
15/04/2019	Audit Committee	13/AC19	Draft Annual Business Plan	To advise Council that the Committee is satisfied that the assumptions underpinning the draft 2019-20 Annual Business Plan are consistent with the Long Term Financial Plan and are adequate to maintain the Council's financial sustainability.	Terry Crackett	Lachlan Miller	Completed	10/07/2019	23/04/2019	The recommendation formed part of the report for Council to consider approval of the draft ABP 2019/20 for public consultation.
15/04/2019	Audit Committee	14/AC19	Next Meeting	That the next ordinary meeting of the Adelaide Hills Council Audit Committee will be held on Monday 13 May 2019 from 6.00pm at 63 Mt Barker Road, Stirling.	Andrew Aitken	Lachlan Miller	Completed	8/05/2019	13/05/2019	Notice of Meeting for 12 May 2019 Audit Committee issued.
13/05/2019	Audit Committee	20/AC19	Risk Management Plan Update	Request the full Strategic Risk Register including controls and actions be presented in future Risk Management Plan Update Reports	Andrew Aitken	Lachlan Miller	In Progress	17/07/2019	12/08/2019	The full register will be provided to the next Audit Committee meeting
13/05/2019	Audit Committee	22/AC19	Quarterly Debtors Report	Request an update on the level of rates overdue where sale of land under the Debt Recovery Policy is possible including a breakdown of the property age profiles	Terry Crackett	Mike Carey	In Progress	10/07/2019	12/08/2019	This will be provided to the Audit Committee as part of the Debtors Report to the committee meeting in August 2019.
13/05/2019	Audit Committee	24/AC19	Risk Management Policy Review	The Audit Committee recommends the Risk Management Policy, Appendix 1 to Council for consideration	Andrew Aitken	Lachlan Miller	Completed	17/07/2019	4/06/2019	The Risk Management Policy was adopted at Council's 4 June 2019 Special Meeting.

Appendix 2
2019 Audit Committee Work Plan (v1.2)

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
DRAFT - 2019 Work Plan and Reporting Schedule

Terms of Reference			2019 Feb	April	May	Aug	Oct	Nov
Financial Reporting	Long Term Financial Plan (LTFP)	Annual	█					
	Annual Business Plan	Annual		█				
	Budget Review 1	Annual						█
	Budget Review 2	Annual	█					
	Budget Review 3	Annual			█			
	End of Year Financial Report	Annual						█
	End of financial year reporting timetable	Annual			█			
	End of financial year update	Annual						
	Final Annual Financial Statements (incl management representation letter)	Annual					█	
Internal Control and Risk Management	Placement of Council's insurance portfolio (for noting)	Annual				█		
	Internal Financial Controls update	Annual			█			
	Risk Management Plan update	Quarterly	█		█			█
	Results of LGRS Risk Management Review	Biennial			█			
	Implementation of LGA Risk Management Evaluation Action Plan	Biennial	█			Next LGA Review Due		
Internal Audit	Internal Audit quarterly update	Quarterly	█		█			█
	Internal audit reports	As required			█			
	Implementation of internal audit actions progress report	Bi-annual	█			█		
	Internal Audit Plan review	Annual			█			
External Audit	External audit interim letter	Bi-annual		verbal	verbal	letter		
	Implementation of external audit actions progress report	Bi-annual	█					
	External Audit Plan review	Annual						
	Meeting attendance by external auditors	Annual					in camera	
	Review of auditor independence and legislative compliance	Annual						
	Audit Committee Completion Report	Annual					draft	final
Public Interest Disclosure	Public Interest Disclosure Policy review (replaces Whistleblowers)	Triennial		next review 2021				
Other Business	Audit Committee self assessment review	Annual						█
	Presiding Member's Report	Annual						█
	Work Plan and Reporting Schedule	Annual						█
	Audit Committee Meeting Dates	Annual						█
	Debtors Report	Quarterly	█	█	█	█		█
	Annual Report	Annual	█					█
	Audit Committee's Terms of Reference	Annual						█
	Other Reports	As required	as required	as required	as required	as required	as required	as required

Version Control:	V1.2 - Draft for Audit Committee Consideration

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 August 2019
AGENDA BUSINESS ITEM

Item:	**6.2**
Originating Officer:	**Mike Carey, Manager Finance Services**
Responsible Director:	**Terry Crackett, Director Corporate Services**
Subject:	**End of Financial Year Update**
For:	**Information**

SUMMARY

In terms of Council's operating result, Council's preliminary Operating Surplus before Capital is $1.794m which is $1.396m favourable to budget. As outlined in this report the majority of this preliminary variation relates to the early receipt of grant funds and property revenue.

It should be noted that further changes to Council's financial results will occur following the finalisation of Council's statutory accounts and subsequent audit. The finalisation of the accounts will address matters including asset revaluation, employee entitlements, finalisation of Council's subsidiaries as well as depreciation and other asset adjustments.

Administration presented an End of Financial Year reporting timetable to the Audit Committee on 13 May 2019 and remains confident that all significant preparatory work will be completed in advance of the final audit visit by Galpins scheduled for the week commencing 15 September 2019.

In addition, as part of the year end process Financial Services and Infrastructure & Operations met with our external auditors in July 2019 to discuss the year end audit. Galpins were appreciative of the opportunity to discuss the year end issues and were comfortable with the position and direction proposed by Council.

RECOMMENDATION

The Audit Committee resolves that the report be received and noted.

1.   **GOVERNANCE**

➢   **Strategic Management Plan/Council Policy**

Goal 5   Organisational Sustainability
Strategies   Risk and Responsibility (Legal Compliance)

The Council is committed to open, participative and transparent decision making and administrative processes.

> **Legal Implications**

Council is required to prepare audited annual Financial Statements in accordance with the *Local Government Act 1999*, and the Local Government (Financial Management) Regulations 2011. Chapter 8, Part 3, Division 3 – Financial Statements and Division 4 – Audit, Local Government Act 1999 and Part 4 – Financial Statements, Local Government (Financial Management) Regulations 2011.

> **Risk Management Implications**

Failure to complete the year end reporting process within an agreed timetable can result in increased financial, compliance and reputational risk.

The completion of the year end reporting and audit processes within the legislative timeframes will assist in mitigating the risk of:

Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (3D)	Medium (3C)

> **Financial and Resource Implications**

The end of year financial reporting process ensures the timely production of the Annual General Purpose Financial Reports. These are required for the Annual Report and can impact on Council's ability to secure future grant and loan funding.

> **Customer Service and Community/Cultural Implications**

Not applicable.

> **Environmental Implications**

Not applicable.

> **Community Engagement/Consultation**

Council's audited financial statements are provided to the community in its Annual Report.

2. BACKGROUND

Council's preparation of the Annual General Purpose Financial Reports on a timely basis is affected by, but not limited to:

- external audit timelines
- resourcing, internal and external
- Infrastructure assets validation

A timetable has been prepared to document and streamline the End of Year progress during July and August, and the confirmed final audit visit commencing on 15 September 2019.

In relation to the 2018-19 financial statements, it is currently proposed that the 2018-19 Preliminary End of Year Financial Results and Carry Forwards Report will be tabled to Council at its 27 August 2019 meeting, so that Council can adopt changes to the 2019-20 Budget to account for the 2018-19 requested carry forwards.

As the report provides Council with a preliminary view of Council's financial performance to budget for the year ended 30 June 2019, it was considered appropriate as part of this update to provide the Audit Committee with the Preliminary End of Year Financial Results and commentary given the timing of the Audit Committee Meeting.

It should be noted that further changes to Council's operating and net lending result is likely following the finalisation of Council's statutory accounts and subsequent audit. The finalisation of the accounts will address matters including asset revaluation, finalisation of Council's subsidiaries as well as depreciation and other asset adjustments. As highlighted above, the external auditors are scheduled to commence the Audit process in mid-September 2019.

3.   ANALYSIS

Overall Preliminary Result compared to budget

$000's	Actual 30 June 19 $'000s	Budget 30 June 19 $'000s	Variance Fav/(Unfav) $'000s
Operating income	45,632	44,561	1,071
Operating expenditure	43,838	44,163	325
Operating Surplus before Capital	**1,794**	**398**	**1,396**
Capital Income	12,334	14,513	(2,179)
Capital Expenditure	13,033	17,832	4,798
Net expenditure - Capital projects	**(699)**	**(3,319)**	**2,620**
Depreciation	8,758	8,758	-
Net Lending Position for Financial Year	**9,803**	**5,837**	**4,016**

In terms of Council's operating result, Council's preliminary Operating Surplus before Capital is $1.794m which is **$1.396m** favourable to budget, but noting that there will be some further adjustments to occur as part of the finalisation of the statutory accounts.

This favourable operating result to budget is largely driven by additional income relating to the following:

•   early receipt of $690k of Supplementary Local Road Funding relating to 2019-20 and 2020-21 financial years
•   additional cemetery income of $99k compared to budget

- additional property income relating to AHBTC of $163k and unbudgeted Property Insurance Recoveries in the order of $99k

Expenditure is currently also favourable to budget by $325k but will be impacted by any accruals for 2018-19 expenditure received during August & September and adjustments for employee entitlements and depreciation.

Net Borrowings Position

Borrowings at 30 June 2019 were exactly $10m, relating to two fixed term interest only loans of $5m each with no short term drawdown facility drawn down at year end. This compares with Council's budgeted borrowings at 30 June 2019 of $12.271m which was based on borrowings at 30 June 2018 of $14.918m and the budgeted net change in cash, investments and drawdown for the 2018-19 financial years of $2.647m.

$000's	Actual 30 June 19 $000's	Budget 30 June 19 $000's	Variance $000's	30 June 2018 Balances $'000s
Cash & Investments	2,025	491	1,534	491
Short term drawdown	-	(2,271)	2,271	(4,900)
Fixed Term Loans	(10,000)	(10,000)	-	(10,018)
Total Borrowings	(10,000)	(12,271)	2,271	(14,918)
Net Position	(7,975)	(11,780)	3,805	(14,427)

As a result of favourable Operational and Capital cash flows to budget Council has been able to completely pay off its short term drawdown facility and increase its overall cash and investments position to just over $2m.

The overall net borrowings result is favourable to budget by $3.805m of which $2.713m relates to proposed net carry forwards discussed below and hence will require funding in 2019-20.

Overall Capital Result

$000's	Actual 30 June 19 $'000s	Budget 30 June 19 $'000s	Variance Fav/(Unfav) $'000s
Capital Income	12,334	14,513	(2,179)
Capital Expenditure	13,033	17,832	4,798
Net expenditure - Capital projects	**(699)**	**(3,319)**	**2,620**
Proposed Capital Expenditure Carry Forwards			(4,783)
Proposed Capital Income Carry Forwards			2,070
Overall Capital Result - unfavourable			(93)

With reference to carry forwards it is noted that each year, Council has a number of projects or initiatives that for a number of reasons are not finalised by the end of the financial year. Reasons for this may include:

- Where a rolling budget has been allocated to allow Council staff to seek funding to undertake ie the Amy Gillet Bikeway
- where Council resolves to defer a project
- Lengthy tender processes and/or contract negotiations
- Delays due to inclement weather
- Projects split over 2 or more years where an estimate has been made as to how much is spent in each financial year, or
- Delays as a result of community consultation.

The preliminary results show a capital spend of $13.033m against a budget of $17.832m. In comparing to budget, it is noted that there is an overall underspend of $4.798m of which it is proposed to carry forward expenditure of $4.783m across 57 projects.   There is still some review being undertaken of carry forwards but it is not expected that the amount will vary significantly from that to be presented to Council at its 27 August 2019 meeting for adoption.

In summary, the overall net savings on the 2018-19 Capital Works Expenditure Program is $15k and the proposed carry forward expenditure requests can be accommodated without a negative impact on Council's 2019-20 financial position.

It is noted that as a result of not achieving Council's capital grant income budget there is a net capital shortfall of $93k as shown in the Overall Capital Result table above.   The amount of capital grants received by Council budgeted at $500k for 2018-19 has been difficult to budget for in the past and has been more conservatively budgeted in future years.

As highlighted in Council's overall preliminary result, the capital shortfall has been more than covered by the favourable preliminary operating result of nearly $1.4m, noting that there is still some year end adjustments required to the amounts presented.

Other Year End Matters

In addition, as part of the year end process Financial Services and Infrastructure & Operations met with our external auditors Galpins in July 2019 to discuss key end of year items including:

- Infrastructure Asset Accounting, Revaluation and Depreciation
- Contributed Assets for Woodforde redevelopment; and
- External Audit interim letter

Council also advised Galpins that it has received:

- early receipt of $690k of Supplementary Local Road Funding relating to 2019-20 and 2020-21 financial years; and
- $836k, being 2 quarters of the 2019-20 Financial Assistance Grant (FAG) funding in June 2019.

and therefore will report both as grant revenue in the 2018-19 year. This amount is offset by an amount of $847k for the 2018-19 FAG Grant received in 2017-18.

Other specific matters highlighted to the Auditors included:

- accounting for future disposals of Crown Land currently dedicated to AHC
- the provisioning of rate amounts relating to deceased estates and or where rate notices had been unable to be delivered for many years, (discussed in separate Quarterly Debtors report to the Audit Committee for the 12 August 2019 meeting)
- the timing of some large property transactions and assets currently being considered for divestment including AHBTC and the Bridgewater Retirement Village
- increased revenue from the sale of roads
- provisioning for land fill remediation; and
- Subsidiaries and the calculation of equity share for these investments

The External Auditors were appreciative of the opportunity to discuss key year end issues and were comfortable with the position and direction proposed by Council.

Administration also remains confident that all significant preparatory work will be completed in advance of the final audit visit scheduled for mid-September 2019.

4.   OPTIONS

The Committee has the following options:

I.   To note the report as prepared.

II.   To make additional comments or suggestions for Financial Services staff to consider as part of finalising the 2018-19 financial statements.

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 August 2019
AGENDA BUSINESS ITEM

Item:	**6.3**
Originating Officer:	**Lachlan Miller, Executive Manager Governance & Performance**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**External Audit Interim Letter**
For:	**Information**

SUMMARY

Council's external auditors (Galpins) attended Council's Stirling offices in May 2019 to undertake interim field work as part of their 2018-19 audit program.

This report provides an update to the Audit Committee from Galpins of their findings in relation to 2018-19 Financial Controls Review detailing the outcomes from their field work in relation to internal controls.

Management have provided a response to the findings contained within the interim report and this response is provided within this report to the Audit Committee.

RECOMMENDATION

That Audit Committee:

1. **Receives and notes the report.**

2. **Notes the communication received from Galpins from their Interim visit relating to the - 2018-19 Financial Conmtrols Review and the Management Response to their findings from the Interim Audit.**

1.   **GOVERNANCE**

➤   **Strategic Management Plan/Council Policy**

Goal 5   Organisational Sustainability
Strategies   Risk and Responsibility (Financial and asset sustainability)
                Governance

Monitoring internal control assists in meeting legislative and good governance responsibilities and obligations.

The External Auditor's annual inspection and certification of Council's financial position and performance provides the community with an assurance of Council's internal financial control environment.

➢ **Legal Implications**

Part 3 – Accounts, Financial Statements and Audit, *Local Government Act 1999* and Part 6 – Audit, *Local Government (Financial Management) Regulations 2011*.

➢ **Risk Management Implications**

The implementation of the Internal Financial Control Model and testing of Council's transactions and internal controls by an external auditor will assist in mitigating the risk of:

Internal control failures occur which leads to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
High (4C)	Medium (3C)	Low (2E)

➢ **Financial and Resource Implications**

Satisfactory internal financial controls provide the foundation for Council's financial management and reporting framework.

The costs associated wiht the provision of external audit servcies are contained within the Governance & Performance Department's budget.

➢ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate corporate governance processes in place including an effective internal control environment.

➢ **Environmental Implications**

Not applicable.

➢ **Community Engagement/Consultation**

Consultation has occurred with the the following.

Council Committees: Not Applicable

Advisory Groups: Not Applicable

Administration: Director Corprate Services
Executive Manager Organisational Development
Manager Financial Services
Manager Sustainable Assets
Manager ICT
Procurement Coordinator

Governance & Risk Coordinator
Customer Services Coordinator

Community: Not Applicable

2.   BACKGROUND

Amendments to s129 of the *Local Government Act 1999* (the Act) require auditors to provide an opinion regarding internal controls of councils. This applies to prescribed (metropolitan) councils from 2013-14 onwards, and to non-prescribed (regional) councils from 2015-16 onwards. This opinion focuses on councils' obligations under s125 of the Act:

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

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

In order to assist the Council in addressing the requirements of s129, Galpin have reviewed a prioritised list of controls from the better practice model based on our initial audit risk assessment.

Like the audit opinion with respect to annual financial statements, the internal controls opinion is provided to Council. It becomes a public document, to be published with Council's financial statements and the financial statements audit opinion.

3.   ANALYSIS

Galpins Annual Audit Plan for the year ended 30 June 2019 was presented to the Audit Committee 18 February 2019. The Plan highlighted the timing of the Galpins interim visit and the preparation of a management letter in relation to that visit to be communicated to the Audit Committee.

In accordance with the plan, Galpins attended Council's Stirling office in May-July 2019 to undertake testing of Council's internal controls assessments and reviews as part of the interim audit.

The objectives of the interim audit were to:

- understand Council's business, business cycles and processes relevant to the financial statements
- understand the internal controls in place for the areas considered critical for the audit of the financial statements
- design internal controls tests for the internal controls identified

- perform the internal controls tests to determine the final risks of material misstatements in the financial statements to be addressed in the final audit
- review a prioritised list of internal financial controls considered critical for the purpose of issuing a controls opinion.

The scope of this audit included a review of key internal controls (consisting of a prioritised list of controls from the better practice model), that are considered key controls, to be in place for the purpose of addressing the requirements of s129.

The Interim Management Letter on the 2018-19 Financial Controls Review *(Appendix 1)* includes an update of the audit opinion in relation to internal controls, and states:

> *'Overall the Council demonstrated a high level of compliance with the implementation of an internal control framework consistent with the principles within the Better Practice Model.*
>
> *During our interim visit we noted that most of the key internal controls reviewed were in place and were operating effectively (87 out of 100 core controls reviewed). Good progress has been made in addressing audit findings from the 2017-18 financial year.*
>
> *The principles underpinning the model were used by the Council in the identification of its business cycles, the establishment of its internal controls and the implementation of its financial risk management processes.'*

In addition, in relation to ongoing monitory and self-assessment, it was noted:

> *'that Council has established mechanisms to ensure ongoing monitoring of effectiveness of the internal controls such as an internal controls self-assessment and test of effectiveness of internal controls. We were impressed with the accuracy of these self-assessments which were largely consistent with the audit findings, and wish to highlight that many of the findings provided in this report had also been identified by Council during its own self-assessment. Additionally, many higher risk findings had action plans developed and in some cases being implemented.*

The audit expressed a positive end of year forecast concluding that:

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

Management have provided a response to the findings contained within the interim report and those have been included in Galpins Financial Control Review Interim Management Letter *(Appendix 1)*.

4.   OPTIONS

The Audit Committee is limited to receiving and noting this report.

5.   APPENDIX

(1)   Galpins Financial Controls Review Adelaide Hills Council 2018-19 Interim Management Letter

Appendix 1

Galpins Financial Controls Review Adelaide Hills Council 2018-19 Internal Management Letter

Financial Controls Review

Adelaide Hills Council

2018/19 Interim Management Letter

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1. EXECUTIVE SUMMARY

1.1 Background

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

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

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

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

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

1.2 Objectives and scope

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

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

These key internal controls consist of a prioritised list of controls from the better practice model. This list was defined based on our risk assessment to determine the key business cycles, and key risks within these business cycles, that we understand should be the focus of the Council's control self-assessment.

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

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

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

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

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

- Purchasing and Procurement/Contracting
- Fixed Assets
- General Ledger
- Accounts Payable
- Rates / Rates Rebates
- Payroll
- Receipting
- Credit Cards
- Banking
- Debtors

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

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

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

1.3 Category of findings

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

We assessed each business cycle using our risk assessment which was focused on the risk of finding material weaknesses which could lead to a modified controls opinion in the 2018/19 financial year. An overall assessment of the risk of a potential modified audit opinion per business cycle is provided in item 1.5 of this report.

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

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

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

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

1.4 Overall review of the council's internal controls

Overall the Council demonstrated a high level of compliance with the implementation of an internal control framework consistent with the principles within the Better Practice Model.

During our interim visit we found that the majority of key internal controls reviewed were in place and were operating effectively (87 out of 100 core controls reviewed). Good progress has been made in addressing audit findings from the 2017/18 financial year.

The principles underpinning the model were used by the Council in the identification of its business cycles, the establishment of its internal controls and the implementation of its financial risk management processes.

A summary of the results of our review is provided in the table below:

Business cycles	Controls Reviewed	Operating Effectively		2019 Findings			
		2019	2018	H	M	L	BP
Purchasing & Procurement/Contracting	10	7	4	-	3	-	-
Fixed Assets	16	13	11	-	3	-	-
General Ledger	11	8	8	-	2	1	-
Accounts Payable	13	11	10	-	2	-	-
Rates / Rates Rebates	10	10	7	-	-	-	-
Payroll	19	18	16	-	1	-	-
Receipting	5	4	3	-	-	1	-
Credit Cards	5	5	5	-	-	-	-
Banking	5	5	5	-	-	-	-
Debtors	6	6	6	-	-	-	-
Total	100	87	75	-	11	2	-

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

We noted that Council has established mechanisms to ensure ongoing monitoring of effectiveness of the internal controls such as an internal controls self-assessment and test of effectiveness of internal controls. We were impressed with the accuracy of these self-assessments which were largely consistent with the audit findings, and wish to highlight that many of the findings provided in this report had also been identified by Council during its own self-assessment. Additionally, many higher risk findings had action plans developed and in some cases being implemented.

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

1.5. Summary of findings

Business Cycle	Findings	Risk
Purchase, Procurement and Contracting	2.1.1 Procurement framework providing guidance on the use of purchase orders is still in draft	M
	2.1.2 Suppliers included in the preferred supplier list have expired public liability insurances recorded	M
	2.1.3 No declaration of conflict of interest documentation on file for the procurement of suppliers	M
Fixed Assets	2.2.1 Asset management plans overdue for review	M
	2.2.2 The Capitalised Asset (Accounting Policy) document is overdue for review	M
	2.2.3 Asset maintenance plans not aligned with asset management plans	M
General Ledger	2.3.1 Absence of formal review of the IT users' access controls listing	M
	2.3.2 Absence of process to ensure approval of manual journal entries	M
	2.3.3 The Business Continuity Plan is overdue for review	L
Accounts Payable	2.4.1 Improvements are necessary in the process of uploading suppliers EFT files into the online banking system	M
	2.4.2 The audit trail of changes to the suppliers' master files are not formally reviewed by management	M
Payroll	2.5.1 Improvements are necessary in the process of uploading payroll EFT files into the online banking system	M
Receipting	2.6.1 Absence of approval of reversal of receipts	L
Rates	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
Credit Cards	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
Banking	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
Debtors	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A

2. DETAILED AUDIT FINDINGS

2.1 PURCHASING AND PROCUREMENT

2.1.1 Procurement framework providing guidance on the use of purchase orders is still in draft	Moderate
Control	Council has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest.
Risk	Council does not obtain value for money in its purchasing and procurement.

Finding	Recommendations	Management Response
It is important that Council has a well-defined process to ensure a clear direction on when to use purchase orders and an indication of transactions that are exempted. The use of purchase orders provides detail to the supplier of what is being purchased, the agreed costs, conditions that the supplier must comply with and the payment terms of the Council. Receipting and processing of invoices is also more streamlined when purchase orders are provided. Last year audit noted that there were no policies or procedures providing guidance on when purchase orders are required and when a purchase is exempted from the use of a purchase order. A draft procurement framework has been developed by Council. Procedures in relation to when purchase orders are required or when a purchase is exempted from the use of purchase order were included in the draft documents.	Council completes and approves the updated procurement framework.	Agree Council has presented a revised Procurement Policy and new Procurement Framework to ELT in July and is proposing tabling both to the Audit Committee meeting in August 2019 Responsibility: Manager Financial Services Timing: 31 August 2019

2.1.2 Suppliers included in the preferred supplier list have expired public liability insurances recorded — Moderate

Control	The organisation has a process in place to ensure use of preferred suppliers where relevant to maximise the best value for money to Council
Risk	Council does not obtain value for money in its purchasing and procurement.

Finding	Recommendations	Management Response
Audit obtained the preferred supplier list and noted a number of suppliers for whom the latest copies of their public liability insurances recorded by Council were expired. The list also provides an indication of whether the supplier provided the relevant documents in relation to the following: ▪ Licenses, tickets and competencies needed for the work ▪ Job safety requirements ▪ Workcover registration ▪ Acknowledgement of AHC hazards Audit noted a number of cells left blank in the listing with no indication of whether the above documents were supplied.	The listing of preferred suppliers is reviewed on a regular basis to identify and follow up any expired or outstanding documents.	Agree with finding. As part of the Procurement Framework, we are repositioning the term preferred suppliers to 'prequalified suppliers' to more correctly reflect how Council is accessing these suppliers To ensure that relevant documentation including insurances is up-to-date Council is investigating the use of the SkyTrust software used for WHS purposes to better manage this process through automation Responsibility: Procurement Coordinator Timing: 31 December 2019

2.1.3 No declaration of conflict of interest documentation on file for the procurement of suppliers	Moderate
Control	The selection panel is made up of appropriate personnel who have declared any relevant conflict of interest to ensure that informed and objective decision is made when selecting contractors.
Risk	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process.

Finding	Recommendations	Management Response
Audit selected a sample of 10 suppliers based on cumulative spend and found there were no conflict of interest declarations prepared and filed for the procurement of these suppliers.	Panel members provide conflict of interest declarations when assessing procurement / tendering process, and these declarations are retained on file.	Currently Council uses the Governance conflict of Interest form whenever an evaluation team member considers that there is a perceived conflict existing and this is documented in the Procurement Framework. Council will consider whether specific conflict of interests declarations should be included in Council's evaluation plan Responsibility: Procurement Coordinator Timing: 31 August 2019

2.2 FIXED ASSETS

2.2.1 Asset management plans overdue for review	Moderate
Control	Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999
Risk	Fixed Asset maintenance and/or renewals are inadequately planned

Finding	Recommendations	Management Response
The Asset Management Plan for Transport Assets was last adopted in 2012. At a minimum, the Local Government Act 1999 requires that council undertakes a comprehensive review of its asset management plans within 2 years after each general election of the council, meaning the plan is overdue for review. Management is currently performing a major review of the Transport Assets asset management plan. Council has hired an additional asset officer who is responsible for the preparation of the plan. Asset Management Plans have not been adopted for other major asset classes, such as buildings and storm water infrastructure.	The Transport Asset Management plan is finalised and adopted by Council. Asset Management Plans are prepared for other major asset classes.	Agree with finding. Council officers have undertaken significant review of the asset registers and reviewed the programs delivered. This internal review has been included in the LTFP projections. The asset management plan templates are currently being populated utilising the IPWEA NAMS Plus process. The transport asset management plan is in draft. Council workshops on AMP proposed for August, Sept, Oct 2019 with a view to adopt in February 2020 following community consultations. Responsibility: Manager Sustainable Assets Timing: 28 February 2020

2.2.2 The Capitalised Asset (Accounting Policy) document is overdue for review | Moderate

Control	Council has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored to ensure adherence
Risk	Fixed assets acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed asset register does not remain pertinent.

Finding	Recommendations	Management Response
The Capitalised Asset (Accounting Policy) document was adopted on 25 June 2013. The policy has been due for review since June 2015. The policy mentions accounting treatments that are no longer permitted by Australian Accounting Standards such as residual value of roads.	The Capitalised Asset (Accounting Policy) document is reviewed and updated to reflect current and desired practice.	The document is no longer a Council Policy and is now an operational procedure. The procedure is currently being reviewed to fit in line with the process to be undertaken that incorporates Confirm Enterprise Asset Management system. Responsibility: Manager Sustainable Assets Timing: 31 August 2019.

2.2.3 Asset maintenance plans not aligned with asset management plans | Moderate

Control	Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans.
Risk	Fixed assets acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed asset register does not remain pertinent.

Finding	Recommendations	Management Response
Audit noted that asset maintenance is performed on a reactive basis. Updated asset maintenance plans have been developed for some asset	Ensure that maintenance schedules are in accordance with Asset Management Plans, and	Agree with finding.

categories, but current maintenance schedules do not always correspond with the Asset Management Plans. An update of all asset management plans is required (as described in the finding 2.2.1) to ensure that asset maintenance plans are in place.	steps are taken to progress towards more proactive maintenance plans.	**Action:** Council has approved additional resources to undertake planning of future maintenance works. Council is reviewing service levels (initial priority – Stormwater) to identify the required maintenance activities to ensure the required performance of those assets. The clarity regarding the agreed service level will allow better planning and the associated scheduling of proactive maintenance. Council is currently ensuring integration between its CRM system (customer requests) and the Confirm Enterprise Asset Management System to ensure alignment with reactive requests and planned maintenance. Tree enquiries and Playground enquires are integrated. The tree enquiries have a risk based priority system developed. The inclusion of road data into the Production environment of Confirm will allow integration considerations between CRM and Confirm. **Responsibility**: Manager Sustainable Assets **Timing:** 31 December 2019

2.3 GENERAL LEDGER

2.3.1 Absence of formal review of the IT users' access controls listing	Moderate
Control	Access to General Ledger maintenance is restricted to appropriately authorised personnel.
Risk	General Ledger does not contain accurate financial information / Data contained within the General Ledger is permanently lost.

Finding	Recommendations	Management Response
Last year audit noted that there were no mechanisms to ensure a complete list of users with access to finance functions in Open Office was formally reviewed on a regular basis by finance management. This financial year, the ICT department implemented a six-monthly report containing a list of users with access to different modules in the finance system. This report was sent to relevant managers on 4 April 2019. Audit noted that there was no evidence that this report was reviewed by the managers from different departments. Our review of users' access identified the following potentially excessive access rights that Management may consider when performing a review of IT users' access rights to finance modules: ▪ Payroll function – 15 active users ▪ Financial function – 7 users with administrator access ▪ Rates assessment – 14 users with administrator access ▪ Cashlink – 9 users with administrator access We acknowledge that Management may consider some of the above access rights to be appropriate. The purpose of listing them is to recommend that Management consider the extent of the access rights described above when reviewing the reports provided by the ICT department.	Finance Management performs a formal review of a complete list of users' access rights to ensure adequate segregation of duties within the finance functions in Open Office. Key areas of access that should be considered in this review include: - Banking - Rates - Accounts Payable - Accounts Receivable - Receipting - Payroll - Fixed assets - Purchasing - Approval of purchase orders; and - General ledger	Agree with finding The review of user access rights has been automated to ensure that there is a trigger to produce the relevant reports on the agreed timing of 6 monthly In addition, the procedure has been updated so that the process now requires formal advice from the Manager Financial Services that either: • activities have been reviewed and no change required, or • authority is received for changes to the system user accounts. Responsibility: Manager Financial Services and Manager ICT Timing: Completed

2.3.2 Absence of processes to ensure approval of manual journal entries | Moderate

Control	Journal entry access is restricted to appropriately authorised personnel.
Risk	General Ledger does not contain accurate financial information

Finding	Recommendations	Management Response
Last year we reported that when a manual journal entry is posted by a preparer in Open Office a reviewer is allocated to that journal in the system. However, allocating a reviewer does not guarantee that this person has actually authorised or even seen the journal before being posted. The journal is posted immediately after the preparer posts it (i.e. the system does not require the approval of the reviewer before the manual journal entry is posted).

After the journal is posted the preparer prints it and the name of the reviewer appears in the printed journal as "authorised by" (however, this does not mean that the reviewer has electronically approved the journal).

Management response to this issue included in the 2017/18 interim management letter was that Council would investigate whether the current version of Open Office allows electronic approval of journals. Management also responded that authorisers would manually sign the hard copy of the updated journal.

Audit followed up this matter during our interim visit and noted that Management is still investigating ways to implement a function in the system allowing electronic approvals of manual journal entries. Council's IT system supplier (Open Office) advised that this function is not provided in Finesse (current financial system). Open office is no longer developing Finesse and will be retiring this product. | Manual journal entries are approved before the manual journal entry is posted.

Investigate the ability to enable electronic approval of manual journals prior to posting of journals. | Agree with finding.

Given that any upgrade to the system is some way off, procedures to be updated to indicate that authorisers will manually sign the hard copy of the journal as part of the authorisation process

Responsibility: Manager Financial Services

Timing: From 1 July 2019. |

Council is considering implementing a new financial system called NAV which potentially would allow for manual journal entries to be electronically approved. Manual journal entries are not being manually approved.		

2.3.3 The Business Continuity Plan is overdue for review	Low
Control	Formal disaster recovery plan is in place and communicated to relevant staff.
Risk	Data contained within the General Ledger is permanently lost.

Finding	Recommendations	Management Response
The current Business Continuity Plan was last reviewed and adopted in April 2011. Audit acknowledges that an ICT Disaster Recovery Plan was developed in 2018 which sets out the key forms of ICT disruption and the current recovery and resumption arrangements in place. The contents of the ICT DRP are well-known to ICT staff.	The Business Continuity Plan is updated.	Agree with finding. Council has scheduled the review of the Business Continuity Plan to occur in 2019-20 in conjunction with the development of the Emergency Management Plan. Responsibility: Executive Manager Governance & Performance Timing: 31 March 2020

2.4 ACCOUNTS PAYABLE

2.4.1 Improvements are necessary in the process of uploading suppliers EFT files into the online banking system	Moderate
Control	Payments (Cheques and EFTs) are endorsed by authorised officers separate to the preparer who ensure that they are paid to the specified payee.
Risk	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all.

Finding	Recommendations	Management Response
Audit reviewed the process of accounts payable batch payments and noted the following: Council's financial system generates an EFT file which is stored on council's internal drive prior to being manually uploaded into the online banking system. The EFT file can be opened as a TXT (text format) file and potentially be manually manipulated prior to being uploaded. Currently, there are nine different officers plus system administrators with access to the folders where the EFT file is stored. Audit acknowledges that Council has initiated some investigations with NAB to implement a direct interface between Open Office and the online banking system.	Continue to investigate whether it is possible to implement a way to enable a direct interface between the finance system and the online banking system. Alternatively, Council can investigate ways to ensure that the file is generated as "read-only". If the direct interface cannot be implemented, Management should consider comparing the bank account details provided by the online banking system to a register of supplier's bank accounts provided by the finance system (supplier master file) before authorising each payment batch. This matching does not need to be a manual process as it can be automated, for example using an Excel spreadsheet. In addition, it is recommended that Finance Management review the appropriateness of the users with access to the folder where the EFT file is stored.	Agree with finding We are working with our software provider to set up a secure folder with read only access to allow Creditors and Payroll to auto save bank files to this folder. This would allow upload to the bank but no ability to change the file once produced. In the meantime the Accounts Payable Officer produces the file before the payment run is given to the Manager Financial Services to approve. Once approved it is lifted to the bank and the authorisers, as part of their review, are checking the properties of the bank file to ensure: • the created date and time match the modified date and time and • that the time is prior to the time stamp by Manager Financial Services to ensure the details of the signed payment run has not been changed after approval. Responsibility: Manager Financial Services Timing: Completed

2.4.2 The audit trail of changes to the suppliers' master files are not formally reviewed by management.	Moderate
Control	Requested changes or additions to supplier master file are verified independently of source documentation.
Risk	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

Finding	Recommendations	Management Response
Open Office generates a report named "Creditor Audit Report by Creditor" which provides all changes to the suppliers' master file. This report is reviewed on a weekly basis in an adhoc manner.	Management formalises the review of the Creditor Audit Report by Creditor, including providing evidence of review (i.e. the signature of an independent officer). Audit acknowledges that the "Creditor Audit Report By Creditor" contains dozens of pages. For time efficiency, audit recommends Management to only review key changes in the supplier's master file such as changes in bank account details.	Agree with finding The audit report is now produced in excel and saved to allow search and find of changes to bank account details (referenced by BSB_Number and Cred_Bank_Account). These changes are checked against supporting documents which are kept in the Audit Report Folder. The supporting document is signed and dated when the change is made and then checked and counter signed and dated by another Finance Officer on a monthly basis. These signed copies of source documents will provide proof this process of checking the bank account changes has been done. Responsibility: Manager Financial Services Timing: Completed

2.5 PAYROLL

2.5.1 Improvements are necessary in the process of uploading payroll EFT files into the online banking system	Moderate
Control	The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll.
Risk	Payroll disbursements are made to incorrect or fictitious employees

Finding	Recommendations	Management Response
Audit reviewed the process of payroll payments and noted the following: Council's financial system generates an EFT file which is stored on council's internal drive prior to being manually uploaded into the online banking system. The EFT file can be opened as a TXT (text format) file and potentially be manually manipulated prior to being uploaded. Currently, there are nine different officers with access to the folders where the EFT file is stored. Audit acknowledges that Council has initiated some investigations with NAB to implement a direct interface between Open Office and the online banking system.	Continue to investigate whether it is possible to implement a way to enable a direct interface between the finance system and the online banking system. Alternatively, Council can investigate ways to ensure that the file is generated as "read-only". If the direct interface cannot be implemented, Management should consider comparing the bank account details provided by the online banking system to a register of employee's bank accounts provided by the finance system (employee master file) before authorising each payment run. This matching does not need to be a manual process as it can be automated, for example using an Excel spreadsheet. In addition, it is recommended that Finance Management review the appropriateness of the users with access to the folder where the EFT file is stored.	As a result of this matter being raised previously, Council implemented a change in procedure so that payroll control totals checked in the payroll authorisation process were verified by the 2 EFT authorisers in the online banking system to overcome the existing inability to have a direct interface. As such it is considered that controls had been improved to an acceptable level. Separately there is currently work being undertaken by Open Office (Payroll solution provider) on enhancements to the Payroll system to enable the file to be saved into a secure location as "read-only". This functionally is currently being tested on our Test System. Responsibility Manager Financial Services and Manager ICT Timing: Completed

2.6 RECEIPTING

2.6.1 Absence of approval of reversal of receipts	Low
Control	There is a review process for the authorisation of the reversal of transactions.
Risk	Receipts are either inaccurately recorded or not recorded at all.

Finding	Recommendations	Management Response
Last year audit noted that there were no processes in place to ensure that a receipt reversed by a cashier is reviewed by an independent reviewer. In response to our 2017/18 interim management letter management advised that a procedure would be implemented to ensure that: ▪ evidence is provided for all receipt reversals; and ▪ independent witnessing is also required for any reversals that involve a change in amounts taken. We performed a follow up of this issue during our interim audit. We requested evidence of an approval of receipt reversals and an example could not be located by Council. In addition, audit noted that a listing containing all the reversals for the day is not formally reviewed.	Reversal of receipts are formally approved by an independent person. Formally review a listing of all reversals performed for the day.	Agree with finding. A procedure to validate receipt reversals has been introduced. A review of the cancelled receipts list will be performed on a weekly basis. Responsibility: Customer Services Coordinator Timing: 31 August 2019

APPENDIX 1 – CRITICAL INTERNAL FINANCIAL CONTROLS

Purchasing and Procurement

Risks

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

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

CONTRACTING

Risks

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

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

FIXED ASSETS

Risks

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

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

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

GENERAL LEDGER

Risks

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

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

ACCOUNTS PAYABLE

Risks

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

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

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

RATES / RATES REBATES

Risks

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

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

PAYROLL

Risks

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

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

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

CREDIT CARDS

Risks

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

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

BANKING

Risks

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

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

DEBTORS

Risks

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

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

RECEIPTING

Risks

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

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

Item:	**6.4**
Originating Officer:	**Mike Carey, Manager Financial Services**
Responsible Director:	**Terry Crackett, Director Corporate Services**
Subject:	**Actions from the 2018-19 Internal Controls Review**
For:	**Information**

SUMMARY

Council's external auditors are required to provide an opinion on internal controls in accordance with S125 of the *Local Government Act 1999*.

The results from the 2018-19 Internal Controls Review documented within Control Track by Council staff was provided to the Audit Committee meeting at its May 2019 Meeting together with a full list of controls and the specific rating of each.

This report presents an update to the Committee on the actions resulting from the Internal Control Review for those controls rated with a control effectiveness of 3 or below (being the classification for partially effective controls) and therefore requiring an action to improve the rating.

RECOMMENDATION

That the Audit Committee:

1.   **Receives and notes the report.**

2.   **Notes the actions being undertaken in relation to those 2018-19 internal financial controls identified as requiring an action plan.**

1.   **GOVERNANCE**

➢   **Strategic Management Plan/Council Policy**

Goal   Organisational Sustainability
Strategy   Governance

Updating the internal controls framework and monitoring actions from Council's Internal Controls review assists in meeting legislative and good governance responsibilities and obligations

➢ **Legal Implications**

Work on the Internal Controls Framework and monitoring of actions is being undertaken in conjunction with Part 3 – Accounts, Financial Statements and Audit, *Local Government Act 1999* and Part 6 – Audit, *Local Government (Financial management) Regulations 2011*.

➢ **Risk Management Implications**

The implementation of the Internal Financial Control Model will assist in mitigating the risk of:

Internal control failures occur which leads to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
High (4C)	Medium (3C)	Low (2E)

Note that there are many other controls that assist in mitigating this risk.

➢ **Financial and Resource Implications**

Satisfactory internal financial controls provide the foundation for all of Council's financial management and reporting.

➢ **Customer Service and Community/Cultural Implications**

Not applicable.

➢ **Environmental Implications**

Not applicable.

➢ **Community Engagement/Consultation**

Consultation on the development of this report was as follows:

Council Committees: Not Applicable

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

Administration: Executive Manager Governance & Performance
Manager Sustainable Assets

Community: Not Applicable

2.   BACKGROUND

Councils are required to have "appropriate policies, practices and procedures of internal control". In addition, Council audit committees are required to monitor the adequacy of all a council's "accounting, internal control, reporting and other financial management systems and practices".

To assist in Council's review of Internal Controls, Adelaide Hills Council uses a product called ControlTrack which is used by a significant number of councils across the State. An updated version was implemented in 2018 providing Council with the ability to add the Better Practice Model 2017 to Council's Risk and Controls already populated in previous years.

As a result, this risk based approach reduced the number of controls that councils review and assess on an ongoing basis from the previous 192 down to 113.

Control Track requires Council to identify and document the control activities in place and evaluate the appropriateness, design and effectiveness of these controls on a scale from 1 to 5. Council has used the following control effectiveness rating scale below to evaluate its controls.

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

A control effectiveness rating is provided by both the assessing officer (typically the person performing the function) and the reviewing officer (typically the person reviewing completion of that task or function such as the line manager), along with commentary as to the basis for the assessment on that rating.

3.   ANALYSIS

A summary report of the outcomes from 2018-19 Internal Controls Review was provided to the Audit Committee meeting at its May 2019 Meeting together with a full list of controls and the specific rating of each.   This included the table below listing the ratings under the categories used by Control Track for reporting purposes.

Table 1

Control Category	May 2019	May 2018	May 2017
Strategic Financial Planning	4.55	4.82	4.61
Revenue	4.80	4.93	4.50
Liabilities	4.71	4.77	4.52
External Services	4.00	4.00	3.57
Expenses	4.76	4.84	4.61
Assets	4.42	4.48	4.48

As a result of reviewing the full list of controls and the specific rating of each from the 2018-19 review at the May 2019 meeting, the Audit Committee asked if the actions emanating from those controls that had been rated a 3, being Partially Effective or below, and therefore requiring an action to improve the rating could be presented to the next Audit Committee meeting.

Out of the 113 controls that Council reviewed and assessed for 2018-19 using Control Track, 6 were identified as a control effectiveness rating of 3 and thus requiring an action plan. Of these, one related to Council's Business Continuity Plan while the remaining 5 were under the fixed asset category.

The actions have been detailed in **Appendix 1**.

4.   OPTIONS

Audit Committee is limited to receiving and noting this report.

5.   APPENDICES

(1)   Actions from 2018-19 Internal Controls Review

Appendix 1
Actions from the 2018-19 Internal Controls Review

ControlTrack

2018-19 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason

Strategic Financial Planning

General Ledger

| STR-GEN-0008 | Formal disaster recovery plan is in place and communicated to relevant staff. | Lachlan Miller | 3 | A Business Continuity Plan was developed and adopted in 2011. While the Plan is still broadly applicable in terms of the assessment of likely disruption events and key recovery priorities, it lacks currency in terms of organisational structure and systems configuration. Further communication across the organisation has been limited. An ICT Disaster Recovery Plan was developed in 2018 which sets out the key forms of ICT disruption and the current recovery and resumption arrangements in place. The contents of the ICT DRP are well-known to ICT staff. | Mike Carey | 3 | |

Action To be Implemented, Allocation and Timing

Action: Council has scheduled the review of the Business Continuity Plan to occur in 2019-20 in conjunction with the development of the Emergency Management Plan.

Responsibility: Lachlan Miller

Timing: March 2020

2018-19 Controls Assessment

Code	Description	Assessor	★	Assessor Reason	Reviewer	👍	Reviewer Reason
		▼			▼		

▲ **Assets**

▲ **Fixed Assets**

| ASS-FIX-0014 | There is a process in place for the verification of fixed assets which is reconciled to the FAR. | 👤 David Collins | 3 | Consultants and Council's officers are utilised to perform a physical verification of assets, and their condition on a rolling program. However in the last 4 years, although condition assessments have been undertaken for roads (ARRB), footpaths (internal) and revaluations have been undertaken for CWMS & Buildings (APV) that information hasn't been updated into the fixed asset register spread sheets given the assumption that the new asset management system would be going live earlier than currently proposed. | Mike Carey | 3 | Verification of assets to be conducted as part of 2018-19 Revaluation Program. The implementation of Confirm (the new asset management system) to reflect changes that have occurred within the past few years pending implementation |

Action To be Implemented, Allocation and Timing

Action: Verification of assets is to be undertaken as part of the implementation of confirm (new Asset Management System) and Revaluation processes

Responsibility: David Collins, Manager Sustainable Assets

Timing: 31 August 2019

| ASS-FIX-0007 | Depreciation charges are calculated in accordance with the asset accounting policy and compliant with relevant accounting standards, including the useful life, depreciation method and residual values. | 👤 David Collins | 3 | Standard Useful lives of categories of assets are reviewed by engineering and finance officers and where appropriate an independent engineering consultant prior to revaluation of asset categories. Individual assets' remaining lives are reviewed as part of the external revaluation process. Depreciation method used is "straight line" and management consider that this method is appropriate. | Mike Carey | 3 | Detailed review of useful lives to be undertaken for all asset classes being revalued in 2018-19 including Sealed Roads, Footpaths & Retaining Walls. Assessment of useful lives for unsealed roads also to be undertaken |

Action To be Implemented, Allocation and Timing

Action: Detailed review of useful lives is being undertaken for all asset classes with particular attention focused on those assets being revalued in 2018-19 including sealed roads, footpaths, retaining walls and unsealed roads.

Responsibility: David Collins, Manager Sustainable Assets

Timing: 31 August 2019

2018-19 Controls Assessment

Code	Description	Assessor	★	Assessor Reason	Reviewer	👍	Reviewer Reason
ASS-FIX-0004	Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999.	David Collins	3	Asset Management Plans have been updated for a number of asset categories including Transportation, Buildings, CWMS and Sport & Rec asset categories with additional work required for the remaining asset categories. Even for those asset categories where asset management plans have been significantly progressed further data refinement is required from more in depth asset category analysis and confirmation of service level requirements to assist in forecasting appropriate renewal requirements and confirm the annual consumption of infrastructure assets via depreciation. Nonetheless, even though there is still quite a bit of asset management planning work to be undertaken, management consider that the renewal allocations for asset categories in the short term are reasonable, with the additional work seeking to improve the medium to long term forecasts of asset renewal and maintenance requirements	Mike Carey	3	An update of all asset management plans is required to to be provided to Council for endorsement.
ASS-FIX-0003	Asset Management Plans are prepared and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors.	David Collins	3	Asset Management Plans have been updated for a number of asset categories including Transportation, Buildings, CWMS and Sport & Rec asset categories with additional work required for the remaining asset categories. Even for those asset categories where asset management plans have been significantly progressed further data refinement is required from more in depth asset category analysis and confirmation of service level requirements to assist in forecasting appropriate renewal requirements. Nonetheless, even though there is still quite a bit of asset management planning work to be undertaken, management consider that the renewal allocations for asset categories in the short term are reasonable, with the additional work seeking to improve the medium to long term forecasts of asset renewal and maintenance requirements	Mike Carey	3	Asset Management Plans for all significant asset categories need to be completed together with a Strategic Asset Management Plan document covering asset strategy and service levels

Action To be Implemented, Allocation and Timing

Action: As part of the migration of data into a new asset management system Council has undertaken extensive review of its data and in particular Transport Assets. Council has undertaken an internal review of the Transport Asset Class that has informed current long term planning.

Council officers have undertaken significant review of the asset registers and reviewed the programs delivered. This internal review has been included in the LTFP projections. The asset management plan templates are currently being populated utilising the IPWEA NAMS Plus process. The transport asset management plan is in draft. Council workshops on AMP proposed for August, September & October 2019 with a view to adopt in February 2020 following community consultations.

Responsibility: David Collins, Manager Sustainable Assets

Timing: 28 February 2020

2018-19 Controls Assessment

Code	Description	Assessor	☆	Assessor Reason	Reviewer	👍	Reviewer Reason
ASS-FIX-0002	Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans	David Collins	2	Updated Asset Maintenance Plans have been developed for some asset categories but current maintenance schedules do not always correspond with these Asset Management Plans. High risk assets such as playgrounds have more formal inspections and maintenance regimes where as a low risk asset (eg a stormwater pipe in a rural area) currently does not have a maintenance or inspection plan specified.	Mike Carey	3	An update of all asset management plans is required to ensure timely and appropriate maintenance is undertaken.

Action To be Implemented, Allocation and Timing

Action: Council has approved additional resources to undertake planning of future maintenance works.

Council is reviewing service levels (initial priority – Stormwater) to identify the required maintenance activities to ensure the required performance of those assets. The clarity regarding the agreed service level will allow better planning and the associated scheduling of proactive maintenance.

Council is currently ensuring integration between its CRM system (customer requests) and the Confirm Enterprise Asset Management System to ensure alignment with reactive requests and planned maintenance. Tree enquiries and Playground enquires are integrated. The tree enquiries have a risk based priority system developed.

The inclusion of road data into the Production environment of Confirm will allow integration considerations between CRM and Confirm.

Responsibility: David Collins, Manager Sustainable Assets

Timing: 31 December 2019

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 August 2019
AGENDA BUSINESS ITEM

Item:	**6.5**
Originating Officer:	**Lachlan Miller, Executive Manager Governance & Performance**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**Placement of Council's Insurance Portfolio**
For:	**Information**

SUMMARY

To provide the Audit Committee with an overview of Council's insurance portfolio for 2019-20

RECOMMENDATION

The Audit Committee resolves that the report be received and noted.

1. **GOVERNANCE**

   ➤ **Strategic Management Plan/Council Policy**

   Goal   Organisational Sustainability
   Key Issue   Risk and Responsibility

   ➤ **Legal Implications**

   The *Local Government Act 1999* sets out a number of requirements regarding insurance:

   • Section 80 states that Council must take out insurance to cover Elected Members against risks associated with performing their duties.
   • Section 142 requires Councils to take out and maintain insurance to cover its civil liabilities at least to the extent prescribed by the regulations.

   ➤ **Risk Management Implications**

   Insurance is a prudent strategy to mitigate risk associated with providing Council services and affords Council a level of resilience and confidence so that it can continue to operate through unforeseen circumstances and loss.

Entering into insurance contracts will assist in mitigating the risk of:

Under or uninsured liabilities/events/assets leading to financial and/or reputation damage

Inherent Risk	Residual Risk	Target Risk
High (4C)	Medium (2C)	Medium

➢ **Financial and Resource Implications**

Insurance is a means of protection from financial loss. It is a form of risk management primarily used to hedge against the risk of a contingent high cost, low frequency loss.

➢ **Customer Service and Community/Cultural Implications**

The community would have a reaonsable expectation that the Council has prudent insurance arrangements in place to finance risks associated with the loss, damage, theft and liabilities created by its assets, actions, employees and contractors.

➢ **Environmental Implications**

Not applicable.

➢ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Consultation has occurred with the the following.

Council Committees: Not Applicable

Advisory Groups: Not Applicable

Administration: Director Corprate Services
Executive Manager Organisational Development
Manager Financial Services
Manager Property Services
Manager Sustainable Assets
Manager ICT
Governance & Risk Coordinator

Community: Not Applicable

2.   BACKGROUND

The SA Local Government mutual schemes were established 30 years ago , initially out of necessity as council found it increasingly difficult to secure adequate insurance at competitive rates for workers compensation, civil liability and asset protection.

Local Government Risk Services (LGRS) operates the following risk schemes which utilised by SA councils (including Adelaide Hills) to manage their risk portfolios (these are discussed in more detail below):
•   LGA Workers Compensation Scheme (LGAWCS)
•   LGA Mutual Liability Scheme (LGAMLS)
•   LGA Asset Mutual Fund (LGAAMF)
•   LG Income Protection Fund (LGIPF)
•   Brokerage of general insurance products from the commercial insurance market

Mutual Schemes

LGA Workers Compensation Scheme (LGAWCS)

LGAWCS provides Council with a fully integrated Claims, Return to Work and Work Health Safety service. It is registered as a self-insurer by SafeWork and is bound by the Professional Standards for Self-Insurers (PSSI). All South Australian Councils are Members of LGAWCS.

The Scheme is funded by a levy on Member remuneration and operates a rebate/penalty program to reward good performance.

LGA Mutual Liability Scheme (LGAMLS)

LGAMLS is an indemnity scheme established pursuant to Schedule 1, Pt 1 2 (1) (a) of the Local Government Act 1999. Pursuant to S142 of the LG Act, every Council in SA has a statutory duty to "insure" against the financial impact of potential civil liability risks and membership of the LGAMLS constitutes insurance. All South Australian Councils are Members of LGAMLS. Unique in its structure, the cover provided through membership of the LGAMLS is unlimited with nil exclusions.

The Scheme covers public and products liability, professional indemnity, environmental landfill (pollution legal liability), Council Members & Officers and Employment Practicies liability.

The Scheme is funded by the payment of an annual contribution which is calculated based on the Member's revensue base, adjusted to reflect the maturing risk profile, claims history and application of risk management principles (see separate report in this agenda regarding the 2019 Risk Evaluation).

LGA Asset Mutual Fund (LGAAMF)

The LGAAMF provides discretionary protection for Member's property assets, motor vehicles, computers and electronic equipment, fidelity guarantee, machinery breakdown, and cyber security and data protection.

Cover for the Council's property and contents under the LGAAMF, are required to be at replacement value of the assets in a condition and construction in an "as new state".

Damage to general civil infrastructure is not covered by the Fund, due to the significant value of the civil infrastructure network within Council's area, the increase in premium cost would significantly outweigh the likely cost of any claim and therefore is uneconomical to cover. This approach is standard practice within the Local Government sector.

However, since 2015 Bridges have been listed on the Council's Asset Insurance Schedule as an assessment has been made that it would be appropriate given the risks involved including the susceptibility of washaways as a result of flooding.

LG Income Protection Fund (LGIPF)

The LGIPF offers discretionary indemnity and claims management services to Members for employees in respect of loss of income resulting from a non-work related injury or illness. Council includes this insurance as part of its Enterprise Agreements and individual Employment Agreements, which provides a benefit to employees for up to two years for accident or illness.

General Insurances

In addition to the cover purchased via the mutual schemes, Council also purchases additional cover, brokered by LGRS, from the commercial insurance market. These covers are:

Public and Products Liability

These policies provides coverage to Council on behalf of;
- nominated unuinsured contractors and volunteers of Home and Community Care
- uninsured *ad hoc* or occasional hirers Council owned or controlled facilities; and
- uninsured roadside stalls
- Adelaide Hills Social Club
- Advisory Groups
- all regular user groups (as declared) of Council owned or controlled facilities;
- for Death or Personal Injury and Loss or Damage to Property happening during the Period of Insurance and caused by an occurrence in connection with the hire of the Council facility.

Personal Accident

Personal Accident Insurance provides coverage for Death and Total or partial disablement for Insured Parties listed below:

- Insured persons are covered whilst engaged in any activity directly or indirectly connected with or on behalf of the Council including travel to and/or from any such activity.
- Council Members and their accompanying Partners/Spouses.
- Employees and their accompanying Partners/Spouses, (excluding claims where the employee is entitled to benefits under any Workers Compensation legislation)
- Volunteers whilst engaged in any voluntary work directly or indirectly connected with or on behalf of the Council including individual members of any Trust or Committee formed by Council.
- Persons whilst engaged in any Government Labour Market, Training or Job Creation Projects.
- Members of the Council's Development Assessment Panel and Audit Committee.

Journey Injury

Journey Injury Insurance provides coverage for Bodily Injury to Employees whilst engaged in a journey to and from their place of residence and place of work and between a place of training and place of work.

3.   ANALYSIS

The following provides a summary of the cost of Council insurance portfolio which increases by 5% overall. Note that the figures below are gross contributions. In each of the mutual schemes Council receives special and/or performance (based on claims history of Council) distributions, the actual and proposed distributions are included in brackets:

Insurance Class	2018-19 ($'000 excl GST)	2019-20 ('000 excl GST)
LGA Workers Compensation Scheme	376 (57)	408 (27)
LGA Asset Mutual Fund	277 (68)	276 (34)
LGA Income Protection Fund	244 (2)	263 (unk)
LGA Mutual Liability Scheme	295 (55)	303 (28)
Ad Hoc Hall Hirers	1	2
Roadside Stalls	3	4
Advisory Groups	5	5
Personal Accident (incl Elected Members)	2	2
Community Care Contractors	1	1
Journey	9	13
TOTAL	**1,213**	**1,277**

In relation to the key movements between years, the following is noted:

- For workers compensation, the increase in declared salary & wages of 5% is somewhat offset by a reduction in overall gross premium from 2.57% in 2018-19 to 2.23% in 2019-20.
- For the LGA Asset Mutual Fund, there is a minimal increase explainable by a reduction in the sums insured resulting from improved asset information provided to the Scheme and that the market rates for property and motor coverage have not changed.
- For Income Protection, an increase of 3.65% in premium rates as well as a 5% increase in declared salary & wages has resulting in an overall increase of $19k, being 7.8%. The Scheme has advised that the premium rate increase is as a result of the impact of claims performance of the sector in recent years.
- For Employee Journey, there has been a 38% increase in the premium per employee based on poor claims experience across the sector after 8 years of no premium change. LGRS went to the market and the current provider still represented the best value.

4.   OPTIONS

The Committee has the following options:

I.   To note the status of Council's insurance portfolio for 2019-20 as presented.

II.   To recommend additions or changes to the insurance portfolio.

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 August 2019
AGENDA BUSINESS ITEM

Item:	**6.6**
Originating Officer:	**Mike Carey, Manager Financial Services**
Responsible Director:	**Terry Crackett, Director Corporate Services**
Subject:	**Quarterly Debtors Report**
For:	**Information**

SUMMARY

The Audit Committee has previously requested and received a list of outstanding debtors on a quarterly basis. This report covers the period ended 30 June 2019.

RECOMMENDATION

The Audit Committee resolves that the report be received and noted.

1. **GOVERNANCE**

   ➢ **Strategic Management Plan/Council Policy**

   Goal   Organisational Sustainability
   Key Issue   Risk and Responsibility

   ➢ **Legal Implications**

   Council may obtain funds by recovering fees, charges, penalties or other money payable to it under S133 of the *Local Government Act 1999*.

   Council also has obligations specified within the current Community Wastewater Management Scheme (CWMS) licence that require an endorsed hardship policy for customers. Failure to establish this policy will result in Council breaching current licence conditions.

   ➢ **Risk Management Implications**

   Monitoring the balances of Debtors through regular reporting will assist in mitigating the risk of:

   Poor debt recovery practices which lead to increased levels of overdue debtors will negatively impact on Council's current cash flow as well as reduce the likelihood of future debt recovery.

Inherent Risk	Residual Risk	Target Risk
Extreme (4B)	Medium (3D)	Medium (3D)

➢ **Financial and Resource Implications**

Close monitoring of debt supported by an agreed Policy will ensure that any cash flow impact on Council is minimised.

➢ **Customer Service and Community/Cultural Implications**

Nil

➢ **Environmental Implications**

Nil

➢ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Council Committees: Not applicable

Advisory Groups: Not applicable

Administration: Operational areas have been involved in the development of this report to provide specific details, where necessary.   Financial Services have overall responsibility for the Accounts Receivable function within Council, being involved in invoicing and follow up of amounts where they are not paid in a timely basis.
Input was also received from Manager, Property Services in relation to actions to be considered for properties relating to either deceased estates or where rate notices had been unable to be delivered for many years.

Community: Not applicable

2. **BACKGROUND**

Council generates income from a variety of sources including rates, grants, fines (infringements), development applications and fees and charges for the provision of goods and services to individuals, businesses and other organisations in the community.

This income is managed using financial management systems which also enables recording of amounts owing to Council and information relating to amounts paid. Appropriate action can be taken to collect amounts owing where they are not paid in a timely manner.

The Debtors report covering balances as at 31 March 2019 was presented to the Audit Committee on 13 May 2019. At that meeting, the Audit Committee also requested that they were seeking an update on the level of rates overdue where sale of land under the Debt Recovery Policy is possible including a breakdown of the property age profiles. This is provided in the discussion below.

3.   ANALYSIS

Rates Debtors

Council's rates debtor balances is dominated by rates that are struck in full in July, then quarterly fluctuations of receipts, which makes comparison of rates debtors within the year difficult to interpret. As such, this debtor is reported on an annual basis to the first Audit Committee after 30 June of each year and was last provided to the Audit Committee on 13 August 2018.

The table below compares Council's debtor balances, over the last five (5) year ends, summarised by category.

Rate Debtor Comparison across Financial Years $'000					
Debtors	**June 2015**	**June 2016**	**June 2017**	**June 2018**	**June 2019**
Rates General	1,908	1,539	1,333	1,476	1,499
Rates Postponed	20	25	55	75	95
	1,928	**1,564**	**1,388**	**1,551**	**1,594**
Rate Revenue	**32,312**	**33,811**	**34,301**	**35,513**	**37,186**
% Outstanding to Rates Raised	**6.0%**	**4.6%**	**4.0%**	**4.4%**	**4.3%**

To assist in the analysis the following table has also been included for the first time to show the ageing of Rate Debtors by reference to the rating year billed.

2018-19 Outstanding Rates General Debtors Balances by Rating Year Billed						
2013-14 or prior $000s	**2014-15 $000s**	**2015-16 $000s**	**2016-17 $000s**	**2017-18 $000s**	**2018-19 $000s**	**Total $000s**
$400	$32	$43	$86	$158	$780	$1,499

As part of a recent review of properties to be considered for Section 184 sale, work was also undertaken to review 29 properties relating to either deceased estates or where rate notices had been unable to be delivered for many years, to determine what alternative actions Council had available to address rates outstanding. As at 30 June 2019, the amount outstanding for these 29 properties totalled $511k and as such, formed a significant part of the year end balances mentioned above and in particular those relating to 2013-14 and earlier years.

The review by Council's internal property section indicated that 9 assessments are likely to be considered for conversion to public roads under Section 210 of the Local Government Act, and a further 2 to be investigated as to the feasibility of being vested in Council (the Houghton Common and the Norton Summit Cemetery). It is considered that these actions would necessitate the write off of rates in the order of $164k. A significant amount of the balances outstanding for these properties represents fines and interest accumulated over many years since the Council amalgamation.

Of the remaining 18 properties, it is considered that:

- 3 properties should be investigated for the possibility of undertaking a Section 184 sale for non-payment of rates;

- 14 properties should be investigated for application of Section 185 of the Local Government Act where land may be transferred to Council under certain circumstances; and
- 1 property relates to an old private road used for access to 2 or 3 properties and will require further work to determine the best course of action.

Under Section 185 of the Local Government Act, Council can apply to the Minister to have land transferred to Council where Council can show that they have made reasonable attempts to sell land on account of arrears of rates and it appears that the council has no reasonable prospect of selling the land within a reasonable time, or if the current valuation of land is less than the amount of outstanding rates.

If such a transfer occurs then Council can then consider selling the land, including to adjoining land owners. Council has reviewed the rates outstanding for these properties in relation to the property valuations used by the Valuer-General. As a result, Council's property section consider that the majority of the valuations are well above market given that they appear to not have considered the uniqueness of the individual properties including difficulty with access, native vegetation requirements and the like. As a resulting of discounting the current valuations, it is estimated that a further write-off in the range of $50k to $100k may need to be provided for in finalising those properties being considered for Section 185 application.

Sale of Land for Non-Payment of Rates Update

A Debt Recovery Policy adopted in December 2015 supports the sale of land for unpaid rates where arrears are in excess of the 3 year requirement outlined within s184 of the *Local Government Act 1999.*

As previously advised, seven out of the eight properties endorsed by Council for sale at the April 2018 Council meeting have now been paid in full. In relation to the remaining property, despite two payments to Council and assurances of further payment, Council has now reinstituted Section 184 proceedings and the property has been advertised for sale with an auction date of August 14 2019.

The next tranche of eight Section 184 properties was endorsed by Council for sale at its 25 June 2019 meeting and in accordance with legislation have now been served a notice of demand requiring payment within one month of being served.

The sale of land for non-payment of rates was highlighted by the media, and in particular the Advertiser recently as shown in **Appendix 1** Section 184 Sale of Land for Non-Payment of Rates Article.

Sundry Debtors

Table 1 – Aged Debtors Summary as at 30 June 2019

A summary of the Aged Debtors as at 30 June 2019 has been provided within Table 1 of this report below with the total Sundry debtors outstanding totalling $367k.

As requested by the Audit Committee the previously reported Miscellaneous category has been broken down into the subcategories of AHBTC, Outdoor Dining, Councils, Maintenance and Other to assist review and follow up.

Description	TOTAL	<30 Days	<60 Days	<90 Days	<120 Days	<150 Days	>150 Days
Additional Bins	**1,437**	0	0	0	0	0	1,437
Burial Fees	**75,709**	74,984	853	0	0	0	(128)
Fire Hazard Reduction	**1,300**	0	0	0	0	0	1,300
Food Premises Inspection	**4,241**	1,694	363	787	121	242	1,034
Grants Receivable	**71,341**	71,341	0	0	0	0	0
Private Works	**0**	0	0	0	0	0	0
Road Rents	**0**	0	0	0	0	0	0
AHBTC	**45,347**	0	30,835	12,133	0	0	2,379
Outdoor Dining Licences	**886**	0	0	0	0	310	576
Other Councils	**1,655**	1,655	0	0	0	0	0
Maintenance	**3,741**	0	0	0	0	0	3,741
Miscellaneous (Other)	**161,782**	27,984	128,784	61	4,644	260	49
TOTAL: 30/6/2019	**367,439**	**177,658**	**160,835**	**12,981**	**4,765**	**812**	**10,388**

The comparison of Debtor movement for quarters presented to the Audit Committee is shown below.

Quarter	TOTAL	<30 Days	<60 Days	<90 Days	<120 Days	<150 Days	>150 Days
TOTAL: 31/3/2019	452,552	364,616	30,542	19,440	29,720	0	8,235
TOTAL: 31/12/2018	205,377	158,755	18,470	10,239	180	3,721	14,012
TOTAL: 30/9/2018	148,342	106,593	10,608	13,594	593	1,398	15,556
TOTAL: 30/6/2018	422,464	324,485	27,931	0	3,003	22,558	44,488
TOTAL: 31/3/2018	432,477	249,847	60,051	26,493	13,385	3,698	79,003
TOTAL: 31/12/2017	346,257	129,349	30,041	27,212	6,593	62,701	90,361
TOTAL: 30/9/2017	1,376,429	1,184,457	72,348	42,496	1,131	12,962	63,035
TOTAL: 30/6/2017	620,677	479,988	35,699	2,966	1,045	252	100,727
TOTAL: 31/3/2017	235,285	98,615	608	2,612	1,282	5,880	126,288
TOTAL: 31/12/2016	264,684	88,943	11,508	3,221	22,118	8,226	130,668
TOTAL: 30/9/2016	295,149	121,555	9,053	69,335	6,290	13,671	75,245
TOTAL: 30/6/2016	369,569	160,809	63,538	36,181	7,055	20,976	81,011
TOTAL: 30/11/2015	481,456	131,857	181,985	27,707	(3,288)	1,434	141,761

In relation to *Table 1,* the following points of clarification are provided:

- Fire Hazard debtors relate to 2 old debtors that have been with the debt collection agency for a number of years and already incurred approximately $600 in legal fees that have been added to their debts. Regulatory Services are currently determining whether there is value in pursuing the next legal step in debt recovery.
- The number of Food Premises Inspection debtors >150 days has been reduced from 8 in March 2019 down to 3 as at 30 June 2019. Of these, two are with the debt collection agency and the other is in regular communication about their financial predicament.

- The AHBTC >150 days balance relates to a former tenant that is currently with our debt collection agency. The Property department have been in contact with the debtor's lawyer and are hopeful to resolve this soon noting that at this point, the Debtor has refused to pay the outstanding amount and the costs of pursuing payment and incurring additional costs needs to be considered given the quantum of the debt.
- The Outdoor Dining Licence >150 days balance relates to one business that finalised their debt in July 2019.
- The Maintenance >150 days balance relates to a contribution towards Heathfield Oval maintenance costs. A credit note for just over $1,500 has been processed subsequent to year end to correctly reflect the costs to be reimbursed by the relevant club.

The CEO and delegated officers used their delegation in terms of writing off debts for the quarter ending 30 June 2019 in relation to the following debts:

- A Food Premises Inspection debt of $85.50 dating back to March 2017 was written off due to the bankruptcy of the business owner who incurred the debt;
- A Food Premises Inspection debt of $164 dating back to 2015 was written off given the amount and that the debt related to the previous owners of a business and the debt collection agency also could not locate the debtor;
- A Food Premises Inspection debt of $168 dating back to 2011 and 2014 was written off due to the age and size of the debt given the debtor disputed the amount outstanding; and
- A Miscellaneous debtor for a dishonoured cheque fee of $15 dating back to September 2013 was written off due to the age and size of the debt.

<u>Community Loans</u>
The last remaining Community loan debt was paid off in April 2019. There are now no community loan debts outstanding.

4.   OPTIONS

The Audit Committee is limited to receiving this report.

5.   APPENDICES

(1)   Section 184 Sale of Land for Non-Payment of Rates Article

Appendix 1

Section 184 Sale of Land for Non-Payment of Rates Article

SA councils' $43m rates black hole

**ASHLEIGH PISANI
RENATO CASTELLO**

SOUTH Australian councils are out of pocket more than $43 million in unpaid rates, with at least eight homes sold since 2014 to recover some of the debt.

Adelaide's largest local government area, Onkaparinga Council, lays claim to the biggest debt at $5.1 million.

Onkaparinga chief financial officer Anthony Spartalis said his council tried to minimise its unpaid rates while taking into consideration challenges faced by low-income households.

"As a first option, we always try to negotiate payment arrangements with customers who are experiencing difficulties," Mr Spartalis said.

Playford and Marion councils are each owed $3 million.

Port Adelaide Enfield Council has rates arrears of $2.6 million and Salisbury $2.2 million.

Charles Sturt, Adelaide City, Mitcham, Mt Barker, Gawler and Tea Tree Gully each have more than $1 million in outstanding rates.

The remaining eight city and fringes councils add up to about $7 million.

The 21 regional councils who responded to *The Adver-tiser*'s request for information were collectively owed $15 million in rates arrears, as of January 30 this year.

Yankalilla Council on the Fleurieu Peninsula has a debt of $1.18 million – or nearly 10 per cent of total rate revenue, among the highest proportionally across all councils.

Its largest debt was a $143,000 rates bill owed on a commercial property.

Council chief executive Nigel Morris said 16 property owners were responsible for a quarter of the rates debt.

Nearly 250 of ratepayers' debts to Onkaparinga Council date back more than three years, with the oldest, $33,417, going back to 2001.

Under the Local Government Act, councils can sell a property after the rates have been in arrears for more than three years.

Any money from the sale of the property can be used by the council to recover its debt as well as pay any costs incurred from the sale and any remaining taxes or mortgages before giving the remaining balance to the owner.

Eight properties have been sold in the past five years after their owners failed to take steps to repay their debts.

Three of these were each in Playford and Tea Tree Gully councils, one in Adelaide City and one in Salisbury.

Campbelltown Council at its meeting on Tuesday night agreed to list a house at Magill for auction as a "last resort" to recover rates owed.

Item:	**6.7**
Originating Officer:	**Mike Carey, Manager Financial Services**
Responsible Director:	**Terry Crackett, Director Corporate Services**
Subject:	**Procurement Policy & Framework**
For:	**Decision**

SUMMARY

To seek the Audit Committee's in-principle support of the Draft Procurement Policy as per **Appendix 1** and associated Framework as per **Appendix 2** and to recommend to Council to adopt the revised Policy.

The proposed Draft Procurement Policy is based upon the current Procurement Policy as adopted by the Strategic Planning Development Planning Committee (SPDPC) in November 2016 **(Appendix 3)**. Operational elements of the current Policy have been moved to the newly developed Procurement Framework and procedures. Clarification has occurred in defining the scope of the policy, as well as the definition and consideration of environmental sustainability within the broader definition of Procurement Sustainability.

In tandem to the update of the Policy is the development of the Procurement Framework. The Framework is to be used in conjunction with the Policy and provide Council officers with guidance and a reference manual on the key processes, considerations, roles and responsibilities for the procurement and contracting of goods and services.

RECOMMENDATION

The Audit Committee resolves:

1. **That the report be received and noted.**
2. **To recommend to Council the adoption of the Draft Procurement Policy as detailed in Appendix 1.**
3. **To note the development of the Procurement Framework to support the Draft Procurement Policy as detailed in Appendix 2.**

1. **GOVERNANCE**

   ➢ **Strategic Management Plan/Council Policy**

   Goal   Organisational sustainability
   Strategy   Risk and Responsibility

Meet legislative, regulatory and good governance responsibilities and obligations

Procure goods and services that provide value for money

➢ **Legal Implications**

Section 49 of the *Local Government Act 1999* sets out the legislative requirements in relation to contracts and tender policies. The key elements are as follows:

(a1) *A council must develop and maintain procurement policies, practices and procedures directed towards—*

    (a) *obtaining value in the expenditure of public money; and*

    (b) *providing for ethical and fair treatment of participants; and*

    (c) *ensuring probity, accountability and transparency in procurement operations.*

(1) *Without limiting subsection (a1), a council must prepare and adopt policies on contracts and tenders, including policies on the following:*

    (a) *the contracting out of services; and*

    (b) *competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and*

    (c) *the use of local goods and services; and*

    (d) *the sale or disposal of land or other assets.*

(2) *The policies must—*

    (a) *identify circumstances where the council will call for tenders for the supply of goods, the provision of services or the carrying out of works, or the sale or disposal of land or other assets; and*

    (b) *provide a fair and transparent process for calling tenders and entering into contracts in those circumstances; and*

    (c) *provide for the recording of reasons for entering into contracts other than those resulting from a tender process; and*

    (d) *be consistent with any requirement prescribed by the regulations.*

➢ **Risk Management Implications**

The revision of the Procurement Policy will assist in mitigating the risk of:

Poor procurement practices leading to sub-optimal procurement outcomes, breach of legislation/policy and stakeholder concern.

Inherent Risk	Residual Risk	Target Risk
High (4C)	Medium (4D)	Low

Note: the mitigation of the above risk is contingent on the implementation of a broad procurement framework consisting of the policy and procedural guidance, tools and systems and procurement controls including templates, registers and auditing regimes.

> ➢ **Financial and Resource Implications**

There are no cost implications associated with the adoption of the revised Procurement Policy. It is however noted that expenditure on goods and services currently accounts for over 60% of Council expenditure, and as such it is imperative that procurement is undertaken in a prudent, efficient and accountable manner.

Procurement activities are generally undertaken by individual officers with procurement delegations as part of their substantive duties. Officers are assisted and advised by the Procurement Coordinator.

> ➢ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate processes in place to undertake procurement in a prudent, efficient and accountable manner that complies with legislative requirements.

> ➢ **Environmental Implications**

The proposed Procurement Policy contains, as part of the Procurement Principle regarding Sustainable Procurement, specific references to achieving environmental outcomes by seeking to:

- promote the purchase of environmentally friendly goods and services that satisfy value for money criteria;
- align the Council's procurement activities with principles of ecological sustainability;
- purchase recycled and environmentally preferred products where possible;
- integrate relevant principles of resource recovery and waste minimisation and consider those products that can be totally recycled at the end of life where resources allow:
    - select energy, fuel and water efficient products by considering star ratings and other consumption measures
    - purchase goods that minimise lifecycle costs and carbon emissions from manufacture to disposal;
- foster the development of products and services which have a low environmental impact;
- provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods and services.

A change from the previous policy is the broadening of the "Sustainable Procurement" principle to include Environmental Preference.

In addition, a statement was added giving preference to Economic Benefit to the Adelaide Hills Council area, when appropriate. This is consistent with principles established by the State Government's South Australian Industry Participation Policy (SAIPP).

> ➢ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Council Committees: Not Applicable
Advisory Groups: Not Applicable

Administration:	Consultation has been held with ELT and the Senior Leadership Team as well as staff who undertake significant procurement activity
Community:	Not Applicable

2. BACKGROUND

In August 2018 AHC employed a Procurement Coordinator. Part of the duties of the Procurement Coordinator was to review AHC current procurement practices and develop improvement plans to address a number of areas previously identified by both Internal Audit and External Audit. The issues identified included the creation of policy and procedural guidance, establishment of a series of templates, development of registers, investigation of procurement software and assessment of the resources required to operate an effective and efficient procurement function. The Procurement Framework is one of these improvements.

The Council's Procurement Policy, being the overarching document for setting the principles and overall direction for procurement within Council, was due to be reviewed by Council by November 2019. Given the timing, this policy was reviewed in conjunction with the development of the procurement framework given the integral link between these two key procurement documents.

The Procurement Policy was last adopted by SPDPC in November 2016.

3. ANALYSIS

The revised Procurement Policy (**Appendix 1**) is considered to be a key element of the overall Procurement Process as its sets both the tone and the overall approach to procurement within the Council.

The revised Policy is fundamentally differentiated from its predecessor by the following:

- it removes the majority of the procedural content from the policy given this is now included in the Procurement Framework, supported by a suite of procurement procedures and guidelines, including tendering, acquisition planning and evaluation planning;
- it clarifies the Scope of the Policy. Policy additions include the Acquisition of Land, Unsolicited Proposals and Negotiation positions as well as defining procurement terminology;
- it provide a list of categories exempted from the Tendering/Quoting process;
- it more clearly articulates the procurement principles that an officer must have regard to when undertaking a procurement activity;
- it recognises the ability to use procurement activities to further the economic, social and environmental outcomes that are contained in various Council policies and strategies; and
- it gives increased emphasis to Council's commitment to Work, Health and safety (WHS) and the requirement for contractors to have safe systems of work in place and ensure that they will effectively manage WHS requirements throughout the contract period.

Within the Procurement Policy, direction is provided in relation to the appropriate method of procurement and the use of direct and competitive sourcing. It is proposed that there be no change from the previous policy in relation to the dollar amount where competitive sourcing should be utilised, namely:

- the seeking of at least three quotes for all procurements where the estimated gross value exceeds $10,000, and
- the calling of tenders for goods and services exceeding $100,000

Included as part of the policy review, was the review of the procurement delegations. It is proposed that there also should be no change to the dollar limits previously endorsed, noting that the reference to approval of payment of operational expenditure was removed given that these are addressed as part of the consideration of the annual review of the delegations register.

The proposed Procurement Framework (**Appendix 2**) documents all the key elements of AHC operational procurement processes. The framework is based upon the Procurement Policy and is to be used in conjunction with the Policy. It translates the Policy into operational processes and provides guidance on the key processes, considerations, roles and the responsibilities for the procurement and contracting of goods, services and works.

The Framework:

- formalises procurement procedures and processes;
- enables monitoring of conformance to policies and procedures;
- serves as a training guide;
- addresses accountability when undertaking a procurement;
- recognises that the process procurement undertaken should reflect the nature and value of procurement;
- does not exhaustively address all procurement matters, but makes reference to supporting documents or contact persons where appropriate;
- directs staff to the appropriate Procedure or Guideline.

Key concepts of the Framework include:

- Formalising the Procurement Planning process via an Acquisition Plans
- Requiring the use of purchase orders for all purchases > $2,000 except for Exempt from Purchase Order suppliers and Purchase Card purchases
- Introducing the Exempt from Purchase Order List
- Requiring Purchase Orders even if a contract exists to capture commitment, improve budget control and increase efficiency in data entry.
- Facilitating low value spend by the most efficient payment method including consideration of the use of a Purchase Card
- Formalising processes relating to Evaluation of Tenders/Quotes.
- Requiring a written Recommendation Report for all Tenders/Quotes > $10k.

4. **OPTIONS**

The Committee has the following options:

I.   To recommend to Council to consider the draft Procurement Policy and noting the development and implementation of the Procurement Framework, with or without amendment (Recommended);

II.   To determine not to recommend to Council to adopt the draft Procurement Policy at this time.

Should the Committee identify the need for substantial amendments to the revised Policy, it is recommended that they be referred to staff for review to allow for analysis of the implications of the amendments, prior to the matter being brought back to Council for further consideration.

5. **APPENDICES**

(1)   Draft Procurement Policy – August 2019
(2)   Draft Procurement Framework – August 2019
(2)   Procurement Policy – November 2016

Appendix 1
Draft Procurement Policy – August 2019

COUNCIL POLICY

	PROCUREMENT

Policy Number:	**Fin-01**
Responsible Department(s):	**Financial Services**
Relevant Delegations:	**Nil**
Other Relevant Policies:	**Disposal of Land Policy** **Disposal of Materials Policy** **Fraud & Corruption Prevention Policy** **Prudential Management Policy** **Code of Conduct for Council Employees**
Relevant Procedure(s):	**(To be updated administratively)**
Relevant Legislation:	*Local Government Act 1999* *Independent Commissioner Against Corruption Act 2012 (SA)*
Policies and Procedures Superseded by this policy on its Adoption:	**Procurement Policy, 08 Nov 2016, 55/16**
Adoption Authority:	**Council**
Date of Adoption:	**(To be updated administratively)**
Effective From:	**(To be updated administratively)**
Minute Reference for Adoption:	**(To be updated administratively)**
Next Review:	**No later than November 2022 or as required by legislation.**

PROCUREMENT

1. **INTRODUCTION**

   1.1   In compliance with Section 49 of the *Local Government Act 1999* (**Act**), the Adelaide Hills Council (Council) should refer to this policy (**Policy)** when acquiring goods, works or services.

   1.2   Section 49 of the Act requires Council to prepare and adopt policies on contracts and tenders on:

   1.2.1   the contracting out of services; and

   1.2.2   competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and

   1.2.3   the use of local goods and services.

   1.3   Furthermore, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards:

   1.3.1   obtaining value in the expenditure of public money; and

   1.3.2   providing for ethical and fair treatment of participants; and

   1.3.3   ensuring probity, accountability and transparency in all operations.

   1.4   This Policy seeks to:

   1.4.1   define the methods by which Council can acquire goods, works or services;

   1.4.2   demonstrate accountability and responsibility of Council to ratepayers;

   1.4.3   be fair and equitable to all parties involved;

   1.4.4   enable all processes to be monitored and recorded; and

   1.4.5   ensure that the best possible outcome is achieved for the Council.

2. **POLICY OBJECTIVE**

   Council aims to achieve advantageous procurement outcomes by:

   2.1   enhancing value for money through fair, competitive, non-discriminatory procurement;

   2.2   promoting the use of resources in an efficient, effective and ethical manner;

   2.3   preserving, protecting and improving the natural environment;

   2.4   making decisions with probity, accountability and transparency;

2.5   advancing and/or working within Council's economic, social and environmental policies;

2.6   providing reasonable opportunity for competitive local businesses to supply to Council;

2.7   appropriately managing risk; and

2.8   ensuring compliance with all relevant legislation.

2.9   assist Council to achieve its strategic objectives and other key strategies identified in Council's suite of corporate documents.

3.   DEFINITIONS

Acquisition Plan	Is a document that outlines the procurement methodology and strategy to be undertaken in procuring the required goods, services or works. This plan also details the approval delegation before the procurement strategy is commenced.
Procurement	Is the complete action or process of acquiring or obtaining goods, works or services or property from outside Council at the operational level. For example, purchasing, contracting, and negotiating directly with the source of the supply through to acceptance and payment.
Procurement Framework / Procedures	Documents that support the Procurement Policy, and outlines the specific steps of Procurement Activity.
Probity	Is the demonstrated ethical behaviour, and can be defined as complete and confirmed integrity, uprightness and honesty in a particular process.
Strategic Purchasing Cooperatives	Purchases made through strategic alliances and common use arrangements that are established and administered by other approved organisations such as such as Local Government Association Procurement (LGAP), Procurement Australia (PA), Council Solutions and state and federal government contracts and any other purchasing group available to local government.
Ethical Behaviour	Involves demonstrating respect for key moral principles that include honesty, fairness, equality, dignity, diversity, individual rights and the rights of companies.
Fair Dealing	The transacting of business in a manner characterised by candor and full disclosure to all stakeholders.

4.   SCOPE

4.1   This Policy covers the required conduct for all procurement activities associated with the acquisition of Goods, Works or Services of any value by the Council. This includes tendering arrangements and the contracting of services and applies to all Council employees.

4.2   Out of Scope:

4.2.1   This policy does not cover expenditure or revenue related to asset disposals, and other non-Procurement expenditure including, but not limited to: sponsorships, grants, incentive schemes, funding arrangements, donations, and direct employment contracts between Council and an employee. Controls related to these exceptions are covered in separate policies.

4.2.2   Leases and licenses for the use of Council property and land are not covered under this policy except where such arrangements include the provision of goods and services forming part of leasing, licensing and other revenue contractual activities.

5.   PROCUREMENT PRINCIPLES

Council must have regard to the following principles in its acquisition of goods, works or services:

5.1   *Encouragement of open and effective competition*

5.1.1   Open and effective competition is the central operating principle in pursuit of the best outcome.

5.1.2   Openness requires procurement actions that are visible to the Council, ratepayers and suppliers/contractors The probability of obtaining the best outcome is generally increased in a competitive environment.

5.1.3   Council will maintain confidentiality in regard to financial contractual arrangements with suppliers, subject to statutory obligations, the *Freedom of Information Act* and ICAC compliance requiring certain tender and contract information to be made publicly available.

5.1.4   Council will create effective competition by maximising the opportunities for firms to do business with Council through the selection of procurement methods suited to market conditions, the nature of the procurement, and the objectives of the procurement overall.

5.1.5   Council will offer and provide feedback, where sought, to unsuccessful bidders.

5.2   *Obtaining Value for Money*

5.2.1   Value for money involves obtaining goods, works or services for the Council that best meet the end user's needs at the lowest whole of life cost with an acceptable contractual risk.

5.2.2   This is not restricted to price alone.

5.2.3   An assessment of value for money must include, where possible, consideration of fitness for purpose, fair market prices, local economic development and whole of life costs. 'Whole of life' includes purchase price, cost of spares, running costs, post-delivery support, effective warranties, cost of replacement, installation costs and disposal costs.

5.3   *Probity, Ethical Behaviour and Fair Dealing*

    5.3.1   Council will not use or disclose information that confers unfair advantage, financial benefit or detriment on a supplier.

    5.3.2   Officers engaged in purchasing should at all times undertake their duties in a professional, ethical, honest and impartial manner, act responsibly and exercise sound judgment by observing the highest standards of integrity and professional conduct

5.4   *Accountability, Transparency and Reporting*

    5.4.1   Accountability in procurement means being able to explain and demonstrate through evidence what has happened. An independent third party must be able to see clearly that a process has been followed and that the process is fair and reasonable.

    5.4.2   Delegations define the limitations within which Council employees are permitted to work. They ensure accountability and provide confidence to Council and the public that purchasing activities are dealt with at the appropriate level. As such, Council has delegated responsibilities to employees relating to the expenditure of funds and or entering into contracts for the purchase of goods, works or services and the acceptance of tenders.

    5.4.3   Employees must be able to account for all decisions and provide feedback on them. Additionally, all procurement activities will leave an audit trail for monitoring and reporting purposes.

5.5   *Ensuring compliance with all relevant legislation*

    5.5.1   Employees must ensure purchasing activities are conducted in accordance with legislative and common law responsibilities. These include but are not limited to the *Local Government Act 1999*, *Work Health and Safety Act 2012, Competition and Consumer Act 2010*, the *Independent Commissioner Against Corruption Act 2012*, the *Freedom of Information Act 1991*, National Competition Policy and other relevant legislation, industrial awards and agreements and international trade agreements.

5.6   *Sustainable Procurement*

    5.6.1   Sustainable procurement is defined as a process whereby Council meets its procurement needs in a way that achieves value for money whilst generating benefits not only to council, but also to our community, local economy, and the environment.

    5.6.2   Council will consider, where deemed appropriate, of sustainable and social inclusion elements such as:

        • Creating employment and training opportunities (particularly among disadvantaged groups such as people with disability or mental illness, migrants, Indigenous) thus providing social inclusion and an opportunity for those to participate in the local community;

- Diversity and equality in the supplier market – encouraging a diverse base of suppliers (e.g. minority or under-represented suppliers); and

- Local sustainability – building and maintaining healthy, strong communities, support social inclusion and enhancing wellbeing of local residents by striving to generate local employment.

- To the extent permitted by law, Council will give preference to economic benefit to the Adelaide Hills Council area when all other commercial considerations are equal (e.g. capability, capacity and competitiveness). Council has a commitment to maximising the skills, development and employment opportunities available in the Adelaide Hills area. Consideration may be given, where practicable and appropriate, to incorporate strategies in the procurement process that support local employment and training, which may include Contractors engaging apprentices, trainees and cadets in their work practices.

- Council will endeavour to provide support to local enterprises by holding briefings to encourage development of capacity to meet the needs of Council

- promote the purchase of environmentally friendly goods and services that satisfy value for money criteria;

- Council recognises the need to act in an environmentally sound manner in relation to procurement activities undertaken and its ability to drive sustainable outcomes through contributing to local and national markets for recycled goods and adhering to circular economy principles.

- align the Council's procurement activities with principles of ecological sustainability;

- purchase recycled and environmentally preferred products where possible;

- integrate relevant principles of resource recovery and waste minimisation and consider those products that can be recycled at the end of life where resources allow ;

- select energy, fuel and water efficient products by considering star ratings and other consumption measures

- purchase goods that minimise lifecycle costs and carbon emissions from manufacture to disposal

- foster the development of products and services which have a low environmental impact;

- provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods works or services.

5.7   Work Health & Safety

Council will only engage suppliers and/or contractors who can demonstrate they have:

- The ability to work within legislative requirements and any additional information requested by the organisation, based on the hazards associated with the task or activity to be undertaken;

- Provided documented information relating to the management of reasonably foreseeable site specific activities and hazards;

- The commitment to appropriately communicate on processes between the organisation and the contractor that demonstrate the consultation, cooperation and coordination between shared duty holders occurs, so far as is reasonably practicable;

- Are willing to participate in the ongoing monitoring and review of WHS requirements.

Contracts will contain the requirement for contractors to have safe systems of work in place and that they will effectively manage WHS requirements throughout the contract period.

6.   PROCUREMENT METHODS

6.1   The determination of the method of procurement will be typically documented by the preparation of an Acquisition Plan, detailing the most appropriate method for the purchase and the delegated officers involved.

6.2   The appropriate method of procurement will be determined by reference to a number of factors, including value of the purchase, risks associated with the purchase and aspects relating to the availability of supply and other market conditions.

6.3   Persons with financial delegated authority to procure will be responsible for ensuring appropriate procurement practices and procedures including the identification of risk are observed.

6.4   The Council having regard to its Procurement Principles and any other factors considered relevant by Council will utilise either Direct or Competitive Sourcing.

6.4.1   Direct Sourcing is a procurement process undertaken by directly approaching and negotiating with one supplier without testing the market. This method may only be used for the purchase of low value, low risk goods and services under $10,000 (excluding GST). Consideration must be given to ensure Value for Money is achieved.

6.4.2   Competitive Sourcing is process which will test the market and re-evaluate the purchasing activity to gain value. It differs from direct sourcing because it places emphasis on the entire life-cycle of a good or service, not just its initial purchase price. This requires a more stringent

planning approach and a better understanding of the competitive market place. In undertaking competitive sourcing:

- Council will seek to obtain at least three quotes for all procurements estimated gross value exceeds $10,000(excluding GST).

- For purchases where the estimated gross value of expenditure over the life of the contract or purchase price of the goods and services exceeds $100,000 (excluding GST), the Council's practice will be to call for tenders unless circumstances preclude this from occurring

6.4.3   The value of the purchase will be calculated as follows:
- single *one-off purchase* – the total amount, or estimated amount, of the purchase (excluding GST);

- multiple *purchases* – the gross value, or the estimated gross value, of the purchases (excluding GST); or

- ongoing *purchases over a period of time* – the annual gross value, or the estimated annual gross value, of the purchases (excluding GST).

- Splitting of amounts to bring expenditure within lower limits is not permitted.

- *The* estimated *gross value (excluding GST) of the contract. (Yearly spend* multiplied *by initial contract term)*

6.4.4   Council in approaching the market utilises a number of procurement tools including: Request for Quotes, Request for Expressions of Interest, and Request for Tenders or Strategic Purchasing Cooperatives.

6.4.5   Where the Council accesses a contract from a Strategic Purchasing Cooperatives, established in accordance with transparent competitive tendering processes, it is deemed that these are contracts resulting from a tender process. Such contracts do not require a further tender process and are not required to be recorded as an exemption from this policy.

7.   NEGOTIATION

When requests for quotations, tenders or proposals have been invited for a contract for the carrying out of work or the supply of goods or services then council may negotiate with acceptable preferred providers to improve outcomes. Any negotiation process should be transparent, recorded and conducted in a manner that does not disadvantage other respondents.

The Procurement Principle of Probity, Ethical Behaviour and Fair Dealing requirements must be considered in respect to any negotiation undertaken.

The Council may close down a tender (shut down) if there are no suitable tender submissions received. In these circumstances the evaluation panel are to consider other options for procuring the goods, services or works including negotiating with any one or more of the previous tenderers or any other provider.

8.   PROCUREMENT CONSIDERATIONS

The appropriate method of procurement will be determined by reference to a number of factors, including:

8.1   *Value of the Purchase*

8.2   *cost of an open market approach versus the value of the acquisition and the potential benefits*;

8.3   *the particular circumstances of the procurement activity*;

8.4   *the objectives of the procurement*;

8.5   *the size of the market and the number of competent suppliers*;

8.6   *the Council's leverage in the marketplace;*

8.7   *an assessment of the risks associated with the relevant activity and /or project, including the risk profile of the procurement and any risks associated with the preferred procurement method.*

9.   ACQUISITION OF LAND

9.1   A decision to purchase or acquire land is made by resolution of Council, unless specifically delegated as per the *Local Government Act 1999* or another act.

9.2   Due to its unique nature, the acquisition of land is considered separate from the requirement of Direct or Competitive Sourcing methods.

9.3   The provision of services and activities supporting the acquisition of land, such as specialist advisors or contractors, are to be undertaken in accordance with this Policy.

10.   EXEMPTIONS FROM THIS POLICY

10.1   This Policy contains general guidelines to be followed by the Council in its procurement activities. There may be emergencies, or procurements in which a tender process will not necessarily deliver best outcome for the Council, and other market approaches may be more appropriate**.**

10.2   In certain circumstances, the Chief Executive Officer (or where this power is delegated to a Procurement Committee) may waive application of a competitive quoting or tender process and pursue a method which will bring the best outcome for the Council. The Council must record its reasons in writing for waiving application of this **P**olicy.

10.3   Where a Funding Agreement specifies that Council must follow a prescribed tendering process which differs from the process outlined in this Policy to the extent that only the prescribe inconsistencies shall be followed.

10.4   The following Procurement categories are exempt from the requirement of the Quote or Tender process:

- Government Departments or Government Bodies including Worker's Compensation, Mutual Liability Scheme and Vehicle Registrations;
- Court related costs;
- Payments to Local Government Association;
- Insurance claims;
- Leasing Property (Due Diligence principles must be applied to ensure Value for Money)

11.   UNSOLICITED PROPOSAL

11.1   In some circumstances Council may receive a proposal to deal directly with the Council over a commercial proposition, where the Council has not requested the proposal. This may include proposals to build and/or finance infrastructure, provide goods or services, or undertake a major commercial transaction. If this occurs the process will be subject to Council's Unsolicited Proposal Policy (Currently being developed).

12.   DELEGATIONS

12.1   Council makes the following delegations:

12.1.1   The Chief Executive Officer has the delegation to approve, amend and review any procedures that shall be consistent with this Policy.

12.1.2   The Chief Executive Officer has the delegation to enter into contracts to a value of $500,000 (excluding GST)

12.1.3   The Chief Executive Officer may sub-delegate the authority to Council Officers to enter into contracts to a value of $300,000 (GST exclusive).

12.1.4   The Chief Executive Officer and one other Council Officer at Director Level may jointly enter into contracts to a value of $1,000,000 (excluding GST)

13.   PRUDENTIAL REQUIREMENTS

13.1   In some circumstances a procurement process may require additional due diligence in accordance with the *Local Government Act 1999* prudential requirements. If this occurs the process will be subject to the Council's Prudential Management Policy.

14.   COMPLIANCE

14.1   Breaches of this policy are addressed using the Organisational Development Coaching, Performance Management and Discipline Procedure.

15.   AVAILABILITY OF THE POLICY

15.1   This Policy will be available for inspection at the Council's Offices during ordinary business hours and via the Council's website www.ahc.sa.gov.au. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

Appendix 2

Draft Procurement Framework – August 2019

Procurement Framework

Adelaide Hills
COUNCIL

Responsible Officer:	Manager Financial Services
Related Policies and Procedures	Disposal of Land & Other Assets; Asset Management Policy; Code of Conduct for Council Employees; Fraud & Corruption Prevention Policy (ICAC); Freedom of Information Act, Prudential Management Policy (LGA s48); Public Consultation Policy; Purchase Card Policy, Records and Information Management; Risk Management Policy; WHS Contractor Management Procedure, WHS Hazard Management Procedure
Date adopted:	Date first adopted by Executive

Version Control

Version No:	Issue Date:	Description of Change:	Approved by:
1.0	Nov 2018	Draft Document	

This Framework has been prepared to provide guidance on procurement in accordance with the Adelaide Hills Council's Procurement Policy.

TABLE OF CONTENTS

1. OVERVIEW

1.1. Introduction

This document sets out a Procurement Framework (Framework) for the Adelaide Hills Council to support the Procurement Policy (Policy). The Framework is to be used in conjunction with the Policy and provides information on the key processes, considerations, roles and responsibilities for the procurement and contracting of goods, services or works. Where a term, role, standard, process or other element in the Framework has a counterpart in the Policy, then it accords with that counterpart.

1.2. Scope

The Framework is applicable to all procurement activities carried out by staff of Adelaide Hills Council. It is not a 'how to' guide. A comprehensive list of procedures (Procurement Procedures) is available on the Procurement page in Hills Hub.

The Framework:

- formalises procurement procedures and processes;
- enables monitoring of conformance to policies and procedures;
- serves as a training guide;
- advises accountability when undertaking procurement;
- recognises that process design should reflect the nature and value of procurement; and
- does not exhaustively address all procurement matters, and makes reference to supporting documents or contact persons where appropriate.

Included Functions

- Acquisition of Goods
- Acquisition of Services
- Acquisition of Works
- Acquisition of Motor Vehicles and Plant
- Acquisition of Land
- Utilities
- Insurance

Excluded from scope

- non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and direct employment contracts between Council and an employee; or
- the disposal of land and other assets owned by the Council;

1.3. Legislation

The purchase of all products and services is to be conducted in accordance with the *Local Government Act 1999* and any other relevant legislation.

2.   PROCUREMENT PRINCIPLES

The eight core principles as specified in Council's Procurement Policy and outlined below form the basis of all procurement processes:

2.1.   Encouragement of Open and Effective Competition

Openness requires procurement actions that are visible to the Council, ratepayers and suppliers/contractors. The probability of obtaining the best outcome is generally increased in a competitive environment. Council will create effective competition by maximising the opportunities for Suppliers to do business with Council through the selection of procurement methods suited to market conditions, the nature of the procurement, and the objectives of the overall procurement.

2.2.   Obtaining Value for Money

Value for money involves obtaining goods, works or services for the Council that best meet the end user's needs at the lowest total cost with the minimum level of acceptable contractual risk. An assessment of value for money must include, where possible, consideration of fitness for purpose, fair market prices, local economic development and whole of life costs. 'Whole of life' includes, purchase price, cost of spares, running costs, post-delivery support, effective warranties, cost of replacement, maintenance and installation costs.

2.3.   Probity, Ethical Behaviour and Fair Dealing

Procurement activities must be undertaken in a professional, ethical, honest and impartial manner; staff must act responsibly and exercise sound judgment by observing the highest standards of integrity and professional conduct in line with the Code of Conduct requirements.

2.4.   Accountability, Transparency and Reporting

Accountability in procurement focuses on ensuring processes are fair and reasonable and being followed. Delegations define the limitations within which Council employees are permitted to work. They ensure accountability and provide confidence to Council and the public that purchasing activities are dealt with at the appropriate level.
As such, Council has delegated responsibilities to employees relating to the expenditure of funds for the purchase of goods, services or works and the acceptance of tenders. In addition, procurement activities should leave an audit trail for monitoring and reporting purposes

2.5.   Ensuring compliance with all relevant legislation

To ensure purchasing activities are conducted in accordance with legislative and common law responsibilities. These include but are not limited to the Local Government Act 1999, Competition and Consumer Act 2010, the Independent Commissioner Against Corruption Act 2012, the Freedom of Information Act 1991, National Competition Policy and other relevant legislation, industrial awards and agreements and international trade agreements.

2.6. Sustainable Procurement

Sustainable procurement is defined as a process whereby Council meets its procurement needs in a way that achieves value for money on a whole-of-life basis in terms of generating benefits not only to the organisation, but also to our community, the economy and the environment. Council encourages the consideration, where deemed appropriate, of sustainable and social inclusion elements such as: Creating employment and training opportunities (particularly among disadvantaged groups such as people with disability or mental illness, migrants, Indigenous) thus providing social inclusion and an opportunity for those to participate in the local community When all commercial considerations are equal Council should, to the extent permitted by law, utilise local suppliers.

Council is committed to protecting the environment and doing business with ethical and socially responsible suppliers and procuring goods, services or works that achieve sustainability outcomes. These include those that have a reduced negative impact on the environment when considering the whole-of-life impacts of the good or service, compared to competing goods or services serving the same purpose. Council will purchase recycled and environmentally preferred products where possible and integrate relevant principles of waste minimisation and energy.

2.7. Work Health & Safety

Council will only engage suppliers and/or contractors who can demonstrate they have safe systems of work in place that meet legislative requirements, that they understand the hazards and risks associated with the work being undertaken and show evidence of ongoing management of WHS requirements, show a commitment to ongoing communication on WHS matters (as a shared duty holder), along with any additional requirements specified in terms and conditions of the contractual arrangements.

For further explanation of AHC's Principles of Procurement, please refer to *Understanding the Principles of Procurement,* which can be found in the Procurement page on Hills Hub.

2.8. Definitions

Competitive Sourcing: High value, Medium + risk or High complexity should be sourced utilising a competitive quoting process

Contract: A procurement contract is an agreement in which a buyer agrees to acquire goods or services from a seller in exchange for consideration. Most of these contracts are written agreements that specify each party's obligations in relation to the transaction.

Terms and Conditions: General and special arrangements, provisions, requirements, rules, specifications, and standards that form an integral part of an agreement or contract. Terms of Conditions can be supplied by AHC or the Supplier.

Value for Money: Mean receiving the specifications or scope of a procurement for the best price. Considerations in the scope may include but not limited to: procurement;
sustainability;
service levels;
WHS; and
Methodology.

Accumulated Expenditure: Total cost of the Procurement over time, can include multiply Purchase Orders

Direct Sourcing: low value, low risk or low complexity should be sourced directly from the supplier using a purchase cards or by obtaining at least one quotation.

Exempt Suppliers: Suppliers for whom a Purchase Order is not required as per a publish list

Panel Contract: An arrangement under which a group of suppliers agree to supply goods or services. Usually each supplier is under a contract for a set period of time with set prices.

Probity: is the evidence of ethical behaviour, and can be defined as complete and confirmed integrity, uprightness and honesty in a particular process.

Procurement: This is the entire process by which all classes of resources, material, facilities and services are obtained. This can include the functions of planning, design, standards determination, specification writing, selecting suppliers, financing, contract administration, labour hire providers, disposals and other related functions.

Purchase Order: is a commercial document and official offer issued by a buyer to a seller indicating types, quantities, and agreed prices for products or services.

RFI: Quoting process "Request for Information"
RFT: Quoting process "Request for Tender"
RFP: Quoting process "Request for Proposal"
REOI: Quoting process "Request for Expression of Interest"
RFQ: Quoting process "Request for Quote"

Strategic Purchasing Co-operatives: Conducting procurement activities through contract arrangements already established and administered by other organisations

Tender: A procurement method where all interested suppliers may submit an offer in response to an approach to market, The SA Tender and Contracts website is commonly utilised for this activity.

3.   PROCUREMENT DECISION MAKING PROCESSES

Generally, the procurement process involves six broad stages and reflects the procurement activities from the decision to purchase the goods or services through to the preparation of contracts and payment of invoices.

STAGES OF THE PROCUREMENT CYCLE

The relative importance of the different stages within the process will depend on the size and type of procurement activity being proposed.

3.1.   Procurement Planning

The first stage in the procurement process is to identify and fully define the need in relation to the activity. Poor identification of needs may lead to assets and services being procured that do not fully meet the need of the Council, potentially incurring wasted time, effort and expenditure.

Council will plan its procurement activities by way of a process of identifying, understanding and delivering procurement requirements within the wider organisational planning and performance, asset management, program delivery and risk management frameworks.

The Procurement Officer in consultation with management will prepare an annual procurement plan, to be completed after the budget has been adopted by Council. This plan will take into consideration previous yearly spends and current contracts that are due to expire In addition to the projects, works and services budgeted for that financial year.

*For more details on this process, please see **Procurement Planning,** which can be found in the Procurement page on Hills Hub.*

3.2.   Requirement Definition

The second stage is to clearly define the requirement, what is actually needed, start developing the specifications or project brief.

Having defined the requirements, the process should continue by:

- reviewing options to satisfy this need (including non-procurement alternatives E.G utilising in house staff) to determine whether the procurement is the best means to deliver a value for money outcome
- reviewing any lessons learnt from previous procurement activities for this type of good/service
- confirming availability of funds/budget
- Developing and approving a business case (if appropriate).
- aligning with any project plans

A well-planned purchasing process will ensure that policies are followed, pitfalls are avoided and a successful outcome is achieved. It is important to plan the entire purchase process before starting. Errors, uncertainty and unrealistic timelines can undermine market confidence, discredit a

purchasing process and devalue the outcome of the procurement. The second step in defining the requirement is to complete an Acquisition Plan

Probity needs to be considered at all stages of any Procurement Process. The interlinked principles and objectives of probity are:

- Fairness and impartiality.
- Transparency of process.
- Independence through effective management of conflicts of interest.
- Accountability of process.
- Security and confidentiality of information and materials.

These principles need to be built into any procurement plan.

3.2.1. Determining Procurement Process

The procurement process is divided into two distinct streams; one involves a competitive process which will test the market and **(Competitive Sourcing),** whilst the other stream does not require a competitive approach to the market **(Direct Sourcing).**

Competitive sourcing differs from direct sourcing because it allows a more though evaluation of complex procurement goods services or works. Direct Sourcing is more suited to procuring relatively simple items, sometimes described as "off the shelf".

All procurement should be conducted in a way that supports Council in delivering its strategic objectives. The Framework outlines the stages in the procurement process and how they will be managed, including acquisition planning, the approach to market strategy, evaluation planning, contract preparation, receiving the acquisition and details of relevant approval procedures.

When purchasing goods, services or works, there are a number of methods that can be used to interact with suppliers. The underlying principle is to balance the value of the purchase with efficiency of process, risk and probity. When considering the value of purchase consideration should be given to the annual spend with a particular supplier.

Purchases which are low value (<$2000 (ex GST)), low risk or low complexity should be sourced directly from the supplier using purchase cards by obtaining at least one ~~quotation~~(quotation (verbal or written), preferably through existing pre-qualified contractors. Although authorisation for purchase cards does not occur prior to payment, this is considered acceptable given it use only for low value and low risk purchases.

Those items which are high value, high risk and/or high complexity should be procured through more stringent processes which are to be identified in an Acquisition Plan.

Transaction processing costs are lowest with direct sourcing methods such as purchase cards, Purchase Orders and higher for strategic sourcing methods and more competitive processes, such as tenders.

The decision matrix below outlines the different transacting methods to be considered before developing an acquisition plan.

PROCUREMENT PYRAMID OPTIONS
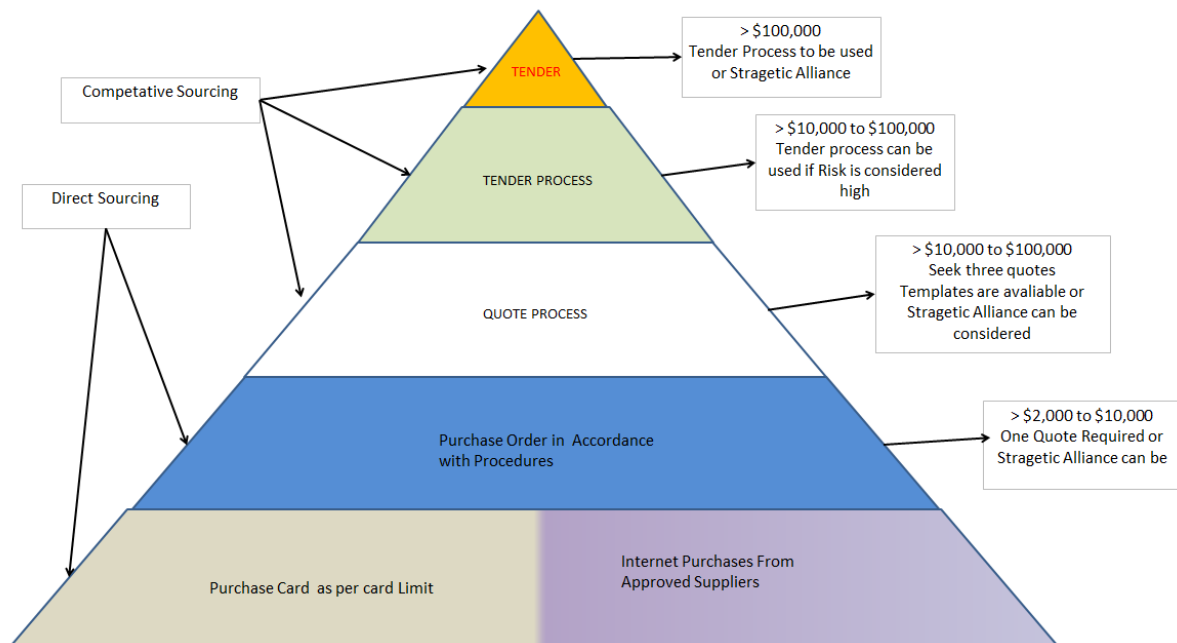
- Purchase orders are required for all purchases over $2000 (ex GST) , unless the item is listed in the exempt PO list located on Hills Hub
- The existence of a Contract / Agreement does not negate the requirement for a Purchase Order.
- An Acquisition Plan will always be required
    - If a contract/Agreement is to be signed with the supplier(Contract refers to agreeing to a set of terms and conditions either AHC or the suppliers, excluding Purchase Orders)
    - If the procurement is greater than $10,000 (ex GST)

For a summary on procurement decision making, please see **Procurement Process for Goods and Services - Summary,** *which can be found in the Procurement page on Hills Hub.*

For a summary of the supplier and services exempt from the requirement of a Purchase Order refer to the "Exempt for Purchase Order list" in the **Procurement** *page on Hills Hub.*

3.2.2. Acquisition Plan

An Acquisition Plan is required for all purchases over $10,000 (ex GST) and for the extension of contracts and where a contract is required to be executed, even if the procurement is under $10,000 (ex GST).

The Acquisition Plan will identify cost and risk factors and provide details to enable approval of the appropriate method of procurement providing sign-off by the staff involved in the procurement process.

It will also permit an examination of risk factors which will influence the approach to market, with higher risk acquisitions requiring more stringent procurement planning, such as adjustment to specifications and conditions of contract with possibly a higher level of management oversight. Please note sometimes the terms and conditions of formal contract can be used to mitigate the risk involved in procurements with a value less than $10,000 (ex GST). If a contract is required for a procurementprocurement under $10,000 (ex GST), an Acquisition Plan is required to determine the appropriate procurement method..

The following table identifies when the Acquisition Plan that should be utilised for each purchase, based upon the value of the purchase:

Value of Purchase	Acquisition Plan Required
Less than $10,000 (ex GST)	only if a contract is required
Greater than $10,000 (ex GST)	Yes

When preparing an Acquisition Plan, access to existing contracts and preferred supplier lists should be considered. It is preferable to take advantage of existing arrangements rather than expending resources on unnecessary procurement activities.

Process Flow Acquisition Plan
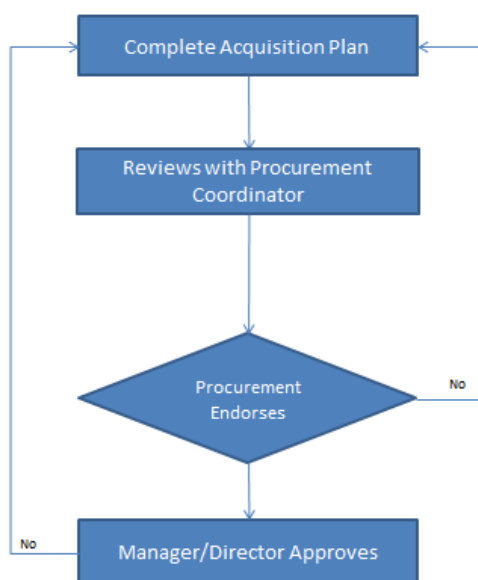
An Acquisition Plan must be approved by an appropriately authorised Council officer as per the Financial Delegations. The Approver must not be the originator.

Template for the Acquisition Plan is available in the Procurement section of Hills Hub. For more details on Acquisition Plans, please see Acquisition Plan, which can be found in the Procurement page on Hills Hub.

Procurement Methods

3.2.2.1.   Panel Contracts

Panel arrangements provide the benefits of both a competitive tender and a direct purchase model. Panel Contract arrangements consist of multiple suppliers that can supply goods, services or works on a regular or ad hoc basis. Examples include standard replacement assets, trades people, and professional services. Council selects the most appropriate supplier from the panel to supply the Goods or Service.

Panel Contracts occur after a quotation or tender process resulting in the prequalification of certain suppliers who are engaged on terms to be agreed. These terms may include pricing; if pricing is included a further quoting process is not required to access the supplier unless it is considered an improved Value for Money can be achieved by a Competitive process. All procurement above $100,000 (ex GST) must be reviewed to ensure Value for Money is achieved. If pricing is not included in the contract then the procurement must be as per the Procurement Policy delegations e.g. three quotes for over $10,000 (ex GST).

3.2.2.2.   Strategic Purchasing Co-operatives

The process of conducting procurement activities through contract arrangements already established and administered by other organisations, such as Local Government Association Procurement (LGAP), Procurement Australia (PA), Council Solutions, Local Buy, Combined Charities Incorporated (CCI), other Councils, Regional Subsidiaries of AHC, state and federal government contracts and other any other purchasing group available to local government. If the contract has been established via a competitive quoting process, and pricing is established, AHC deems that these contracts are compliant with AHC's Procurement Policy If utilising a Strategic Purchasing Co-operatives for procurement valued above $100,000 (Ex GST) due diligence must be observed to ensure that Value for Money is being achieved

3.2.2.3.   Pre-qualified Providers

Council may set up lists of Pre-qualified Providers for various categories. The Pre-qualification status demonstrates that contractors and consultants have met preliminary minimum requirements, including insurance, Work Health and Safety, licensing and qualifications. These Suppliers still need to go through a competitive sourcing process before they complete work for AHC.

3.2.3. Determining Risk

A risk assessment will assist in identifying the level of risk associated with procurement, including supply risks, business risks, management risks, probity risks, Work Health and Safety risks, environmental risks, public safety, political risks.

It is recommended that all procurements above $100,000 (ex GST) undertake a Risk Assessment.

Staff must refer to the Risk Management Policy when considering risk.

A number of controls to assess and manage risk throughout the procurement process have been put in place, these include:

- Requirements to complete an Acquisition Plan and procurement documentation over designated thresholds.
- The preparation of standard contracts which contain, insurance and limitations of liability clauses;
- Requiring security deposits or bank guarantees where appropriate;
- Referring specifications to relevant experts; and
- Use of, or reference to, relevant Australian Standards (or equivalent).
- Access to Risk Assessment tools in the Governance and Risk section of Hills Hub

The Governance and Performance Coordinator can assist in completing risk assessments.

*For more details on Risk Management see **Risk Management,** this can be found in the Governance and Performance page on Hills Hub.*

3.2.4. Exemptions from Policy

There may be situations, such as emergencies or occasions where our procurement processes will not necessarily deliver the best outcome for Council, in which case other market approaches may be more appropriate. In these circumstances, the reason/s for not undertaking a competitive quotation or tender must be identified in the Acquisition Plan. Approval for exemptions is required by:

- The CEO; or
- The Procurement Committee.

The Procurement Coordinator shall ensure all such exemptions are recorded in a register (Procurement Exemption Register) and stored in the Council Records system.

*For more details on Procurement Exemptions follow this link to **Procurement Exemptions Register,** this can be found in the Procurement page on Hills Hub.*

Where the Council accesses a contract from an approved provider (refer Strategic Purchasing Co-operatives) established in accordance with transparent competitive tendering processes, it is deemed that these are contracts resulting from a tender process and, as such, will not be recorded as requiring dispensation.

Exemption may be sought for the following situations:

- An emergency threatening life and/or property;
- The supply market is limited (due to lack of 3 suitable suppliers);
- Timing constraints (urgent purchase);
- The exceptional knowledge / experience of a supplier;
- Compatibility with existing equipment or involves repairs and maintenance of existing equipment from original supplier;
- Select Tender for values > $ 100,000 (ex GST)

- The exact same product or service (with the same specification) was chosen through a competitive procurement process within the last 3 months;
- Where funding arrangements or grants specify other requirements;
- Where a period contract has been let and it is proposed to extend that contract past its initial contract period provided that there is a benefit to the Council and provided that extension would not damage the notion of open competitiveness of other potential tenders in the future.

Council may, in its absolute discretion, having regard to the Procurement Principles and any other factors considered, utilise a different method of procurement.

*For more details on Dispensation from Procurement Policy, please see **Exemption from Procurement Policy,** which can be found in the Procurement page on Hill Hub.*

3.3.   Sourcing

3.3.1.   Market Approach

A typical quotation will require an invitation to suppliers, conditions of quoting (bid rules), a specification or consultant's brief, conditions of contract and response forms for the respondents to complete. Other documents that are required relate to the evaluation process, such as evaluation and probity plans and recommendation report.

All procurements over $10,000 (ex GST) in value and those that have been assessed as 'medium risk' in the planning phase or higher will require the direct involvement of the Procurement Coordinator. All other quotations should be obtained by the initiating officer using Council's templates. A suite of templates covering all aspects of the procurement process are available on the Procurement section of Hills Hub.

3.3.2.   Direct Sourcing

Direct Sourcing is a procurement process undertaken by directly approaching and negotiating with one or more suppliers without testing the market. This method may be used for the purchase of low value, "off the Shelf" type goods, services or works under $10,000 (ex GST). Staff have are responsible for ensuring Value for Money is achieved and as such can source more than one quote.

Once the need has been identified, the following methods may be used when approaching suppliers:

3.3.2.1.   Purchase Cards
These may be used to pay for goods within the card's limit. Purchase cards include cards issued through a financial institution, such a bank and cards issued through a contract, such as fuel cards.

3.3.2.2.   Purchase Order
If a purchase card cannot be used, at least one quotation is required providing the value of the procurement is less than $10,000 (ex GST). Before requesting a quotation from a supplier, thought should be given as to whether the product or

service can be obtained via a panel agreement or a pre-qualified listing of contractors.

*For more details on Direct Sourcing, please see **Procurement Method under $10,000,** which can be found in the Procurement page on Hills Hub.*

3.3.3. Methods of Procurement Involving Competitive Sourcing

The appropriate method of procurement will be determined by reference to a number of factors, including, value of the purchase, risks associated with the purchase and aspects relating to the availability of supply and other market conditions.
The procurement decision-making matrix on page 7 must be referred to when determining the method of procurement.

3.3.3.1. Request for Quotation (RFQ)
This is the process of obtaining written quotations from prospective suppliers. This method is suitable for purchases between $10,000 (ex GST) and $100,000 (ex GST). Council must Endeavour to obtain three written quotes unless approval for exemption from the procurement Policy has been obtained. A variation of a RFQ is a Request for Proposal (RFP) RFP generally ~~give~~gives the supplier a wider scope to respond.

3.3.3.2. Request for Expressions of Interest (REOI)
This is an open invitation for the procurement of proposed goods or services. Expressions of Interest may be appropriate where:

- The requirement is complex, difficult to define, unknown or unclear.
- The requirement is capable of several technical solutions.
- Council wishes to consider ahead of formal tender processes such issues as whether those tendering possess the necessary technical, managerial and financial resources to successfully complete the project.
- Tendering costs are likely to be high and Council seeks to ensure that companies incapable of supplying the requirement don't incur unnecessary expense.
- It is necessary to pre-qualify suppliers and goods to meet defined standards.
- The requirement is generally known but there is still considerable analysis evaluation and clarification required (both of the objective and the solution).

3.3.3.3. Request for Tender (RFT)

This is a formal invitation for the procurement of goods or services.
There are two types of RFT relevant to this Framework:

A.   Open Request for Tender

An Open Tender must be advertised publicly in accordance with the Procurement Policy. Advertising will be through the use of the State Government's contracts and tenders web site (SA Tenders and

Contracts). Council has the option of single advertisement in the Adelaide Advertiser or the local newspaper.

B.   Select Request for Tender

A Request for Tender that is going directly to known suppliers of goods, works and services. This is used where there are a limited number of competitors with the required knowledge in the market place. Procurement Committee approval needs to be granted for a select tender process to be utilised, when spend is greater than $100,000 (ex GST).

For a summary of this process, please see Procurement Method over $10,000, which can be found in the Procurement page on Hills Hub.

3.4.   Evaluation and Selection

3.4.1.   Evaluation

The evaluation of quotations will be dependent on the value of the purchase. For quotations over $100,000 (ex GST) and for all tenders, an evaluation must be utilised. Such evaluations will proceed as defined in the Tender Evaluation and Probity Plan, unless exceptional circumstances apply.

Where respondents to a tender or quotation are ranked by a systematic method, for example, by scoring the evaluation criteria, the tender with the highest ranking would normally be regarded as the preferred provider. In certain circumstances however the evaluation panel may elect to select a lower ranked respondent. In these circumstances the justification for this outcome must be documented.

For values under $100,000 (ex GST) it is recommend that a weighted ~~criteria evaluation~~criteria evaluation is carried out.

A Tender Evaluation plan must be prepared prior to the opening of the tender or quotation. This Plan will outline the method of evaluation and will include the weightings for the evaluation criteria and the names of the officers who will make up the evaluation team. Templates of Evaluation plans are located on the Procurement Section of Hills Hub. These Templates include suggested criteria. This plan must be finalised and ~~approved prior~~approved prior to release of the Tender to the market.

As a general rule Council should not accept late tenders/quotes. This rule is well founded in the principle of equity and fairness in the management of tender processes. Council can confidently rely on a tender condition which excludes late tenders from being opened. Acceptance of a late tender or quote must be reviewed by Governance and Performance and Procurement Coordinator.

*For a summary of this process, please see **Evaluation Procedure,** which can be found in the Procurement page on Hills Hub*

3.4.2. No Tenders Received / All Tenders Received Rejected

In the event that a council undertakes a compliant public tender/quote process and does not receive any tenders or rejects all tenders on the basis they did not meet council's specifications outlined in the tender document, it has two options:

3.4.2.1.   reissue tenders – either with or without amending the procurement requirements and the tender documents

3.4.2.2.   seek an alternative means of delivering the service or works required under the tender without changing the requirements (including undertaking the service or works itself). If Council seeks to appoint another supplier (under what is sometimes called a direct negotiation) who did not submit when tenders were originally called it must ensure:

- the grounds for rejecting the tender(s) received are on the basis they did not meet council's specifications outlined in the tender document, and/or did not provide value for money to council, and
- it is highly unlikely that another competitor would submit a tender if the council retendered for the goods, services and/or works, and
- the terms on which council intends to engage the third party contractor are the same as the specifications in the original tender documents, and
- engaging the third party contractor will provide value for money to council.
- approval must be delegated from the Procurement Committee or CEO to negotiate with a non-tendering supplier.

If a council amends the scope or intent of its requirements for goods, services or works so that it is materially different, this would constitute a new procurement. Council should then call new public tenders

3.4.3. Probity

Each member of an evaluation team will declare any interest that might affect their impartiality prior to receiving any tenders for evaluation and must comply with the following interlinked principles and objectives of probity:

- Fairness and impartiality.
- Transparency of process.
- Independence through effective management of conflicts of interest.
- Accountability of process.
- Security and confidentiality of information and materials.

Probity must be considered and maintained during all stages of a Procurement process. It must be planned in to all facets of the process.

*For more details on the Evaluation, please see **Evaluation of Tenders & Quotes,** which can be found in the Procurement page on Hills Hub.*

3.4.4. Negotiation

The evaluation team may negotiate with acceptable preferred providers to improve outcomes. Any negotiation process should be transparent, recorded and conducted in a manner that does not disadvantage other respondents. A Negotiation Plan may be prepared to enable a considered approach to any negotiations. The sent out Conditions of Tender/Quoting must allow negotiations to occur.

3.4.5. Recommendation and Approval

The evaluation team, must prepare a written report (Recommendation Report) once the tender evaluation is completed and a preferred tenderer (or short-listed pre-qualified service providers) has been chosen. This report describes the evaluation and recommends the outcome of the tender process. All members of the evaluation team must sign the Recommendation Report.

The recommendation is then submitted to the approving authority, in accordance with the Acquisition Plan.

Successful and unsuccessful respondents should be advised in writing of the outcome of the evaluation process and a debriefing provided, if requested.

3.5. Contract Award

3.5.1. Purchase Orders & Contracts

Purchase orders provide a record of the intention to expend funds, evidence of the process of approval, separation of duties, and commitment of funds. A Purchase Order establishes Councils terms and conditions with the supplier.

Raising a P.O is a two phase process. The initiating officer creates the Purchase Order which is then authorised by the authorising officer. A Purchase Order is not official until it is approved. A Purchase Order should never be sent to a supplier, until it is approved. The initiating officer and the approving officer must be different Council officers. If there is an Acquisition Plan for the purchase, the initiating officer and related authorising officers will be identified on the plan.

Purchase of goods, services or works must be accompanied by a purchase order, unless the type of purchase is exempt.

*For more details on the raising Purchase Orders, please see **Purchase Orders**, which can be found in the Procurement page on Hills Hub*

3.5.2. Standing Purchase Orders

Standing Purchase Orders can be used when the Council Officer expects to receive multiple invoices against one purchase within one cost centre. This may be a purchase of goods that

are received in multiple consignments or services that are received over a period of time. All normal controls relating to purchase orders apply to Standing Purchase Orders. Additional requirements are:

- Standing Purchase Orders relating to the provision of services must not extend beyond the current financial year.
- Where a Standing Purchase Order relates to multiple goods or different elements of services these must be detailed on separate lines of the Standing Purchase Order.
- Standing Orders should only be set up when a Contract exist with the supplier.
- As Standing Purchase Orders are likely to have a value equal to an entire project or multiple deliveries, it is advantageous for the Council that the total approved monetary amount is not displayed on the purchase order that is sent to the supplier.

3.5.3. Contracting

Purchase orders contain a basic set of contractual conditions that will be sufficient for most small and low risk purchases. Council's standard terms and conditions of contract/supply are provided to suppliers as part of the purchase order.

The terms and conditions of an executed contract take precedence over the standard terms and conditions contained within a purchase order. Where it has been determined that a contract is required, the Procurement Officer will assist in the preparation of the contract. A Purchase Order is still required, even if a contact covers the contract. Please note the standard Purchase Order terms and conditions clearly state that contract terms and conditions take precedence over the Purchase Order.

If a contract is to be issued, an Acquisition Plan must be completed by the purchase initiator and signed by the relevant Director. The Acquisition Plan will also define who will sign the contract under delegation. The contract must then be recorded in Council's Contract Register.

The Procurement Coordinator will assist in determining which contract is most appropriate to the procurement.

A signed copy of the contract must be forwarded on to Records for storage and filing.

3.5.4. Receipting of Goods, services or works / Invoicing and Payment

Upon delivery of goods or fulfilment of services, a Council officer with knowledge of the receipt (goods received or services performed adequately), usually the initiator of the procurement or the storeman must verify that the goods or services were delivered satisfactorily.

This verification is evidenced by either by the signing the invoice, signoff in the finance system or email acknowledgement. Invoice must be approved as per the Staff Financial Delegations.

An officer cannot authorise an invoice without a Purchase Order, for which they have initiated the transaction. They must seek a separate authorisation in accordance with Staff Financial delegations.

At no time should the supplier be paid before the goods, services or works are delivered or service performed.

Once invoices have been approved they are to be forwarded to Finance to facilitate payment to the supplier. Council's standard payment terms requires payment 30 days from the end of the month in which the Council receives a valid tax invoice from a supplier.

Any requests by suppliers to vary Council's payment terms (30 days after month of invoice) should be referred to the Procurement Coordinator, prior to purchase

3.6. Contract Management

3.6.1. Project Management and Contract Administration

Once a contract has been executed and before the supplier has started work, it is important that the contract is managed diligently to maximise the commercial outcomes for the Council and minimise risk, in accordance with the Project Management Plan, if applicable.

The responsible officer, usually the officer in charge of the project, should be appointed as the Superintendent Representative and act as the Council's delegate when engaging with the supplier. The Superintendent Representative will need to review all invoices and ensure that the supplier has invoiced the Council in accordance with the contract terms and conditions. This will include verifying the rates used, as well as multipliers, cost recoveries, CPI adjustments, and variations.

The Superintendent Representative also needs to verify that the percentage of work complete and invoiced is accurate. The responsible officer should review all contract variations and assess whether they are part of the original contract scope. The Project Manager should ensure that all insurance policies and other relevant documents remain current throughout the life of the project.

For understanding the requirements of the Superintendent Representative in the respect to WHS Management, the importance of communication between council and the contractor, and the documentation required to show we are effectively managing the WHS requirements with our contractors please refer to the Contractor Management Procedure.

*For more details on the raising WHS Management, please see **Contractor Management Procedure**, which can be found in the Organisational Development page on Hills Hub.*

3.6.2. Registers

There are a number of registers that need to be completed during the procurement process.

3.6.2.1. Tender Register
Once the decision has been made to approach the market via a RFT, RFQ or REOI then a Tender number must be obtained from the Tender Register. Register can be found in the Procurement section of Hills Hub.

3.6.2.2. Contract Register
Once a contract is finalised, the details need to be recorded in the Contract Register. Register can be found in the Procurement section of Hills Hub.

3.6.2.3. Exemption to Procurement Process

The Procurement Coordinator completes this register. Register can be found in the Procurement section of Hills Hub.

3.6.2.4.   Prequalified Contractor

The Procurement Coordinator completes this register. Register can be found in the Procurement section of Hills Hub. This register is a list of Supplier that ~~have~~has met specified levels of compliance.

4.   RELATED PROCUREMENT PRACTICES

There are numerous other functions that are directly related to the procurement process. While these functions may be outside the scope of this framework they need to be given consideration.

4.1.   Financial Delegations

All purchases must be made in accordance with the Council's Staff Financial Delegation of authority. Purchases can only occur from an approved budget with approval from the budget owner. Council employees must only authorise the expenditure of funds in accordance with their financial delegations. Delegated officers will be required to sign off the procurement process in an Acquisition Plan to cover various stages of the purchasing process.

Details regarding financial delegations can be found in the Financial section of Hills Hub.

4.2.   Risk and Opportunity Management

Council should ensure that appropriate internal controls and risk management are in place for its procurement activities.

The procurer should refer to Council's Risk Policy and Framework for guidance.

In summary, risks must be identified in the procurement planning process. A higher exposure to risk may require a different procurement method. Council should balance risk with opportunity. Accepting some degree of additional risk can impact significantly in the cost of goods, services or works. If all the risk is transferred to the supplier, then the supplier will inevitably factor this risk into their price.

This can be inefficient, particularly in situations where the Council is in a more capable position to manage the risk. Council needs to consider how it structures its contracts (i.e. time and materials, lump sum, schedule of rates, cost plus, pain/gain, upper limits, plus/minus key limits).

Potential risks need to be identified in the project planning stage and transferred to the Acquisition Plan so that tender documents can be prepared which accommodate these risk factors. In that way suppliers are made aware of potential risks associated with a project and can address these in their tenders.

*For further explanation of managing risk, please refer to **Managing Risk** which can be found in the Procurement page on Hills Hub.*

4.3.   Insurance

The responsible officer needs to ensure the supplier has sufficient insurance coverage, such as professional indemnity, public liability insurance, Goods in Transit etc.

Council will use the standard contract templates for contract services to ensure the risks to Council have been minimised. The responsible officer needs to obtain the supplier certificates of insurance as part of the tender process. The recommended minimum Public Liability coverage is $20,000,000.

The level of insurance required will differ for the nature of work the supplier performs. Suppliers who perform civil works have a higher risk of injury and community litigation, than a professional services consultancy.

Council should only require the level of insurance which is necessary, as over prescribing the insurance requirements can increase premiums for suppliers as this may be factored in to their costs. Advice should be sought from the Council's Governance & Performance Department in the first instance. Additional advice can be provided by the LGA Mutual Liability Scheme where required.

4.4.   Unsolicited Proposal

An Unsolicited Proposal is an approach to Council from a Proponent with a proposal to deal directly with the Council over a commercial proposition, where the Council has not requested the proposal. This may include proposals to build and/or finance infrastructure, provide goods or services, or undertake a major commercial transaction

Assuming the Council wants to procure the services provided by the proposal Council's position on Unsolicited Offers is that if the proposal can be delivered by competitors, then the proposal must be put through a competitive process.

Unsolicited Proposals should be considered as per AHC Unsolicited Proposals Policy. (Currently under development)

4.5.   Work Health Safety Management

Council has an obligation to ensure that all suppliers working for the Council are committed to WHS management, as well as being competent in the provision of the contracted goods, services or works.

Council is required to select, induct and monitor suppliers and maintain WHS records relating to the work undertaken. A Job Safety Analysis (JSA) should be performed when a supplier is performing work for the Council.

Where new plant and equipment is procured or leased, the Council will perform an inspection on delivery to ensure it meets WHS requirements and is fit for purpose. Please refer to the Plant and Equipment Procedure found on Hills Hub WHS section.

Where hazardous goods, services or works are involved the Council is required to ensure all WHS and environmental requirements have been addressed with regards to the handling and storage of such goods, services or works.

Personnel should reference the WHS Contractor Management Procedure before commencing any procurement activity.

Further details and support can be obtained from Council's Organisational Development Officer.

4.6.   Social, Economic and Environmental Sustainability

Council is committed to maximising the positive impact of its activities to benefit the local community, its economy, and the environment.

The Council will endeavour to, at its discretion and to the full extent permitted by law, support local businesses. Where all other considerations are equal, Council may give preference to local contractors and suppliers.

Consideration may also be given, where practicable, to investigate the inclusion of not-for-profit organisations (social enterprises) that benefit the community (including the disadvantaged).

In addition, in order to minimise Council's impact on its environment, Council will, where all other factors are equal, adopt purchasing practices which conserve natural resources in a way that achieves value for money on a whole life basis by generating benefits for the organisation and the community.

Purchasers must give consideration to purchasing goods that promote the development of local and national markets for recycled goods in line with circular economy principles.

When engaging suppliers, a minimum standard of environmental management, which includes compliance with all applicable environmental laws, will be required. Additional environmental requirements specific to the procurement may be requested in the Request for Tender document.

4.7.   Conflict of Interest

Staff shall at all times avoid situations in which private interest's conflict, or might reasonably be thought to conflict, or have the potential to conflict, with their Council duties.

Staff involved in the procurement process, in particular preparing tender documentation, including writing tender specifications, tender opening, and tender evaluation panels, must meet the requirement s of Section 120 of the *Local Government Act 1999*.

"If a staff member has an interest in a matter if the employee, or a person with whom the employee is closely associated, would, if the employee acted in a particular manner in relation to the matter, receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-

pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect pecuniary detriment or a non-pecuniary detriment."

Basically this means that you or a close associate would receive benefit from a particular supplier, you must declare this interest. Benefit can be fiscal or material. It can be positive or negative.

Staff must not be involved in a Procurement process if there is a real or perceived conflict of interest. As per the *Local Government Act 1999* a member of staff must declare all potential conflicts. The CEO is the only authority that can determine if a conflict is relevant or not. This is detailed in the Conflict of Interest form

Information and a Conflict of Interest form can be found on the Governance and Performance section of Hills Hub.

4.8.   Supplier Register

There are two ways the AHC establishes supply arrangements – through a prequalification scheme or other standing offer arrangement or by competitive quoting. This procedure details how suppliers can be added to the "Open Office" finance system and the requirements of the prequalified supplier Register.

*For further explanation of Supplier Register, please refer to **Supplier Register** which can be found in the Procurement page on Hills Hub*

4.9.   Sale and Disposal of Other Assets

For the sale and disposal of land and other assets, the Council will refer to the Disposal of Land and Other Assets Policy

4.10.   Prudential Management

Prudential management attempts to foresee what adverse financial consequences might arise from any project that the Council is contemplating, and requires managing the project in such a manner as to capture the proposed benefits, while minimising, offsetting or otherwise taking into account of the foreseeable financial risks.

A council must obtain and consider a report that addresses the prudential issues (set out in clause 4 of this Policy) before the council engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body):
   a.   where the expected expenditure of the council over the ensuing five years is likely to exceed 20% of the council's average operating expenses over the previous five financial years (as shown in the council's financial statements); or
   b.   where the expected capital costs of the project over the ensuing five years is likely to exceed $4,000,000 (indexed); or
   c.   Where the council considers that it is necessary or appropriate.

Please refer to the Prudential Management Policy

4.11.   Grievance Process

Any complaints or grievances concerning the Procurement process shall be resolved as per Adelaide Hills Council's Complaint Handling Policy.

4.12.   Contract extension option management

A contract extension option clause usually gives one party to a contract the right to elect to continue its term for further periods at certain prices or with pricing payable to be adjusted by an objective formula.

Where an extension option is present, Council must firstly assess whether value for money will best be achieved by exercising the extensions option or by going back out to the open market.
Where a contract extension option is taken up, the contract must be managed in accordance with the terms of the contract. In addition, relevant approvals and/or authorisations must be obtained prior to the council officer actioning the extension.

4.13.   Acquisition of Land

4.13.1. Any decision to acquire land will be made after considering (where applicable):

- The usefulness of the Land
- The intention for the use of the Land
- The current market value of the Land
- The total estimated value of the Acquisition
- The annual cost of maintenance
- Any alternative future use of the Land including the inclusion of affordable housing
- The number of known potential purchasers of the Land
- Any duplication of the Land or the service provided by the Land
- Any impact the Acquisition of the Land may have on the community
- Any cultural or historical significance of the Land
- The positive and negative impacts the Acquisition of the Land may have on the operations of the Council
- The long term plans and strategic objectives of the Council
- A benefit and risk analysis of the proposed Acquisition
- The results of any community consultation process
- The opportunity to promote local economic growth and development
- Any restrictions on the proposed Acquisition
- The content of any Community Land management plan
- Delegation limits, taking into consideration accountability, responsibility, operation efficiency and urgency of the Acquisition
- Potential revenue from sale – impacted by topography and physical attributes including above and below ground infrastructure; preferred development outcomes such as housing density and
- development design; and current property market
- Compliance with statutory and other obligations
- Any potential land contamination or remediation costs
- Any other relevant policies of the Council.

4.13.2. The acquisition of land is managed outside of the Procurement procedures negating the need for a competitive quoting process. Due diligence must be considered in all land acquisitions.

4.13.3. A decision to purchase or acquire land is made by resolution of Council, unless specifically delegated as per the Local Government Act 1999

4.13.4. All acquisitions of Land are managed by the Property Services team, please refer all Land Acquisitions to the Manager Property Services

Appendix 3

Procurement Policy – November 2016

COUNCIL POLICY

	PROCUREMENT

Policy Number:	**GOV-08**
Responsible Department(s):	**Governance & Risk**
Relevant Delegations:	**Nil**
Other Relevant Policies:	**Disposal of Land Policy** **Disposal of Materials Policy** **Fraud & Corruption Prevention Policy** **Prudential Management Policy** **Code of Conduct for Council Employees**
Relevant Procedure(s):	**(To be updated administratively)**
Relevant Legislation:	***Local Government Act 1999***
Policies and Procedures Superseded by this policy on its Adoption:	**Procurement & Purchasing Policy, Item 12.1, 19 – 28/5/13**
Adoption Authority:	**Strategic Planning & Development Policy Committee**
Date of Adoption:	**8 November 2016**
Effective From:	**22 November 2016**
Minute Reference for Adoption:	**Item 12.3, 54**
Next Review:	**No later than November 2019 or as required by legislation.**

PROCUREMENT

1.   INTRODUCTION

1.1   In compliance with Section 49 of the Local Government Act 1999 (**Act**), the Adelaide Hills Council (Council) should refer to this policy (**Policy)** when acquiring goods and services.

1.2   Section 49 of the Act requires Council to prepare and adopt policies on contracts and tenders on:

1.2.1   the contracting out of services; and

1.2.2   competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and

1.2.3   the use of local goods and services.

1.3   Furthermore, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards:

1.3.1   obtaining value in the expenditure of public money; and

1.3.2   providing for ethical and fair treatment of participants; and

1.3.3   ensuring probity, accountability and transparency in all operations.

1.4   This Policy seeks to:

1.4.1   define the methods by which Council can acquire goods and services;

1.4.2   demonstrate accountability and responsibility of Council to ratepayers;

1.4.3   be fair and equitable to all parties involved;

1.4.4   enable all processes to be monitored and recorded; and

1.4.5   ensure that the best possible outcome is achieved for the Council.

2.   POLICY OBJECTIVE

Council aims to achieve advantageous procurement outcomes by:

2.1   enhancing value for money through fair, competitive, non-discriminatory procurement;

2.2   promoting the use of resources in an efficient, effective and ethical manner;

2.3   making decisions with probity, accountability and transparency;

2.4   advancing and/or working within Council's economic, social and environmental policies;

2.5   providing reasonable opportunity for competitive local businesses to supply to Council;

2.6   appropriately managing risk; and

2.7   ensuring compliance with all relevant legislation.

3.   SCOPE

3.1   This Policy covers the required conduct for all procurement activities associated with the acquisition of Goods, Works or Services of any value by the Council. This includes tendering arrangements and the contracting of services and applies to all Council staff.

3.2   However, this Policy does not cover:

3.2.1   non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts; or

3.2.2   the disposal of land and other assets owned by the Council; or

3.2.3   the purchase of land by the Council.

4.   PROCUREMENT PRINCIPLES

Council must have regard to the following principles in its acquisition of goods and services:

4.1   *Encouragement of open and effective competition*

4.1.1   Open and effective competition is the central operating principle in pursuit of the best outcome.

4.1.2   Openness requires procurement actions that are visible to the Council, ratepayers and suppliers/contractors. The probability of obtaining the best outcome is generally increased in a competitive environment.

4.1.3   Council will create effective competition by maximising the opportunities for firms to do business with Council through the selection of procurement methods suited to market conditions, the nature of the procurement, and the objectives of the procurement overall.

4.1.4   Council will offer and provide feedback, where sought, to unsuccessful bidders.

4.2   *Obtaining Value for Money*

4.2.1   Value for money involves obtaining goods, works or services for the Council that best meet the end user's needs at the lowest total cost with the minimum level of acceptable contractual risk.

4.2.2   This is not restricted to price alone.

4.2.3   An assessment of value for money must include, where possible, consideration of fitness for purpose, fair market prices, local economic development and whole of life costs. 'Whole of life' includes, purchase price, cost of spares, running costs, post-delivery support, effective warranties, cost of replacement, installation costs, etc.

4.3   *Probity, Ethical Behaviour and Fair Dealing*

4.3.1   Council will not use or disclose information that confers unfair advantage, financial benefit or detriment on a supplier.

4.3.2   Officers engaged in purchasing should at all times undertake their duties in a professional, ethical, honest and impartial manner, act responsibly and exercise sound judgment by observing the highest standards of integrity and professional conduct in line with the Code of Conduct requirements.

4.4   *Accountability, Transparency and Reporting*

4.4.1   Accountability in procurement means being able to explain and evidence what has happened. An independent third party must be able to see clearly that a process has been followed and that the process is fair and reasonable.

4.4.2   Delegations define the limitations within which Council employees are permitted to work. They ensure accountability and provide confidence to Council and the public that purchasing activities are dealt with at the appropriate level. As such, Council has delegated responsibilities to employees relating to the expenditure of funds for the purchase of goods and services and the acceptance of tenders.

4.4.3   Employees must be able to account for all decisions and provide feedback on them. Additionally, all procurement activities will leave an audit trail for monitoring and reporting purposes.

4.5   *Ensuring compliance with all relevant legislation*

4.5.1   To ensure purchasing activities are conducted in accordance with legislative and common law responsibilities. These include but are not limited to the *Local Government Act 1999*, *Competition and Consumer Act 2010*, the *Independent Commissioner Against Corruption Act 2012*, the *Freedom of Information Act 1991*, National Competition Policy and other relevant legislation, industrial awards and agreements and international trade agreements.

4.6   *Sustainable Procurement*

4.6.1   Sustainable procurement is defined as a process whereby Council meets its procurement needs in a way that achieves value for money on a whole-of-life basis in terms of generating benefits not only to the organisation, but also to our community, the economy and the environment.

4.6.2   Council encourages the consideration, where deemed appropriate, of sustainable and social inclusion elements such as:

4.6.2.1   Creating employment and training opportunities (particularly among disadvantaged groups such as people with disability or mental illness, migrants, Indigenous) thus providing social inclusion and an opportunity for those to participate in the local community;

4.6.2.2   Diversity and equality in the supplier market – encouraging a diverse base of suppliers (e.g. minority or under-represented suppliers); and

4.6.2.3   Local sustainability – building and maintaining healthy, strong communities, support social inclusion and enhancing wellbeing of local residents by striving to generate local employment.

4.6.3   Council will take into account accessibility of local providers when planning and designing infrastructure or services that will require external procurement.

4.6.4   Council will endeavour to provide support to local enterprises by holding briefings to encourage development of capacity to meet the needs of Council.

4.7   *Environmental Preference*

Council will seek to:

4.7.1   promote the purchase of environmentally friendly goods and services that satisfy value for money criteria;

4.7.2   align the Council's procurement activities with principles of ecological sustainability;

4.7.3   ;

4.7.4   ;

4.7.5   foster the development of products and services which have a low environmental impact;

4.7.6   provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods and services.

4.8   Work Health & Safety

4.8.1   Council will only engage suppliers and/or contractors who are able to maintain a level of WHS that is acceptable in accordance with Council's WHS Policies and Procedures and any additional requirements specified in terms and conditions of contractual arrangements.

5.   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.

The Council may, having regard to its Procurement Principles and any other factors considered relevant by the Council, in its absolute discretion determine to utilise one or more of the following procurement methods:

5.1   *Direct Purchasing*

    5.1.1   This is where Council purchases from a single source, without first obtaining competing bids.

    5.1.2   This method may be suitable for low value, low risk goods and services, and where the supplier already has a successful service history with the Council.

5.2   *Request for Quotations (RFQ)*

    5.2.1   This is where Council obtains written quotations from prospective suppliers.

    5.2.2   This method may be suitable for simple, largely price-based purchases.

    5.2.3   A "Short Form Request for Quotation" can be used for purchases with minimal specifications.

    5.2.4   A "Long Form Request for Quotation" can be used for purchases with detailed specifications.

5.3   *Requests for Expressions of Interest (REOI)*

    5.3.1   This is where Council issues an open invitation for a proposed goods and/or service.

    5.3.2   This method may be used where there is potentially a large market for the proposed goods and/or service, and the Council would like to be able to prepare a short list of suppliers to then invite to participate in a tender process.

5.4   *Request for Tenders (RFT)*

    5.4.1   This is where the Council issues a tender for a proposed goods and/or service.

    5.4.2   Council may issue a "Select" Request for Tender where it has already issued a REOI, or where it has reasonable grounds for only dealing with a select group of potential suppliers.

    5.4.3   Otherwise, Council may issue an "Open" Request for Tender.

5.5   *Panel contracts*

5.5.1   This is where the Council establishes panel arrangements with a select group of suppliers – generally, this occurs once the Council has completed its appointment of such suppliers in accordance with this Policy, and can include either:

5.5.1.1   a standing offer from a pool of suppliers for the provision of goods and services on agreed terms; or

5.5.1.2   the prequalification of certain suppliers who may or may not be engaged on terms to be agreed.

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

5.6   *Strategic alliances*

5.6.1   This is where the Council undertakes procurement through contract arrangements already established and administered by other organisations.

6.   PROCUREMENT CONSIDERATIONS

The appropriate method of procurement will be determined by reference to a number of factors, including:

6.1   *Value of the Purchase*

Value of Purchase ($)	Minimum Procurement Requirement	Applicable Procurement Method
< $10,000	One quotation	Direct Purchasing Request for Quotations (RFQ) Request for Expressions of Interest (REOI) Request for Tender (RFT) Panel Contracts Strategic Alliances
$10,000 to $100,000	Three quotations	Request for Quotations (RFQ) Request for Expressions of Interest (REOI) Request for Tender (RFT) - Open or Select Panel Contracts Strategic Alliances
> $100,000	Open Request for Tender or EOI	Request for Expressions of Interest (REOI) Request for Tender (RFT) – Open

The value of the purchase will be calculated as follows:

6.1.1   *single one-off purchase* – the total amount, or estimated amount, of the purchase (excluding GST);

6.1.2   *multiple purchases* – the gross value, or the estimated gross value, of the purchases (excluding GST); or

6.1.3   *ongoing purchases over a period of time* – the annual gross value, or the estimated annual gross value, of the purchases (excluding GST).

6.1.4   Splitting of amounts to bring expenditure within lower limits is not permitted.

6.2   *cost of an open market approach versus the value of the acquisition and the potential benefits*;

6.3   *the particular circumstances of the procurement activity*;

6.4   *the objectives of the procurement*;

6.5   *the size of the market and the number of competent suppliers*;

6.6   *the Council's leverage in the marketplace;*

6.7   *time constraints*;

6.8   *a global assessment of the risks associated with the relevant activity and /or project, including the risk profile of the procurement and any risks associated with the preferred procurement method.*

7.   RECORDS

7.1   Council will document the reasons for entering into specific procurement methods or contracts other than those resulting from a competitive quoting, tender process or for purchases less than $1000. Records to be stored in Council's Records Management System

8.   EXEMPTIONS FROM THIS POLICY

8.1   This Policy contains general guidelines to be followed by the Council in its procurement activities. There may be emergencies, or procurements in which a tender process will not necessarily deliver best outcome for the Council, and other market approaches may be more appropriate.

8.2   In certain circumstances, the Chief Executive Officer (or where this power is delegated to a Procurement Committee) may waive application of this Policy and pursue a method which will bring the best outcome for the Council. The Council must record its reasons in writing for waiving application of this Policy.

9.   DELEGATIONS

9.1   Council makes the following delegations:

9.1.1   The Chief Executive Officer has the delegation to approve, amend and review any procedures that shall be consistent with this Policy.

9.1.2   The Chief Executive Officer has the delegation to enter into contracts and approve expenditure to a value of $500,000 (GST exclusive).

9.1.3   The Chief Executive Officer may sub-delegate the authority to Council Officers to enter into contracts and approve expenditure to a value of $300,000 (GST exclusive).

9.1.4   The Chief Executive Officer and one other Council Officer at Director level may jointly approve payment of operational expenditure to a value of $1,000,000. Examples of this type of expenditure are:

- Budgeted loan repayments

- Budgeted non-elective services (e.g. insurance, waste costs)

- Fortnightly payroll

- Creditor Payments

10.   PRUDENTIAL REQUIREMENTS

10.1   In some circumstances a procurement process may require additional due diligence in accordance with the *Local Government Act 1999* prudential requirements. If this occurs the process will be subject to the Council's Prudential Management Policy.

11.   AVAILABILITY OF THE POLICY

11.1   This Policy will be available for inspection at the Council's Offices during ordinary business hours and via the Council's website www.ahc.sa.gov.au. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

Item:	**6.8**
Originating Officer:	**Mike Carey, Manager Financial Services**
Responsible Director:	**Terry Crackett, Director Corporate Services**
Subject:	**Disposal of Assets Policy**
For:	**Decision**

SUMMARY

The purpose of this report is to provide the Audit Committee with a Disposal of Assets Policy (Disposal Policy).

Council previously adopted a Disposal of Land policy in 2014 and a Disposal of Materials Policy in November 2012. The new Disposal Policy has considered and consolidated these two policies into a single policy.

RECOMMENDATION

The Audit Committee resolves:

1.   **That the report be received and noted**
2.   **To recommend to Council the adoption of the Disposal of Assets Policy as detailed at Appendix 1.**
3.   **To recommend to Council the revocation of the Disposal of Land Policy, as detailed at Appendix 2, and the Disposal of Materials Policy, as detailed at Appendix 3.**

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1.   GOVERNANCE

> ➢   **Strategic Management Plan/Council Policy**

Goal 5   Organisational Sustainability
Strategy 5.3   Financial Sustainability

> ➢   **Legal Implications**

Section 49 of the *Local Government Act 1999* sets out the legislative requirements in relation to the sale or disposal of land or other assets.

Section 201 of the *Local Government Act 1999* sets out the legislative requirements in relation to Sale or disposal of local government land.

➢ **Risk Management Implications**

The revision of these two Policies will assist in mitigating the risk of:

Disposal of assets including land failing to realise appropriate standards of accountability and responsibility leading to a loss of stakeholder confidence and suboptimal outcomes.

Inherent Risk	Residual Risk	Target Risk
High (3B)	Medium (3C)	Medium (3D)

The draft Disposal of Assets Policy will ensure any sales will consider the legislative context for the sale as well as ensuring best return is achieved.

The Policy documents the acceptable methods of sale, as well as ensuring valuations are required when appropriate.

➢ **Financial and Resource Implications**

There is no specific budget or resource implications in relation to this Policy.

➢ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate asset disposal processes (including land) to ensure that the community's assets are disposed of in a manner that is accountable, responsible, fair and equitable to all parties involved and facilitates the best possible outcome is achieved for the Council.

➢ **Environmental Implications**

Environmental considerations in relation to how the asset is disposed of has been included in the revised policy.

➢ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Council Committees:	Not Applicable
Advisory Groups:	Not Applicable
Administration:	Manager Property Services
	Manager Sustainable Assets
	Manager ICT
	Manager Open Space
	Procurement Coordinator
Community:	Not Applicable

2.   **BACKGROUND**

Council has previously approved two Policies relating to Disposal of Land and Assets:

−   Disposal of Land Policy INF-01   Due for review 2017
−   Disposal of Material INF-04   Due for review 2014

Both of these policies are overdue for review. A number of Councils have existing policy positions in place that support the application of one Disposal of Assets policy covering both Land and Other Assets and this was seen as an appropriate model for this Council.

3.   ANALYSIS

A review has been undertaken of the two policies which included:

- consideration of the Local Government Association Guide Policy for Disposal of Land and Assets,
- review of other Council disposal policies to ascertain industry best practice
- the previous policies, and
- advice from key Adelaide Hills Council stakeholders

The revised Policy is differentiated from its predecessors in the following ways:

- the two Policies are combined into a single Policy
- it clarifies the Scope of the Policy. Policy additions include the Disposal of Roads, Unsolicited Proposals, a Compliance Clause as well as defining disposal terminology.
- it removes the majority of the procedural content from the Materials policy with the intention for the development of a procedure.
- it introduces the concept that consideration should be given to the impact a land disposal would have on the Local Community. Council will give considerations to ecological value, trees and vegetation, character and appeal, accessibility, recreational value and cost of maintenance.
- It introduces a tiered approach to Land Valuations with higher valued land requiring two valuations.
- clarification on the methods that may be utilised to dispose of Land is provided.
- it clearly articulates the disposal methods that an officer must have regard to when undertaking a disposal of assets activity, with amendments from the previous policies as follows:
    - Disposal Options for Assets have been clarified in relation to:
        o including "Auction Website" but only as an auctioned item and not as a "fixed price" item;
        o including an expression of interest process thus allowing for expressions of interest from interested parties including specialist resellers;
        o removal of Disposal by Staff Silent Auction as an option
- defining which methods will permit Council Members and employees of the Council to purchase Assets being disposed of (open tender process or a public auction, and the tender submitted or bid made is the highest).
- Typically revenue from sale of Assets and Land will be applied to general revenue.
- Allows Exemptions from Policy when a situation arises whereby waiving application of this Policy and pursuing an alternative method would bring the best outcome for the Council.

Upon adoption of the Disposal Policy, the Disposal of Land Policy (Appendix 2) and Disposal of Materials Policy (Appendix 3) will be recommended to Council for revocation.

4.   OPTIONS

The Committee has the following options:

I.   To recommend to Council to consider the draft Disposal of Assets Policy,
        (Recommended)
II.   To not endorse the draft Policy (Not Recommended)

Should the Committee identify the need for substantial amendments to the proposed
policy, it is recommended that they be referred to staff for review, so as to allow for proper
analysis of the implications of the amendments, prior to being brought back to the
Committee for consideration.

5.   APPENDICES

(1)   Draft Disposal of Assets Policy
(2)   Disposal of Land Policy
(3)   Disposal of Materials Policy

Appendix 1
Draft Disposal of Assets Policy

Appendix 2
Disposal of Land Policy

Appendix 3
Disposal of Materials Policy

Appendix 1

Draft Disposal of Assets Policy

COUNCIL POLICY

<table>
<tr><td></td><td>DISPOSAL OF ASSETS</td></tr>
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Policy Number:	**Fin - 07**
Responsible Department(s):	**Financial Services**
Other Relevant Policies:	**Procurement** **Prudential Management** **Asset Management**
Relevant Procedure(s):	**Nil**
Relevant Legislation:	**Local Government Act 1999 (SA)** **Real Property Act 1886 (SA)** **Land and Business (Sale and Conveyancing) Act 1994 (SA)** **Development Act 1993 (SA)** **Retail and Commercial Leases Act 1995 (SA)** **Residential Tenancies Act 1995 (SA)** **Strata Titles Act 1988 (SA)** **Crown Land Management Act 2009 (SA)** **Community Titles Act 1996 (SA)** **Roads (Opening and Closing) Act 1991 (SA)** **Land Acquisition Act 1969 (SA).**
Policies and Procedures Superseded by this policy on its Adoption:	**INF – 01, 8 July 2014 Item 12.1, 41** **INF – 04 13 November 2012 Item 10.2, 280**
Adoption Authority:	**Council**
Date of Adoption:	*To be entered administratively*
Effective From:	*To be entered administratively*
Minute Reference for Adoption:	*To be entered administratively*
Next Review:	**No later than September 2022 or as required by legislation or changed circumstances**

DISPOSAL OF ASSETS POLICY

1. **INTRODUCTION AND PURPOSE**

1.1   The purpose of this policy is to establish the key principles relating to the sale or disposal of Council Assets.

1.2   The existence of this policy will assist to ensure a consistent, fair, transparent and accountable approach is maintained and assist in ensuring all third party applications are treated fairly and equitably.

1.3   The disposal of Assets should align with the Council's Strategic Plan and relate to the provision of an attractive community, presentation of the natural environment and local economic development. It is acknowledged that Land can facilitate the attainment of the Adelaide Hills Council area being a desirable place to live, work and play. It is also acknowledged that Assets which are not performing or have no potential in this regard need to be reviewed and aligned to the achievement of the visions of the Strategic Plan.

1.4   This policy incorporates the Council's approach to recouping administrative costs that it incurs when it considers a request by a third party to purchase Council Land, in particular Roads and Community Land.

2. **OBJECTIVES**

2.1   This Policy objectives are to:

2.1.1   define the methods by which Assets are disposed of;

2.1.2   demonstrate accountability and responsibility of Council to ratepayers;

2.1.3   be fair and equitable to all parties involved;

2.1.4   enable all processes to be monitored and recorded; and

2.1.5   ensure that the best possible outcome is achieved for the Council.

2.2   Furthermore, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards:

2.2.1   obtaining value in the expenditure of public money; and

2.2.2   providing for ethical and fair treatment of participants; and

2.2.3   ensuring probity, accountability and transparency in all disposal processes.

3. **SCOPE**

3.1   In compliance with Section 49 of the Local Government Act 1999 (Act) Council should refer to this policy (Policy) when disposing of Assets and Section 201 of the Local Government Act 1999 (Act) Council when disposing of Local Government Land.

3.2   However, this Policy does not cover:

      3.2.1   Land sold by Council for the non-payment of rates; or

      3.2.2   disposal of goods which are not owned by the Council, such as abandoned vehicles;

as these are dealt within the Act.

      3.2.3   Granting of leases, licences or interests over Land; or

      3.2.4   Acquisition of Assets that are covered in Council's Procurement Policy.

4.   **DEFINITIONS**

In this Policy, unless the contrary intention appears, these words have the following meanings:

Acquisition means the purchase, leasing, acceptance of property under care, control and management or other transfer of any interest in Assets to Council.

Act means the Local Government Act 1999 and its regulations as amended (unless otherwise defined).

Assets means any physical item that the Council owns and that has at any time been treated pursuant to the Australian Accounting Standards as an 'asset', and includes Land, Major Plant and Equipment and Minor Plant and Equipment. It **does not include** financial investments or finance related activities.

Chief Executive Officer means the Chief Executive Officer (including their delegate) of the Adelaide Hills Council, or an acting Chief Executive Officer of the Adelaide Hills Council (including their delegate).

Community Land means local government land classified as community land under Chapter 11 of the Act.

Council means the Adelaide Hills Council.

Council Member as stated in the Act means the principal member or a councillor of the Council.

Disposal means the sale or other transfer of an Asset by Council to another party.

Land includes Community Land, vacant land, operational land and Roads, and any other land-related assets, including all buildings (community and operational) on Land.

Major Plant and Equipment includes all major machinery and equipment owned by the Council. It includes all trucks, graders, other operating machinery and major plant items with an original value of $5,000 or more. It does not include Minor Plant and Equipment.

Minor Plant and Equipment includes all minor plant and equipment owned by Council. It includes all loose tools, store items, furniture, second hand items removed from Major Plant and Equipment (such as air conditioners, bricks and pavers) and surplus bulk items (such as sand and gravel) with an original value likely to be less than $5,000.

Road has the same meaning as defined in the Act, being a public or private street, road or thoroughfare to which public access is available on a continuous or substantially continuous basis to vehicles or pedestrians or both and includes:

a)   A bridge, viaduct or subway; or

b)   An alley, laneway or walkway

Staff means Council staff, contractors, volunteers and all others who perform work on behalf of Council.

Valuation means a determination or assessment of value completed by a qualified and licensed valuer.

5.   POLICY PRINCIPLES

Council must have regard to the following principles in its disposal of Assets:

5.1   Encouragement of open and effective competition

5.2   Obtaining Value for Money

5.2.1   This is not restricted to price alone.

5.2.2   An assessment of value for money must include consideration of (where applicable):

5.2.2.1   the contribution to Council's long term financial plan and strategic management plans;

5.2.2.2   the contribution to Council's long term financial plan and strategic management plans;

5.2.2.3   any relevant direct and indirect benefits to Council, both tangible and intangible;

5.2.2.4   efficiency and effectiveness;

5.2.2.5   the costs of various disposal methods;

5.2.2.6   internal administration costs;

5.2.2.7   risk exposure; and

5.2.2.8   the value of any associated environmental benefits.

5.3   Ethical Behaviour and Fair Dealing

Council is to behave with impartiality, fairness, independence, openness and integrity in all discussions and negotiations.

5.4   Probity, Accountability, Transparency and Reporting

5.5   Ensuring compliance with all relevant legislation, including the following:

5.5.1   *Local Government Act 1999* (SA)

5.5.2   *Real Property Act 1886* (SA)

5.5.3   *Land and Business (Sale and Conveyancing) Act 1994* (SA)

5.5.4   *Development Act 1993* (SA)

5.5.5   *Retail and Commercial Leases Act 1995* (SA)

5.5.6   *Residential Tenancies Act 1995* (SA)

5.5.7   *Strata Titles Act 1988* (SA)

5.5.8   *Crown Land Management Act 2009* (SA)

5.5.9   *Community Titles Act 1996* (SA)

5.5.10   *Roads (Opening and Closing) Act 1991* (SA)

5.5.11   *Land Acquisition Act 1969* (SA)

6.   CONSIDERATIONS PRIOR TO DISPOSAL OF ASSETS

Any decision to dispose of an Asset will be made after considering (where applicable):

6.1   the usefulness of the Asset;

6.2   the current market value of the Asset;

6.3   the annual cost of maintenance;

6.4   any alternative future use of the Asset;

6.5   any potential contamination remediation costs;

6.6   any duplication of the Asset or the service provided by the Asset;

6.7   any impact the disposal of the Asset may have on the community;

6.8   any cultural or historical significance of the Asset;

6.9   the positive and negative impacts the disposal of the Asset may have on the operations of the Council;

6.10   the long term plans and strategic direction of the Council;

6.11   the remaining useful life of the Asset;

6.12   a benefit and risk analysis of the proposed disposal;

6.13   the results of any community consultation process;

6.14   any restrictions on the proposed disposal;

6.15   the content of any community land management plan; and

6.16   any other relevant policies of the Council, including the Prudential Management Policy.

7.   **DISPOSAL METHODS**

7.1   **Land Disposal**

7.1.1   The Council may resolve to dispose of Land.

7.1.2   Where the Land forms or formed a Road or part of a Road, the Council must ensure that the Land is closed under the *Roads (Opening and Closing) Act 1991* (SA) prior to its disposal.

7.1.3   Where Land is classified as Community Land, the Council must:

7.1.3.1   undertake public consultation in accordance with the Act and the Council's Public Consultation Policy; and

7.1.3.2   ensure that the process for the revocation of the classification of the Land as community land has been concluded prior to its disposal; and

7.1.3.3   comply with all other requirements under the Act in respect of the disposal of community land.

7.1.4   Where Land is classified as Community land, consideration should be given to impact the Disposal would have on the local community including assessment of the following:

7.1.4.1   Ecological Value – determined by the size of the Land, distance to core habitat, proportion of surrounding open space in close proximity to the site and extent of roads and sealed surfaces surrounding the site

7.1.4.2   Trees and vegetation – impact on existing trees and vegetation

7.1.4.3   Character and appeal – how is the Land currently used, landscaped and maintained and the facilities on the Land that benefit the community

7.1.4.4   Accessibility – proximity to nearby residents or businesses

7.1.4.5   Recreational value – size of the Land, current or possible use for formal or informal recreation and facilities on the Land suitable to facilitate formal or informal recreation

7.1.4.6   Cost of maintenance – annual costs to maintain the Land

7.1.5   The Council will, where appropriate, dispose of Land through one of the following methods:

7.1.5.1 **open market sale** - advertisement for disposal of the Land through the local paper and where appropriate, a paper circulating in the State, or by procuring the services of a licensed real estate agent and/or auctioneer (following compliance with the Council's Procurement Policy);

7.1.5.2 **expressions of interest** - seeking expressions of interest for the Land;

7.1.5.3 **select tender** - seeking tenders from a selected group of persons or companies;

7.1.5.4 **open tender** - openly seeking bids through tenders, including public auction;

7.1.5.5 **by negotiation** – with owners of land adjoining the Land or others with a pre-existing interest in the Land, or where the Land is to be used by a purchaser whose purpose for the Land is consistent with the Council's strategic objectives for the Land.

7.1.6 Selection of a suitable disposal method will include consideration of (where appropriate):

7.1.6.1 the number of known potential purchasers of the Land;

7.1.6.2 the original intention for the use of the Land;

7.1.6.3 the current and possible preferred future use of the Land;

7.1.6.4 the opportunity to promote local economic growth and development;

7.1.6.5 delegation limits, taking into consideration accountability, responsibility, operation efficiency and urgency of the disposal;

7.1.6.6 the total estimated value of the disposal; and

7.1.6.7 compliance with statutory and other obligations.

7.1.7 If Land is to be auctioned or placed on the open market or disposed of by an expression of interest, then (unless the Council resolves otherwise) one independent valuation must be obtained to establish the reserve price for the Land. The independent valuation must be made no more than 6 months prior to the proposed disposal.

7.1.8 If Land is to be disposed of via a select tender or direct sale, unless the Council resolves otherwise:

7.1.8.1 the sale or exchange of Roads under the *Roads (Opening and Closing) Act 1996* or Land that has a site value as valued by the Valuer-General at under $100,000 one independent valuation by a Valuer must be obtained to ensure that an appropriate market value is obtained;

7.1.8.2 where the Land has a site value as valued by the Valuer-General at greater than $100,000, a minimum of two independent valuations by a Valuer must be obtained to ensure that an appropriate market value is obtained;

7.1.8.3 The independent valuations must be made no more than 6 months prior to the Council resolving to dispose of the Land.

7.1.9 The Council will seek to dispose of Land at or above current market valuation, as determined by a Valuer, by whichever method is likely to provide the Council with a maximum return, unless there are reasons for the Council to accept a lesser return which is consistent with the Council's overall strategic direction. These reasons must be documented in writing.

7.1.10 If the disposal is not to be on the open market, the disposal should be at or above the current market valuation, as determined by a Valuer (with due regard to all associated costs to achieve the transaction or such other amount as the Council resolves).

7.1.11 The Council will not dispose of Land to any Council Member or Staff who have been involved in any process related to a decision to dispose of the Land and/or the establishment of a reserve price.

7.1.12 Unless resolved by Council, Elected Members and Staff will not be permitted to purchase Land unless the purchase is via an open tender process or a public auction, and the tender submitted or bid made is the highest.

7.1.13 Purchasers of Land must be required to agree in writing that before purchasing any Land that no warranty is given by the Council in respect of the suitability and condition of the Land for the recipient and that the Council will not be responsible for the Land in any respect following the disposal, unless otherwise agreed as part of a commercial negotiation.

7.1.14 Unless otherwise resolved by Council, net proceeds will be applied to general revenue to reduce borrowings and build cash reserves to fund future asset replacement or strategic land purchases. However the Council may consider the specific application of net proceeds where the Disposal is to fund a particular strategic purpose

7.2 **Disposal of Roads**

Roads, including unmade road reserves and walkways, form integral links in the vehicle and pedestrian network. Where these may have future requirements for vehicle or access connections, form part of strategic connections identified by the State Government as having State linkages or are identified in the Council's Trails Strategy, they should be retained by Council.

7.2.1 Roads that are not considered to be integral parts of these linkages could be considered for Disposal as surplus to community requirements and Council may consider expressions of interest from interested adjoining property owners to purchase.

7.2.2   Expressions of Interest for the purchase of the whole or portion of a Road are processed in the following manner:

7.2.2.1   Receipt of Application and payment of Application Fee (as set out in the annual fees and charges)

7.2.2.2   Internal assessment undertaken using the Local Government Association publication Unformed Public Road Strategic Direction and Use Instruction Manual

7.2.2.3   Where, following the internal assessment, Disposal is not considered to be appropriate, the application will be advised of the decision

7.2.2.4   Where, following the internal assessment, the Road is considered surplus to needs, the proposal will be progressed in accordance with the requirements of the *Roads (Opening and Closing) Act 1991* and the request for a valuation undertaken by a Valuer.

7.2.2.5   Where multiple adjoining land owners express an interest in the purchase of the same or similar area of Road and the interested parties are not able to reach agreement, the Council may choose to undertake the sale as a select tender process or not to progress with the road closure and sale.

7.2.2.6   Following completion of the public notification period, a report will be presented to Council for consideration

7.3   Major Plant and Equipment and Minor Plant and Equipment disposal

7.3.1   The disposal of Major Plant and Equipment and Minor Plant and Equipment will be the responsibility of the relevant Council Officer who is responsible for those assets.

7.3.2   The Council will, where appropriate, dispose of Major Plant and Equipment and Minor Plant and Equipment through one of the following methods:

7.3.2.1   *trade-in* – trading in equipment to suppliers;

7.3.2.2   *expressions of interest* – seeking expressions of interest from buyers including specialist resellers (minimum of 2 to be requested);

7.3.2.3   *select tender* – seeking tenders from a selected group of persons or companies;

7.3.2.4   *open tender* – openly seeking bids through tenders;

7.3.2.5   *public auction* – advertisement for auction through the local paper and, where appropriate, a paper circulating in the State, or procuring the services of an auctioneer (following compliance with the Council's Procurement Policy); including public auction websites but only auctioned and not as "fixed price"

7.3.2.6   *donation* – to community groups, charities, welfare or not for profit organisations.

7.3.2.7   d*estruction and/or recycling* – Where assets have no remaining useful life or any item which cannot be disposed of by sale or donation shall be destroyed and/or recycled.

- Where possible, all raw materials, parts and accessories shall be recycled for reuse.
- All non-recyclable materials shall be disposed of through the accepted waste management system.
- No material deposited within the waste stream shall be withdrawn for use.

7.3.3   Selection of a suitable method will include consideration of (where appropriate):

7.3.3.1   the public demand and interest in the Major Plant and Equipment and Minor Plant and Equipment;

7.3.3.2   the method most likely to return the highest revenue;

7.3.3.3   the value of the Major Plant and Equipment or Minor Plant and Equipment;

7.3.3.4   the costs of the disposal method compared to the expected returns;

7.3.3.5   compliance with statutory and other obligations; and

7.3.3.6   community benefit.

7.3.4   As a general rule, Minor Plant and Equipment, and in particular items with a value below $1,000, should not be disposed of individually. Where items are of low value, they may be kept until they can be bundled with other

compatible items to sell as a single lot. Minor Plant and equipment is generally disposed of via an expression of interest or public auction

7.3.5   Where Minor Plant & Equipment, whilst fit for purpose and functionally safe, is not considered suitable or viable for sale, it may be considered for donation to community groups, charities, welfare or not for profit organisations. Minor Plant & Equipment made available for donation will be advertised through the Council's social media channels with interested groups invited to submit offers of interest. Allocation of donated items will be made using available random selection tools so that no preferential treatment is provided.

7.3.6   Elected Members and Staff will not be permitted to purchase Major Plant and Equipment and Minor Plant and Equipment unless the purchase is via an open tender process or a public auction, and the tender submitted or bid made is the highest.

7.3.7   Purchasers of Major Plant and Equipment and Minor Plant and Equipment or recipients of donated Minor Plant and Equipment may be required to agree in writing that before purchasing any Major Plant and Equipment and Minor Plant and Equipment or receiving the donation of any Minor Plant and Equipment that no warranty is given by the Council in respect of the suitability and condition of the Asset for the recipient and that the Council will not be responsible for the Asset in any respect following the disposal.

7.4   **UNSOLICITED PROPOSALS TO PURCHASE LAND OR ASSETS OR PARTNER WITH COUNCIL USING ITS LAND OR ASSETS**

7.4.1   An unsolicited proposal is an approach to Council from a third party for the purchase of an Asset where the Council has not requested a proposal through its regular disposal or procurement processes.

7.4.2   Unsolicited proposals will only be considered where they could assist the Council to achieve its strategic objectives or satisfy a community need.

7.4.3   The act of receiving and assessing proposals cannot in any way compromise the performance of Council's statutory and regulatory functions.

7.4.4   An unsolicited proposal should be assessed in accordance with the Council's Unsolicited Proposals Policy (if any), and in the absence of an Unsolicited Proposals Policy, using the following criteria:

7.4.4.1   Can the Asset be disposed of in a competitive disposal process, if so then a competitive process should be undertaken;

7.4.4.2   Does the proposal align with the Council's Strategic Plan objectives;

7.4.4.3   What are the community benefits to the proposal; and

7.4.4.4   Is the disposal of Asset required to meet the outcome

7.4.5   Any unsolicited proposal that is assessed as being suitable for further consideration will be presented to Council for such consideration

8.   **CONSULTATION**

8.1   The Council must undertake public consultation in respect of its proposed disposals in accordance with the Act and its Public Consultation Policy at all times.

9.   **DELEGATIONS**

9.1   The disposal of Assets is to be undertaken in accordance with the delegations issued by the Council and the CEO and set out in the Council's Delegations Register.

9.2   The Chief Executive Officer has the delegation to:

   9.2.1   Approve, amend and review any procedures that shall be consistent with this Policy; and

   9.2.2   Make any formatting, nomenclature or other minor changes to the Policy during the period of its currency.

10.   **RECORDS**

10.1   The Council must record reasons for utilising a specific disposal method and where it uses a disposal method other than a tendering process.

11.   **EXEMPTIONS FROM THIS POLICY**

11.1   This Policy contains general guidelines to be followed by the Council in its disposal activities. There may be emergencies, or disposals in which a tender process will not necessarily deliver best outcome for the Council, and other market approaches may be more appropriate. In certain circumstances, the Council may, after approval from its Council Members, waive application of this Policy and pursue a method which will bring the best outcome for the Council. The Council must record its reasons in writing for waiving application of this Policy.

12.   **COMPLIANCE**

12.1   Breaches of this policy are addressed using the Organisational Development Coaching, Performance Management and Discipline Procedure.

13.   **AVAILABILITY OF THE POLICY**

13.1   This Policy will be available for inspection at the Council's Offices during ordinary business hours and via the Council's website www.ahc.sa.gov.au. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

Appendix 2
Disposal of Land Policy

COUNCIL POLICY

DISPOSAL OF LAND

Policy Number:	**INF-01**
Responsible Department(s):	**Governance & Risk**
Relevant Delegations:	**Nil**
Other Relevant Policies:	**Prudential Management Asset Management Service Range Service Level**
Relevant Procedure(s):	**Nil**
Relevant Legislation:	**Local Government Act 1999**
Policies and Procedures Superseded by this policy on its Adoption:	**15 June 2010, Item 10.3, 159**
Adoption Authority:	**SPDPC**
Date of Adoption:	**8 July 2014**
Effective From:	**21 July 2014**
Minute Reference for Adoption:	**Item 12.1, 41**
Next Review:	**No later than June 2017**

DISPOSAL OF LAND

1.   INTRODUCTION

1.1   This Disposal of Land Policy (Policy) outlines the principles and processes the Council will follow in relation to disposal of land vested in Council in fee simple or as lessee.

1.2   This Policy seeks to:
    1.2.1   define the methods by which Land are disposed of;
    1.2.2   demonstrate accountability and responsibility of Council to ratepayers;
    1.2.3   be fair and equitable to all parties involved;
    1.2.4   enable all processes to be monitored and recorded; and
    1.2.5   ensure that the best possible outcome is achieved for the Council.

1.3   Furthermore, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards:
    1.3.1   obtaining value in the expenditure of public money; and
    1.3.2   providing for ethical and fair treatment of participants; and
    1.3.3   ensuring probity, accountability and transparency in all disposal processes.

1.4   However, this Policy does not cover:
    1.4.1   Land sold by Council for the non-payment of rates as this is dealt with in the Act.

2.   LAND DEFINITION

2.1   **Land** includes community land, vacant land, operational land, road reserves, any legal interest in land, and any other land-related assets, including all buildings (community and operational) on Land.

3.   POLICY PRINCIPLES

Council must have regard to the following principles in its disposal of:

3.1   *Encouragement of open and effective competition*

3.2   *Obtaining Value for Money*
    3.2.1   This is not restricted to price alone.
    3.2.2   An assessment of value for money must include consideration of (where applicable):
        3.2.2.1   the contribution to Council's long term financial plan and strategic management plans;
        3.2.2.2   any relevant direct and indirect benefits to Council, both tangible and intangible;
        3.2.2.3   efficiency and effectiveness;
        3.2.2.4   the costs of various disposal methods;
        3.2.2.5   internal administration costs;
        3.2.2.6   risk exposure; and
        3.2.2.7   the value of any associated environmental benefits.

    3.3   *Ethical Behaviour and Fair Dealing*

        Council is to behave with impartiality, fairness, independence, openness and integrity in all discussions and negotiations.

    3.4   *Probity, Accountability, Transparency and Reporting*

    3.5   *Ensuring compliance with all relevant legislation*
        Including the following:
        3.5.1   *Local Government Act 1999* (SA)
        3.5.2   *Real Property Act 1886* (SA)
        3.5.3   *Land and Business (Sale and Conveyancing) Act 1994* (SA)
        3.5.4   *Development Act 1993* (SA)
        3.5.5   *Retail and Commercial Leases Act 1995* (SA)
        3.5.6   *Residential Tenancies Act 1995* (SA)
        3.5.7   *Strata Titles Act 1988* (SA)
        3.5.8   *Crown Land Management Act 2009 (*SA)
        3.5.9   *Community Titles Act 1996* (SA)
        3.5.10 *Roads (Opening and Closing) Act 1991* (SA)
        3.5.11 *Land Acquisition Act 1969* (SA).

4.   CONSIDERATIONS PRIOR TO DISPOSAL OF LAND

Any decision to dispose of Land will be made after considering (where applicable):

    4.1   the usefulness of the Land;

    4.2   the current market value of the Land;

    4.3   the annual cost of maintenance;

    4.4   any alternative future use of the Land;

    4.5   any duplication of the Land or the service provided by the Land;

    4.6   any impact the disposal of the Land may have on the community;

    4.7   any cultural or historical significance of the Land;

    4.8   the positive and negative impacts the disposal of the Land may have on the operations of the Council;

    4.9   the long term plans and strategic direction of the Council;

    4.10 the remaining useful life, particularly of building or infrastructure on the Land;

    4.11 a benefit and risk analysis of the proposed disposal;

    4.12 the results of any community consultation process;

    4.13 any restrictions on the proposed disposal;

    4.14 the content of any community land management plan; and

4.15 any other relevant policies of the Council, including:
    4.15.1 its Service Range Policy and associated Service Level Policies; and
    4.15.2 its Internal Financial Controls Policy and Prudential Management Policy.

5. DISPOSAL METHODS

5.1 The Council may resolve to dispose of Land.

5.2 Where the Land forms or formed a road or part of a road, the Council must ensure that the Land is closed under the *Roads Opening and Closing Act 1991* (SA) prior to its disposal.

5.3 Where Land is classified as community land, the Council must:
    5.3.1 undertake public consultation in accordance with the Act and the Council's public consultation policy; and
    5.3.2 ensure that the process for the revocation of the classification of Land as community land has been concluded prior to its disposal; and
    5.3.3 comply with all other requirements under the Act in respect of the disposal of community land.

5.4 Where the Council proposes to dispose of Land through the grant of a leasehold interest, the Council must have complied with its obligations under the Act, including its public consultation obligations under Section 202 of the Act.

5.5 The Council will, where appropriate, dispose of Land through one of the following methods:
    5.5.1 open market methods of sale including:
        5.5.1.1 open tender;
        5.5.1.2 expression of interest; or
        5.5.1.3 auction
    5.5.2 alternative methods of sale including:
        5.5.2.1 select tender;
        5.5.2.2 by negotiation

6. OPEN MARKET METHODS OF SALE

6.1 As a general principle, most of the land owned by the Council available for disposal will be offered by way of public tender or auction to ensure that:
    6.1.1 the public has equal rights and opportunity to purchase the land;
    6.1.2 the fair market value for the property will be identified; and
    6.1.3 the disposal process will be transparent.

6.2 Sales best suited to public tender are those where special conditions are required including covenants on land and where there is a special interest or demand.

6.3   Sales where there is a general high demand or the sale is to be unconditional are suited to public auctions. If land is to be sold at a public auction the Council can resolve to accept the price provided by the highest bidder or to subsequently engage in direct negotiation.

6.4   If Land is to be auctioned or placed on the open market or disposed of by an expression of interest, then (unless the Council resolves otherwise) one independent valuation must be obtained to establish the reserve price for the Land. The independent valuation must be made no more than 6 months prior to the proposed disposal.

7.   ALTERNATE METHODS OF SALE

7.1   The Council may consider a sale or disposal other than through the open market based (i.e. select tender or by negotiation) on individual case merits. These circumstances may include but are not necessarily limited to the following:

   7.1.1   land that is restricted due to its small size, dimensions or irregular shape and which would not readily support a self-contained development outcome;

   7.1.2   land that has no legal access;

   7.1.3   land to be developed by another level of government;

   7.1.4   preferred future use for the land as identified by the Council;

   7.1.5   land of nominal value;

   7.1.6   land for inclusion with an adjacent holding; and

   7.1.7   land that will complement a proposed development on an adjoining site, the sale of which is consistent with the Council's objectives.

7.2   In such circumstances the Council may elect to negotiate directly with the relevant party or engage in a select tender.

7.3   If Land is to be disposed of via a select tender or direct sale, then (unless the Council resolves otherwise) one independent valuation must be obtained to ensure that an appropriate market value is obtained. The independent valuation must be made no more than 6 months prior to the proposed disposal.

8.   SELECTION OF DISPOSAL METHOD

8.1   Selection of a suitable disposal method will include consideration of (where appropriate):

   8.1.1   the number of known potential purchasers of the Land;

   8.1.2   the original intention for the use of the Land;

   8.1.3   the current and possible preferred future use of the Land;

   8.1.4   the opportunity to promote local economic growth and development;

   8.1.5   delegation limits, taking into consideration accountability, responsibility, operation efficiency and urgency of the disposal;

   8.1.6   the total estimated value of the disposal; and

   8.1.7   compliance with statutory and other obligations.

8.2   The Council will seek to dispose of Land at or above current market valuation by whichever method is likely to provide the Council with a maximum return, unless there are reasons for the Council to accept a lesser return which is consistent with the Council's overall strategic direction. These reasons must be documented in writing.

9.   AVAILABILITY OF THE POLICY

9.1.   This Policy will be available for inspection at the Council's Offices during ordinary business hours and via the Council's website www.ahc.sa.gov.au. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

Appendix 3
Disposal of Materials Policy

COUNCIL POLICY

	DISPOSAL OF MATERIALS

Policy Number:	**INF-04**
Responsible Department(s):	**Finance**
Relevant Delegations:	**None**
Other Relevant Policies:	**None**
Relevant Procedure(s):	**None**
Relevant Legislation	**None**
Policies and Procedures Superseded by this policy on its Adoption:	**9 July 1998, Item 22.2.2, P490, R566** **18 July 2006, Item 10.2.2, P47**
Adoption Authority:	**Council**
Date of Adoption:	**13 November 2012**
Minute Reference for Adoption:	**Item 10.2, 280**
Next Review:	**No later than November 2014, or as required.**

DISPOSAL OF MATERIALS

1 INTRODUCTION

The identification and disposal of items and material at the Adelaide Hills Council will be a regulated and documented procedure that will be carried out though the use of one of the following methods:

1. Trade In or Replacement Item
2. Sale by public auction or tender
3. General Public Sale
4. Disposal by Staff Silent Auction
5. Donation
6. Destroyed and/or Recycled

This policy does not apply to the replacement or sale of Motor Vehicles.

2 OBJECTIVES

The objectives of this policy are:

- To demonstrate the accountability and responsibility of the Adelaide Hills Council to its ratepayers;
- To treat all parties involved fairly and equitably; and
- To monitor and record all processes related to the disposal of surplus material in a transparent and open manner

3 DEFINITIONS

The following definitions shall apply in relation to this policy:

'Surplus Material' includes excess material stocks in hand, plant and equipment no longer required, plant and equipment no longer operational, and material, plant and equipment recovered during operations, including fittings and fixtures, furniture and surplus electronic equipment.

'Value of Items' shall be based on the replacement cost of the item less an allowance for wear and tear over the period of use and/or depreciation.

4 PROCEDURE

4.1 Surplus items due to damage or failure

1. An estimate or quote for repairs is to be obtained.
2. If the item is not able to be repaired or if the cost exceeds the value of the item OR is more than $250.00, the item will be stored securely pending disposal.
3. If the cost of repairs is less than 60% of the value of the item AND is less than $250.00, the repairs will be completed and the item returned to operation.
4. If disposal is approved, items shall be stored in a secure location pending disposal.

4.2 Surplus items with potential for re-use

1. Items which have re-use potential shall be advertised to all other Adelaide Hills Council departments.
2. Where items are required by other departments, the asset shall be transferred to applicable department, by that department.
3. Items which are not required by other departments shall be stored in a secure location pending disposal.
4. Evidence of this transaction will be recorded and trimmed as a record by the appropriate officer or Department Head

4.3 Surplus items with no potential for re-use

Items which cannot be repaired or have no reuse potential shall be stored in a secure location pending disposal.

5 METHODS OF DISPOSAL

Disposal of surplus material, fittings, fixtures, furniture and other items at the Adelaide Hills Council shall be carried out by one of the following methods:

1. Trade In or Replacement Item
2. Sale by public auction or tender
3. General Public Sale
4. Disposal by Staff Silent Auction
5. Donation to Community Group (preferably local)
6. Destroyed and/or Recycled

5.1 Trade In On Replacements

Items suitable for trade-in or replacement should be stored in a secure location pending trade in. Such items should not be withdrawn from storage unless authorised by a Director or Manager for emergency purposes.

5.2 Sale by Public Auction or Tender

Items may be disposed of by either Public Auction or by tender depending on which method has the best market potential. As a general rule, items with a value below $1,000.00 should not be disposed of by tender. Where items are of a particularly low value, they may be held to provide a viable auction lot as a group.

Items or lots may be sent to a public auction off site or may be held until sufficient items are available to warrant an on-site auction. Where on-site auctions are held Council employees are able to bid on items.

The business unit within Council responsible for the items to be disposed of will be responsible for finding the storage space and any budget required for the accommodation of the items to be auctioned. This will include the cost of transport, auctioning or disposal cost.

5.3   General Public Sale

Items may be disposed of by General Public Sale. General Public Sales can be:

- advertised through local newspapers at least two weeks prior to the date of the sale
- sold on Ebay, either by "auction" or "fixed price".

Where a general public sale method is used Council employees may purchase items.

5.4   Disposal by Staff Silent Auction

Items with a re-sale value of $150 or less may be offered to staff by way of a Silent Auction. This is to be arranged by the business unit holding the items for disposal.

5.5   Donation

Items with no probable reuse potential may be donated free of charge to a Community group (preferably local), and after consultation with Elected Members. Any such donation should be authorised by the Chief Executive Officer and the full details recorded and trimmed in Council's record system.

Allocation of donations shall be on a first come first served basis following written requests from individuals or organisations.

No item with a residual value in excess of $500.00 shall be donated without specific Council approval.

5.6   Destruction and/or Recycling

Any item which cannot be disposed of by sale or donation shall be destroyed and/or recycled.

Where possible, all raw materials, parts and accessories shall be recycled for reuse. All non-recyclable materials shall be disposed of through the accepted waste management system. No material deposited within the waste stream shall be withdrawn for use.

Item:	**6.9**
Originating Officer:	**Lachlan Miller, Executive Manager Governance and Performance**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**Risk Management Plan Update**
For:	**Information**

SUMMARY

This report provides the Audit Committee with an update on Risk Management activities including the current status of the Strategic Risk Profile and Management Plan.

In relation to the Strategic Risk assessments, there has been no change to the Inherent, Residual or Target risk ratings for the quarter.

In relation to the implementation of Mitigation Actions to manage the Strategic Risks, the following results have been achieved which is an improvement on the May 2019 results:

- Residual Risk: Nil change
- New Mitigation(s):   3 new mitigations identified
- Completed: 61% (48) is lower with 2 completed actions
- In Progress: Increase to 37%(29) from 33% (26)
- Not Commenced: Decrease from 3% to 2%

RECOMMENDATION

The Audit Committee resolves that the report be received and noted.

1.   GOVERNANCE

Goal   Organisational Sustainability
Strategy   Risk and Responsibility

Updating the risk management framework addresses workplace health and safety, emergency management, business continuity, public liability and legislative accountability and assists in meeting legislative and good governance responsibilities and obligations.

➢ **Legal Implications**

A number of sections of the *Local Government Act 1999* require councils to identify and manage the risks associated with its functions and activities. Further, s125 requires council to have appropriate internal controls.

Similarly the *Work Health & Safety Act 2012* is structured around the protection of workers and others against harm to their health, safety and welfare through the elimination or minimisation of risk arising from work or specified substances or plant.

➢ **Risk Management Implications**

Improvements in the implementation of the risk management framework will assist in mitigating the risk of:

A lack of effective risk management occurs which leads to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (4D)	Medium (4D)

Note that there are many other controls that assist in mitigating this risk.

➢ **Financial and Resource Implications**

While there are no direct financial or resource implications from this report, a number of Strategic Risk Profile and Management Plan treatments are impacted by funding limitations.

➢ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate corporate governance processes in place including an effective corporate risk management system.

➢ **Environmental Implications**

Environmental matters have been considered within the development of the Strategic Risk Profile and Management Plan.

➢ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Consultation has occurred internally with the Strategic Risk Owners.

Council Committees:	Not Applicable
Advisory Groups:	Not Applicable
Administration:	Director Corporate Services
	Director Community Capacity
	Director Development & Regulatory Services
	Director Infrastructure & Operations
	Executive Manager Governance & Performance
	Executive Manager Organisational Development
	Manager ICT
	Manager Waste & Emergency Management

Manager Property Services
Manager Sustainable Assets
Manager Economic Development
Manager Open Space
Senior Strategic & Policy Planner
Procurement Project Officer
Biodiversity Officer

Community: Not Applicable

2.   BACKGROUND

Council's Strategic Risk Profile monitoring and reporting process has been in place since 2014 based on the, then, current Risk Management Policy and the Risk Management Framework.

The allocation of risk owners has been reviewed over time due to changes in the portfolio allocation within the Administration. The current allocations have been in place since May 2017.

Reports on the Strategic Risk Profile have been provided to the Audit Committee and subsequently Council on a quarterly basis since February 2016.

At its 13 May 2019 meeting, the Committee reviewed the Risk Management Policy and noted that only minor nomenclature changes were required, prior to recommending it for Council's consideration.

Council adopted the revised Policy at its 28 May 2019 meeting.

3.   ANALYSIS

Strategic Risk Profile

The Strategic Risks are regularly reviewed by the risk owners responding to triggers in the risk environment, changes in causation or impact, changes in the control environment and on the completion of mitigation actions (which then form part of the control environment) which collectively can impact the likelihood and/or consequence of the risk.

While an extract of the Strategic Risk Register is usually provided to the Committee and Council, at its 13 May 2019 meeting the Committee requested that the full Register be provided for the Committee's review. As was noted at the time, the full Register is quite large and therefore difficult to produce in a comprehensible form, nevertheless it is at *Appendix 1*.

The Strategic Risks were recently reassessed and the following diagrams depict the Inherent, Residual and Target ratings. There has been no change to the Inherent or Target risk ratings from the May 2019 assessment.

There has been no change in the Residual Risk rating for the reporting period. Whilst this may be problematic if the risk were not being reviewed, officers regularly review their risks

and mitigations, although the Residual Risk rating identifies no change for the reporting period.

Inherent Risk

Medium 0%
Low 0%
High 8%
Extreme 92%

Residual Risk

Extreme 0%
Low 15%
High 23%
Medium 62%

Target Risk

Extreme 0%
High 0%
Low 31%
Medium 69%
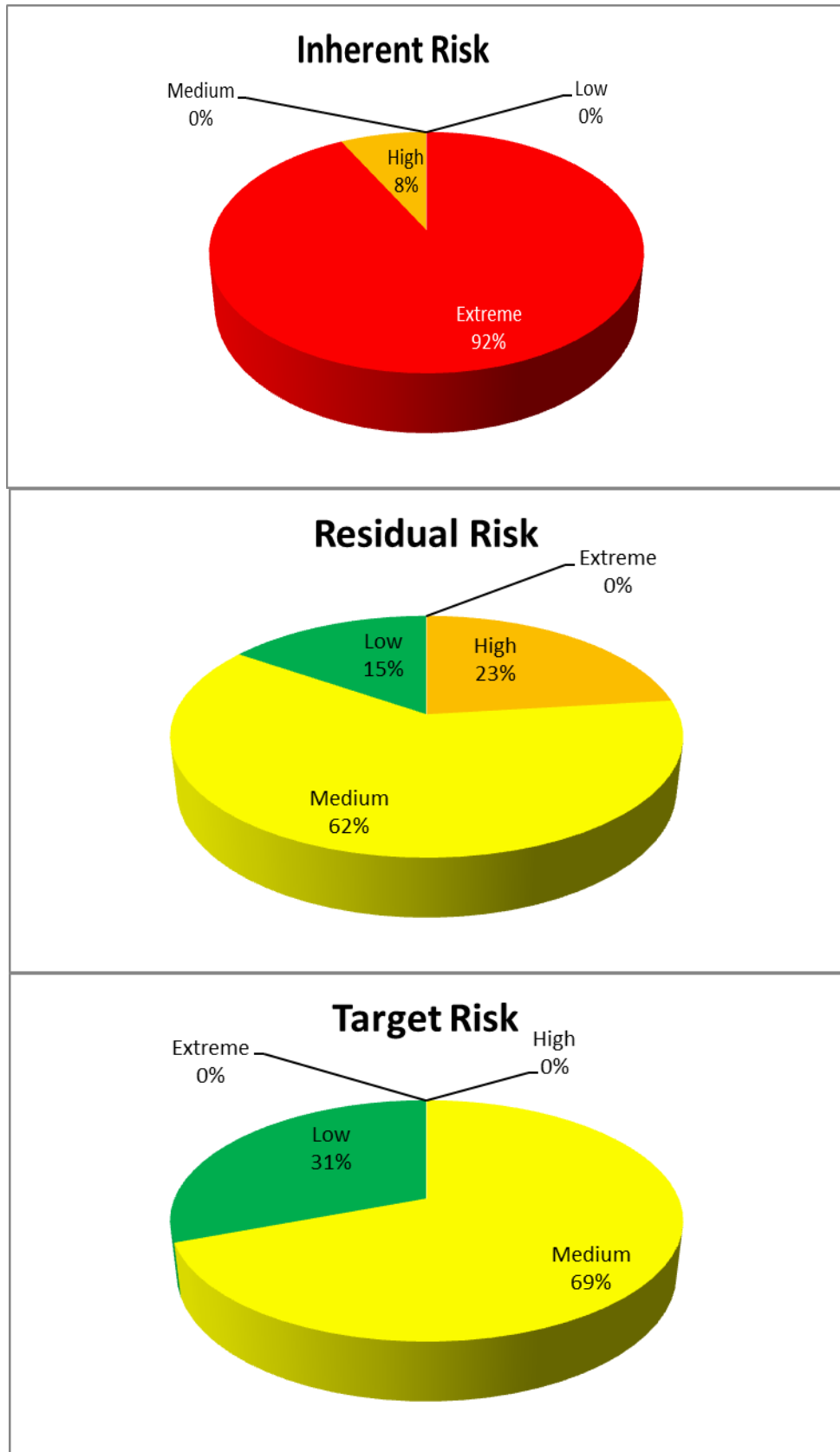
The implementation of Mitigation Actions has been progressing steadily. The current status is:

Status	November 2018	February 2019	May 2019	August 2019
Completed	62% (48 actions)	64% (50 actions)	64% (50 actions)	61% (48 actions)
In Progress	37% (29 actions)	35% (27 actions)	33% (26 actions)	37% (29 actions)
Not Commenced	1% (1 action)	1% (1 action)	3% (2 actions)	2% (2 actions)
New Initiatives (in above totals)	2 actions	Nil actions	Nil actions	3 actions

This is shown diagrammatically below:
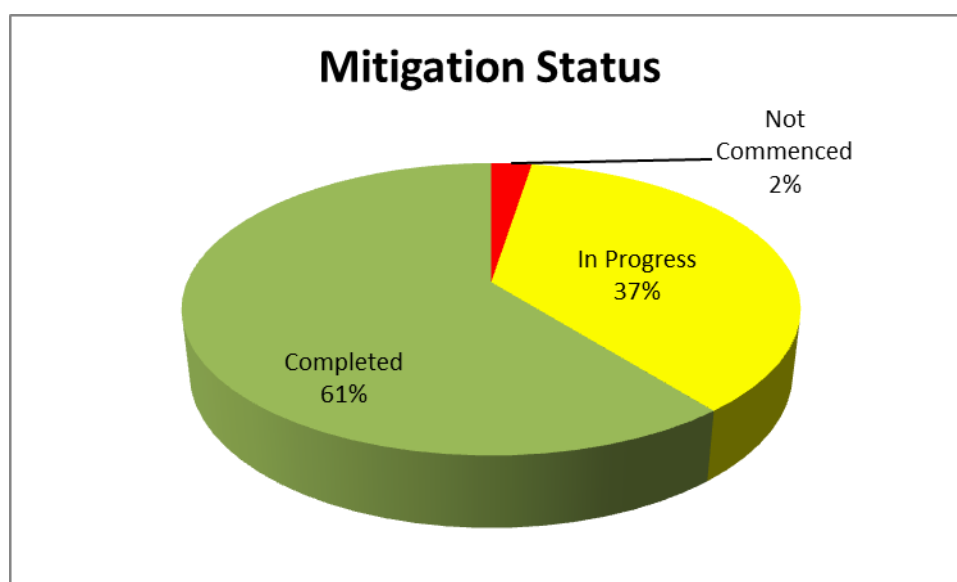
4. OPTIONS

The Audit Committee has the following options:

I.   To note the update on the Strategic Risk Profile as presented (recommended),

II.   To determine not to note either or both updates and/or identify additional actions to be undertaken.

5. APPENDICES

(1)   Strategic Risk Register

Appendix 1

Strategic Risk Register

	Work unit/activity being assessed: AHC Strategic Risk Assessment								Assessment conducted by: ELT					Assessment date: 06 August 2019										

Context: To conduct a strategic risk assessment for the Adelaide Hills Council focusing on the function of the Council under the Local Government Act 1999.

No	Risk Statement (use the situation-consequence technique)	Causes & Impact	Risk Owner	Category	Consequence	Likelihood	Risk Rating	Details	Effectiveness	Consequence	Likelihood	Risk Rating	Date of assessment	Mitigation actions required (According to Risk Management Framework)	Next assessment no later than	Mitigation Number	Mitigation Action	Responsible Officer	Original Due Date	Progress	Status Comment	Move to controls (Y/N)	Revised Due Date	Target Rating
1	Failure to plan at the local and regional level for the future development and future requirements of the area. (F)	**Cause:** - Poor understanding of development, infrastructure, population, transport, demographics and trends - Ineffective liaison with state and federal planning and development agencies. - Unresponsive Development Plan that inappropriately restricts development opportunities & results in poor development outcomes. - Ineffective strategies to enhance and conserve character areas and iconic sites. - Poor place making strategies. - Deficient planning and building rules consent practices. - Ineffective infrastructure planning processes. - Lack of appropriately trained and experienced staff. - Poor business planning and budgeting processes to allocate sufficient resources to functions. **Impact:** - Poor planning & development outcomes, ad-hoc & reactionary planning, unresponsive approaches to addressing community needs and trends - Uncoordinated approaches to infrastructure provision, lack of partnership & funding arrangements, lack of collaborative & mutually beneficial outcomes for community, Council and State Govt., duplication of services & resources - Disempowered community with poor and inefficient use of public spaces - Dysfunctional organisation with a poor reputation resulting in community dissatisfaction with level and type of service provision resulting in a Council regime change - Non-compliant with legislative responsibilities resulting in considerable liability exposure - Inconsistent and misdirected operations and service provision	Director Development & Regulatory Services	Corporate Objectives	Major	Likely	Extreme (4B)	- Development Policy Planning function in place to monitor, analyse and advise - Program of conversion of Development Plan into the Planning & Design Code established - Up to date Development Plan in place - Privately -funded DPA and other development-related policies in place - Participation in relevant forums with State & Federal Govt and other stakeholder groups regarding any changes to development policy - Undertake responsibilities outlined in the Collaborative Work Plan between DPTI and Council regarding transitioning to the new Planning, Development & Infrastructure (PDI) Act 2016 - Transition the and amend where required the Council's Development Plan to the Planning & Design Code over the next 3 years in accordance with the PDI Act - Precinct Planning Framework and expertise in place - Skilled and experienced planning, building, infrastructure, sport & recreation planning, community development and economic development teams in place - Community engagement and consultation methodologies in place to accord with the Community Engagement Charter - Relevant development assessment staff and CAP members accredited in accordance with the State's Accreditation Scheme - 4x8 processes identifying training and development needs - Development and PDI Act delegations and sub-delegations - CAP in place and functioning - Adopted District Master Plan in place - Regional Climate Change Adaptation Plan - Resilient Hills and Coast - Completion of outstanding Development Plan Amendment (i.e. the Local Heritage DPA)	Good	Minor	Unlikely	Low (2D)	31/10/18	Minimum annual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	31/10/19	1	Rollout of Precinct Planning methodologies as projects are identified	Director I&W	Ongoing	COMPLETE	COMPLETED. Rolled out Uraidla & Gumeracha project. Place Making Group established to identify and roll out future projects	Y	NA	Low
																2	Progression of outstanding DPA: Local Heritage (Stage 1 DPA) to be lodged with the Minister for approval in May 2018	Senior Strategic & Policy Planner	28/2/16	COMPLETE	COMPLETED. DPA approved by SPDPC on 14 August 2018 and with the Minister for Planning for approval. Response received from Minister on 9 April 2019 and minor suggested amendments requested. These were adopted at a Sepcial SPDPC meeting on 14 May 2019 and the DPA was sent back to the Minister on 16 May 2019.	y	30/11/18	
																3	Implementation of Planning, Development & Infrastructure Act reforms	Manager Development Services Senior Strategic & Policy Planner	31/07/20	IN PROGRESS	IN PROGRESS: The PDI Act being rolled out in stages and to be fully operational by July 2020. A Collaborative Work Plan between DPTI & Council has been executed. Ongoing transition to the new legislation will continue over the next 18 months	N	1/07/20	
																4	Transition of Development Plan into the new Planning & Design Code	Senior Strategic & Policy Planner	31/07/20	IN PROGRESS	IN PROGRESS: Changes to the Rural Planning Policy to be incorporated into development of Planning & Design Code. Entire Development Plan to be transitioned into the aforementioned Code by July 2020. Phase 3 of the Code is expected to available from DPTI for review in October 2019 at which time a workshops with Council Members will occur	N	1/07/20	
																5	Asset Management Planning - renewal and future requirements	Director I&W	30/06/16	IN PROGRESS	IN PROGRESS. Asset Management Plan reviews underway, and ongoing	Y	Ongoing	
																6	Regional Climate Change Adaptation Plan - Resilient Hills and Coast	Director I&W	31/12/21	COMPLETE	COMPLETED. Plan endorsed by Council 27/09/16	Y	NA	
2	Failure to deliver projects, programs and services in accordance with plans (time, budget, quality)	**Causes:** - Ineffective Budget Bid process (ineffective cost estimates preparation; possible lack of understanding of budget and budget process; - Unrealistic timeframes e.g. 12 months for design, consultation and delivery; Change or poorly defined scope; Inadequate specifications and documentation and design; Lack of stakeholder engagement. - Lack of effective consistent project management methodologies - Unforeseen weather and climate conditions, - Lack of appropriate plant and equipment, - Poor contractor management, - Lack of resources (Lack of adequate skilled resources; Loss of key staff,) - Change in government legislation or policy, - Reduction in grant funding, - Lack of scheduled maintenance - Unclear Service ranges and levels **Impact:** - Cost of projects escalates, unbudgeted spending, impacts on delivery of the projects - Damage to Council reputation - Outcomes of the project delivered fails to meet community's expectations - Weaknesses in infrastructure necessitating increased maintenance	Director Infrastructure & Ops	Finance & Assets	Major	Likely	Extreme (4B)	- Monthly capital reports from finance - Regular team meetings with project updates - Quarterly budget review process - 3 Year Capital Program - Procurement policy - Process and qualified staff/teams - Project reporting process - Panel contractors - Legislation and policy - KPI monitoring and reporting - Financial Reporting	Marginal	Moderate	Possible	Medium (3C)	31/10/18	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	27/07/16	1	Project Management a) Implementation of Project management framework. A trial with Built and Natural Assets is underway since 1/7/15. A review was undertaken in 2016 to assess and refine framework. Further review required now that Manager Civil Services appointed b) Process to audit and check project management. c) Implementation of scheduled program maintenance,	Director I&W	30/06/16	IN PROGRESS	IN PROGRESS. First review process has been undertaken, and capital project checklist put into place. Further review to be undertaken over coming months to ensure alignment with PMBOK (Project Management Body of Knowledge). Programmed Maintenance Programs now in place, and Project Management Documentation now being developed.	Y	30/12/19	Medium
																2	Refine the budget bid process to ensure that sufficient time is allocated to cost budget submissions and also timing recognising that some projects will need to span across multiple years due to lead times associated with planning, consultation and approvals. Action: develop a budget bid database with a two stage process by 30/3/2016	Director I&W	30/01/16	COMPLETE	COMPLETED. Initial 3 year program developed for 2017/18 ABP.	Y	NA	
																3	Start to promote multiple year project planning in line with Asset Management Planning	Director I&W	30/06/16	COMPLETE	COMPLETED. 3 Year Capital Program has been established, which help to achieve this goal.	Y	NA	
																4	Develop process in conjunction with Organisational Development to transfer knowledge once an employee has notified intent to leave the organisation (i.e. to capture staff knowledge with consideration of succession planning and transition to retirement)	Director I&W	30/09/16	IN PROGRESS	IN PROGRESS. Process development underway, however progress has stalled due to other delivery priorities. Looking to reinvest in this process development over the coming months.	N	30/12/19	

	Section 1: Risk identification			Section 2: Inherent Risk				Section 3: Controls		Section 4: Residual Risk				Section 5: Risk Evaluation		Section 6: Risk Mitigation								
No	Risk Statement (use the situation-consequence technique)	Causes & Impact	Risk Owner	Category	Consequence	Likelihood	Risk Rating	Details	Effectiveness	Consequence	Likelihood	Risk Rating	Date of assessment	Mitigation actions required (According to Risk Management Framework)	Next assess-ment no later than	Mitigation Number	Mitigation Action	Responsible Officer	Original Due Date	Progress	Status Comment	Move to controls (Y/N)	Revised Due Date	Target Rating
																5	Amend LTFP and budget processes to capture all Strategic and Functional Strategy funding requirements.	Manager Fianancal Servcies	30/06/18	COMPLETE	COMPLETED: 2018/19 Budget adopted based on a revised LTFP that captured all Strategic and Functional Strategies.	Y	NA	
3	Failure to provide for the welfare, well-being and interests of the community (F)	**Cause**: - Ineffective public health programs (food, immunisation, waste water) - Ineffective community development programs - Failure to identify and respond to key community issues - Poor understanding of cultural and diversity issues in community. - Lack of effective active and passive recreation participation strategies. - Ineffective strategies to work with vulnerable members of the community. - Inappropriate behaviour of community facility users. - Unaffordable rates, fees and charges - Ineffective regulatory services activities (including management of dogs, noise, parking) - Poor facilities **Impact**: - Food poisoning, insanitary conditions, etc. - Decreased wellbeing and an over-reliance on social support - Loss of faith in Council's ability to meet community needs - Inability for people from diverse backgrounds to live/participate in the community - Decreased health and wellbeing across the community - Inability/difficulty for people of all socioeconomic backgrounds to live in the district - cultural disrespect	Director Community Capacity	Community, Social & reputational	Major	Likely	Extreme (5B)	- Well resourced department, with qualified staff making informed and evidence based decisions. - Regulatory responsibilities that incorporate inspection regimes, education and prosecution where necessary within a highly regulated environment. - Existence of Community Strategy - with identified community needs, gaps in service provision and reprioritised our CD efforts. Adopted June 2015. - Mandated 4-yearly development of strategic plan, incorporating community engagement, ensures effort is made periodically to understand issues important to the community. - Community engagement policy and other relevant policies - Regular satisfaction surveys and program evaluations. - Communicate with empathy, regular informal contact with the community. - Local engagement via Community Centres is occurring with cultural groups. - Ad-hoc engagement on an as-needs basis. - Development of the Reconciliation Action Plan (2015). - Disability Action Plan (2011)., Age Friendly Community Plan (2017) - Staff cultural awareness training. - Recreation and Open Space Planner position created in early 2016. - New Sport & Recreation Strategy was developed and adopted in Oct 2016. - Services currently being provided for vulnerable individuals including in-home support, centre based programs, events, support activities and advocacy. - Codes of conduct in place in some programs/services. - LTFP with sustainable and reasonable rates growth profile. Annual review process for fees and charges incorporates review by Exec and Council Members to ensure control. Internal efficiency improvement program aims to keep costs down. Volunteer Management Policy and Strategy. Well established and funded volunteer based programs. Little reliance on external funding. Safe Environments Policy has been adopted. AHC is now registered on the DCSI system for suitability for work screening and all existing staff in prescribed positions have now been checked.	Marginal	Moderate	Unlikely	Medium (3D)	5/08/19	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	1/02/20	1	Community Cultural Development Officer to develop Cultural Development principles and framework	Manager Community Development	31/12/16		IN PROGRESS, but will be delayed due to other priorities assigned to this role.	N	30/06/19	
																3	Review Disability Action Plan and inform budget accordingly.	Manager Community Development	31/12/16		IN PROGRESS. New legislation has recently passed parliament, and we await Ministerial Guidelines under that legislation, which will define the requirements for Council Disability Inclusion Action Plans.	N	30/06/19	Medium
																6	Review facility management arrangements. Develop a more consistent approach to community facility users conduct across the various program areas.	Manager Property	31/12/16		IN PROGRESS. Action Plan endorsed by Council for review of facilities under a Community and Recreational Facilities Framework. Revised due date established. A number of workshops held with Council and Framework endorsed. Action plan now being progressed. Workshop held with Council in Feb '19, followed by the establishment of a working group to further progress the matter.	N	30/06/20	
4	Failure to take measures to protect the community from natural and other hazards (F)	**Cause:** - Poor fire prevention initiatives - Poor flood protection initiatives - Poor wind protection initiatives - Ineffective emergency management regimes - Ineffective asset maintenance and replacement plans and programs - Lack of participation in regional emergency management arrangements - Noncompliance with legislation - Poor Business Continuity Plan - Insufficient budget - Ineffective planning and preparations **Impact:** - Significant property loss and damage - Loss of life, injury - Reputational damage - Exposure to liability and penalty - Loss of community normality - Council services stretched and some	Exec Manager Governance & Performance	Community, Social & reputational	Catastrophic	Likely	Extreme (5B)	- Participation in regional EM arrangements through the ZEMC, and the AMLRBMC and cooperation with other councils and agencies re EM - Provision of assistance to control agencies and the community to respond to emergency incidents as they arise and work with local units to resolve localised issues relating to EM. - Provision of assistance to the community and to relevant government and non-government agencies assist recovery from emergencies. - Contribute to, support and participate in community education programs including the SES Flood Safe Program, Red Cross REDiPlan program and CFS Community Fire Safety Meetings. - Ongoing replacement and maintenance of Council's infrastructure through implementation of Council's AMP and proactive and reactive maintenance programs including stormwater infrastructure (including Flood Plain Modelling), fire track maintenance and street sweeping program. - Ongoing fuel reduction programs on high risk Council owned land including woody weed control, slashing and maintenance of asset protection zones. - Ensure ongoing compliance with the F&ES Act 2005 including annual property inspections to ensure community compliance with requirements of the Act, respond to breaches of the Act as they arise, ongoing appointment of Fire Prevention	Good	Major	Unlikely	Medium (4D)	30/07/19	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	26/01/20	1	Development of new Emergency Management Plan.	Mgr Waste & EM	31/12/17	IN PROGRESS	EM Framework endorsed by ELT 14/2/17, EM responsibility now transferred to Infrastructure & Operations, Project timeframes to be reviewed. Update 190805 - Draft Emergency Management Plan completed. Waiting for LGA to release revised template to allow dra	N	30/01/19	
																2	Commit to I Responda emergency response framework.	Ex Mgr Gov Perf	19/01/16	COMPLETE	Council is now part of this program . Its plan to be transferred to contemporary standard. Anticpated to be complete by 31/12/19.	Done	NA	
																3	Develop Emergency Management Team for ongoing development and review of Council's EM processes relating to emergencies that occur external to the organisation (not WHS emergency management)	Mgr Waste & EM	31/12/16	IN PROGRESS	To be developed under EM Framework. Update 190805 - Draft Incident Operations Manual 95% complete. This document will be used with the draft Emergency Management Plan to plan, prepare, respond and recover from emergency events. Anticpated to be completed by 30 November 2019.	N	30/01/19	
																4	Research the establishment of a dedicated EM role (temporary/permanent)	Exec Mgr Gov & Risk	31/03/16	COMPLETE		Done	NA	Medium

				Section 2: Inherent Risk				Section 3: Controls		Section 4: Residual Risk				Section 5: Risk Evaluation										
No	**Risk Statement (use the situation-consequence technique)**	**Causes & Impact**	**Risk Owner**	**Category**	**Consequence**	**Likelihood**	**Risk Rating**	**Details**	**Effectiveness**	**Consequence**	**Likelihood**	**Risk Rating**	**Date of assessment**	**Mitigation actions required (According to Risk Management Framework)**	**Next assessment no later than**	**Mitigation Number**	**Mitigation Action**	**Responsible Officer**	**Original Due Date**	**Progress**	**Status Comment**	**Move to controls (Y/N)**	**Revised Due Date**	**Target Rating**
		services may not be fully operational - Loss or damage of public and private infrastructure - Environmental and biodiversity impacts						Officers pursuant with requirements of the Act and provide advice to residents on bushfire prevention and mitigation. - Ongoing implementation of tree maintenance programs including the monitoring and maintenance of high risk trees and undertaking reactive tree pruning and removal of high risk trees minimising failure in windy conditions.Commencement of Zone-based Preventative Maintenance Program. Bushfire Mitigation Operational Committee - I-Responda process and trained staff - Establishment of EM function in Infrastructure & Operations Directorate								5	Establish Zone-based Preventative Maintenance Program	Mgs Open Space & Civil Works	1/02/16	IN PROGRESS	Ongoing	Done	NA	
																6	Review bushfire prevention and mitigation arrangements	Mgs Open Space and Waste, Health & Reg	30/06/17	COMPLETE	Structure in place	Done	NA	
5	Failure to manage, develop, protect, restore , enhance and conserve the environment in an ecologically sustainable manner and to improve amenity. (F)	**Cause**: -Lack of understanding of biodiversity. - Inadequate planning controls, - Lack of specific skill and knowledge of natural environment, - Insufficient budget, - Lack of internal coordination in project delivery, - Inadequate emergency response to environmental hazard, - Lack of longitudinal planning and service delivery, difficulty of meeting varying community expectation, - Ineffective natural resource management strategies and processes. - Poor environmental management practices. - Illegal dumping **Impact**: - Damage to local environment - Financial - restoration of failure to act (fines plus the works to restore) - Reputational damage - Impact on human health and wellbeing due to the loss of visual amenity and ability to interact with nature - Local amenity not maximised - Health and economic impacts due to climate change - Failure to meet stakeholder expectation	Director Infrastructure & Ops	Environment	Catastrophic	Possible	Extreme (5C)	- Biodiversity Strategy, - Water Management Plan - Biodiversity Advisory Group and Sustainability Advisory Group - Trained & qualified staff - Safe working procedures - Blue Marker sites - Spill kits - SDS - Customer request system for reporting to us - Machinery hygiene - Development Plan	Good	Catastrophic	Unlikely	High (5D)	31/10/18	Minimum quarterly assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan required.	29/01/19	1	Water Resources strategy to be developed	Sustainabaility Officer		COMPLETE	Water Management Plan endorsed by Council 13 December 2016.	Done	NA	Medium
																2	Project Management framework (see action above)	Director I&O		IN PROGRESS		N	30/12/18	
																3	Implementation plan for the Biodiversity Strategy to be developed; Interim review of Strategy	Biodiversity Officer		IN PROGRESS		N	28/08/18	
																4	Ensure adequate budget and human resources are allocated to the priority strategies articulated in the Biodiversity Strategy's Implementation Plan	Director I&O		IN PROGRESS	Implementation Plan partially developed, with a report being prepared for 28 August Council Meeting. The plan informs Annual Programming and LTFP.	Done	30/06/19	
																5	Establish a program to review the safe operating procedures to ensure that they incorporate contemporary management techniques to minimise environmental impacts.	Manager Open Space		COMPLETE	Budget Bids to support this years program were included in the 2018-19 Annual Business Plan and Budget Process.	N	30/12/18	
																6	Expansion of Blue Marker Sites	Manager Open Space	30/10/16	COMPLETE		Done	NA	
6	Failure to provide appropriate infrastructure for the community (F)	**Cause**: - Ageing infrastructure in need of renewal to remain fit for purpose and/or comply with legislation - Poor asset management regimes (data, revals) - Ineffective maintenance regimes - Leaseholders conducting works outside of contractual/legislative obligations. - Duplication or gaps in infrastructure provision to communities. - Lack of understanding community needs and trends **Impact**: - Increased cost to maintain infrastructure - Reduced confidence in Council by the community - Increased risks to staff and community when utilising facilities - Disadvantage to AHC community over that of other areas - Negative impact on community wellbeing	Director Infrastructure & Ops	Corporate Objectives	Major	Likely	Extreme (4B)	- Current Asset Management Plans for key asset categories - Long Term Financial Plan that captures the Strategic Plan and Asset Management Plans - Endorsed annual budget for maintenance program (all asset categories) - Annual Business Plan & Budget consultation undertaken - Customer Survey undertaken - Asset condition audits undertaken cyclically - Asset management system in place (Conquest) - Building inspections (last done 2013) - Compliance audits for buildings as per legislation - Customer request system captures community concerns/issues - Sport and Recreation Strategy - Bike Strategy - Preventative Maintenance regime	Good	Moderate	Possible	Medium (3C)	31/10/18	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	29/04/19	1	Update asset management plans as per cycle (and LTFP)	Mgr Sustainable Assets for Infrastructure and Strategic Property Officer for Land and Buildings	31/12/16	IN PROGRESS	AMS System purchased. Implementation is progressing well, with Playground assets loaded, training of internal and field staff underway, and Business Process Reviews for key asset classes also underway.	N	Ongoing	Medium
																2	Preventative Maintenance regime developed	Mgr Sustainable Assets for Infrastructure and Strategic Property Officer for Land and Buildings	1/01/17	COMPLETE		Done	NA	
																3	Establish service levels in consultation with community	Mgr Sustainable Assets for Infrastructure and Strategic Property Officer for Land and Buildings	1/03/16	IN PROGRESS	Updated to CRM response times completed. Levels of service refinements required as part of AMP reviews.	N	31/12/18	
																4	Establish cycle for condition audits and monitor (incl buildings)	Mgr Sustainable Assets for Infrastructure and Strategic Property Officer for Land and Buildings	31/12/16	IN PROGRESS	Limited progress, though strategic property review commenced	N	30/06/18	
																5	Develop Bike Strategy to identify infrastructure requirements	Mgr Sustainable Assets for Infrastructure and Strategic Property Officer for Land and Buildings	1/01/17	COMPLETE	To Council Oct 16 - completed	Done	NA	
																6	Revise Sport and Recreation Strategy to identify infrastructure requirements	Mgr Sustainable Assets for Infrastructure and Strategic Property Officer for Land and Buildings	1/03/16	COMPLETE	Strategy completed and infrastructure requirements linked to Strategic Property Review. LTFP now capturing ongoing investment.	Done	NA	
																1	Implementation Plan for EDS finalised and approved Mar 2016	Director Developemnt & Regluartory Servcies	31/12/16	COMPLETE		Done	30/12/19	
																2	Identify significant economic infrastructure issues and opportunities	Director Developemnt & Regluartory Servcies	31/12/16	COMPLETE	Currently working with key stakeholders to progress two major transport routes - b-double access to Lobethal and Northern Freight Train Bypass	Done	30/12/19	
		Cause: - Dysfunctional local economy, loss of jobs,														3	Assess effectiveness of key points of AHC engagement with community	Director Developemnt & Regluartory Servcies	1/07/16	COMPLETE	Ongoing through role of Community Engagement Coordinator, more recently through the introduction of online engagement tool	N	30/12/19	

No	Risk Statement (use the situation-consequence technique)	Causes & Impact	Risk Owner	Category	Consequence	Likelihood	Risk Rating	Details	Effectiveness	Consequence	Likelihood	Risk Rating	Date of assessment	Mitigation actions required (According to Risk Management Framework)	Next assessment no later than	Mitigation Number	Mitigation Action	Responsible Officer	Original Due Date	Progress	Status Comment	Move to controls (Y/N)	Revised Due Date	Target Rating
7	Failure to promote the Council area and provide an attractive climate and locations for the development of business, commerce, industry and tourism (F)	loss of basic retail and service functions - Poor engagement with business community, leading to relative disadvantage for business community -Lack of understanding of economic drivers, leading to potential wasted allocation of effort, stagnation of effort, and/or perception of Council being out of touch with business community. - Inappropriate infrastructure in industrial precincts or nodes, placing barriers on development of industrial precincts. - Lack of understanding of tourism demand, leading to potential wasted effort, stagnation of effort, and/or perception that the Council is unable/willing to support the tourism sector. - Poor support of tourism and business associations, leading to fragmentation of effort and dischoesive strategies. - Unresponsive Development Plan that inappropriately restricts development opportunities & results in poor development outcomes. **Impact**: -- Loss of local jobs -- Loss of basic local retail and service businesses -- Devaluation of local residential and commercial property -- Rise in social problems deriving from a declining economy - The community procures goods outside of the area as business not vibrant and meeting local requirements	Director Community Capacity	Economic	Moderate	Likely	High (3B)	Economic Development Strategy (EDS); Economic Development Officer appointed Dec 2015; implementation plan approved Mar 2016; active and positive engagement with local business communities, integrated approach to creating a diverse and sustainable economy across the District, resources to provide required implementation of the EDS. EDS addresses need to work actively with business groups and associations, resources (such a business contact database) provided to interact and network on a consistent basis. Consistent framework for effective interaction. Ad-hoc engagement on an as-needs basis. Advisory Group exists for Primary Production. Higher level engagement occurs with one business association. Some engagement has occurred with industry reps and DPTI regarding specific transport issues. Council partners with DC Mt Barker, RDA and SATC to run Adelaide Hills Tourism, which is designed to help providers understand and leverage tourism opportunities. Support for AHT is high, but support for business associations is low. Adelaide Hills Council Economic Profile Sept 2014. Annual subscription to economy id. Business contact database Involvement in place making initiatives	Marginal	Moderate	Likely	High (3B)	5/08/19	Minimum quarterly assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan required.	3/11/19	4	Active and positive engagement with local business communities	Manager Economic Development	1/07/16	COMPLETE	Ongoing role of MED	Done	30/12/19	Low
																5	Encourage an integrated and coordinated approach across all levels of govt to create a diverse and sustainable economy across the District	Manager Economic Development	31/10/16	COMPLETE	Actively developing and maintaining relationships with relevant State and Commonwealth Govt agencies	Done	30/12/19	
																6	Work actively with business groups and associations, providing resources to interact and network on a consistent basis. Key role for EDO	Manager Economic Development	31/12/16	COMPLETE	The Manager ED is actively building relationships with existing business associations and working with communities that currently do not have business groups (e.g. Gumeracha, Northern Hills, Lobethal) to explore the benefits	Done	30/12/19	
																7	Assess effectiveness of key points of engagement with community e.g. website, contact centre, development approval process, waste, health and regulatory services	Manager Economic Development	31/12/16	IN PROGRESS	Quarterly e-Business newsletter sent to business associations and subscribed businesses. Website business page being developed and feedback on other AHC pages provided	N	30/12/19	
																8	Develop business contact database	Manager Economic Development	31/12/16	COMPLETE		Done	30/12/19	
																9	Identify significant organisations, roles and skillsets within region	Manager Economic Development	31/12/16	COMPLETE	Relationships with key contacts with business and industry organisations being regularly maintained and developed by the MED	Done	30/12/19	
																10	Improve partnership with DC Mt Barker and SATC to assist Adelaide Hills Tourism leverage tourism opportunities	Manager Economic Development	31/12/16	COMPLETE	MED active committee member of Adelaide Hills Tourism (AHT) and Visitor Information Servicing Group	Done	30/12/19	
																11	Improve engagement with local business associations	Manager Economic Development	31/12/16	COMPLETE	Regular communication established with SBA and WCA	Done	30/12/19	
																12	Undertake precinct planning/placemaking, with consideration of triple bottom line (As appropriate)	Manager Economic Development	31/12/16	COMPLETE	The MED is a member of Council's Placemaking group to ensure a coordinated approach	Done	30/12/19	
8	Failure to manage and develop public areas vested in, or occupied by the Council (F)	**Cause**: - Lack of strategic and operational processes to manage Council's property portfolio. - Poor sports, recreation and open space management practices. - Physical hazards to users (trips, slips, debris, falling items) - Poor climate adaptation regimes **Impact**: - Increased cost to maintain infrastructure - Reduced confidence in Council by the community - Increased risks to staff and community when utilising facilities - Disadvantage to AHC community over that of other areas - Negative impact on community wellbeing	Director Corporate Services	Community, Social & reputational	Major	Almost Certain	Extreme (4A)	-Community Land Management Plans updated 2009 (Currently under review) - Asset Management Plans developed for property assets - Annual budget developed to include mtce funding - Strategic Plan that captures community facilities and open space - Recreation and Open Space Plan adopted by Council - High risk / high use assets (e.g.. playground equipment) inspected as per established regime - High risk tree audit plan established - Lease and licence arrangements in place for occupiers of council facilities - Maintenance regime in place for all reserves and buildings - Customer request system in place - Rec and Open space planner employed - Reviewed Property Function and Manager Property employed - Sport and Recreation Strategy endorsed by Council	Marginal	Moderate	Possible	Medium (3C)	29/07/19	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	25/01/20	1	Update Community Land Management Plans	Manager Property	31/12/06	IN PROGRESS	Action Plan endorsed by Council that included a review of the Community Land Mgt Plans. Review commenced and workshop presented to Council in Jan 2019. Draft Plans presented to Council 27 July 2019 and endorsed for Community Consulation	N	30/12/19	Medium
																2	Programmed maintenance regime to be developed (land and buildings)	Mgr Civil Services Mgr Open Space/ Mgr Property	31/12/16	IN PROGRESS	Strategic Property Review endorsed by Council. Programmed maintenance schedules developed in Open Space and Civil Services areas. Building maintenance schedule being developed as part of Facility Framework, service standards to be developed	N	30/12/18	
																3	Review of Crown Lan under care and control of Council	Manager Property	31/12/19	IN PROGRESS	Detailed assessment of all land parcels undertaken and workshop and report provided to Council. Consultation currently underway in relation to potential land parcels to hand back to the Crown.	N	30/06/20	
			Cause: - Poor IR practices - Ineffective attraction and retention initiatives - Lack of workforce planning and development. - Deficient equity and diversity programs - Poor leadership - Failure to ensure appropriate WH&S for employees and volunteers. - Volunteers deterred by training/inductions requirements - Ageing population impacting on volunteer participation						- Volunteer Coordinator, volunteer management project and practices - Provide leadership training and								1	Equity and diversity plan is being developed	Exec Manager Organisational Development	30/07/19	IN PROGRESS	Further development of the plan is being undertken through the Diversity and Inclusion Team. The new plan is expected to take some months to complete.	N	20/12/19	

Section 1: Risk identification / Section 2: Inherent Risk / Section 3: Controls / Section 4: Residual Risk / Section 5: Risk Evaluation / Section 6: Risk Mitigation

No	Risk Statement (use the situation-consequence technique)	Causes & Impact	Risk Owner	Category	Consequence	Likelihood	Risk Rating	Details	Effectiveness	Consequence	Likelihood	Risk Rating	Date of assessment	Mitigation actions required (According to Risk Management Framework)	Next assessment no later than	Mitigation Number	Mitigation Action	Responsible Officer	Original Due Date	Progress	Status Comment	Move to controls (Y/N)	Revised Due Date	Target Rating
9a	Failure to manage, improve and develop the human resources available to the Council. (F)	- Failure to engage young population as volunteers **Impact**: - Increased financial cost; - potential litigation; decrease in morale; poor work performance; inability to deliver services; negative impact on council brand and reputation; lacking or ineffective policy/procedures; inability to meet the demand for volunteering opportunities, inability to offer attractive positions (older and younger workers), potentially lose volunteers who don't want to participate in induction and training, council could fail to meet the legislative requirements if training avoided; not having available staff/volunteers to undertake work at required times; heightened number of complaints around EEO; ineffective management of human resources, lose ability to innovate through poor leadership, fear of doing the wrong things and receiving punishment; more injured workers, potential death; litigation threatening the viability of the organisation; unable to attract employees and volunteers; lack of handover and transfer of valuable knowledge; challenges about fair and equitable process; higher turnover costs and negative affect on work culture; potentially losing good candidates.	Exec Manager Org Dev	Staff Welfare & Engagement	Major	Likely	Extreme (4B)	development/coaching, - OD Team -trained and experienced; - Policy and procedures that include screening, police and health checks; - Position descriptions for every position, - WHS & OD policies and procedures; - Trained leaders and employees; executive team trained and engaged in management of WH&S; - Active H&S Committee; WHS Advisor-expertise in organisation; - Well maintained plant and equipment; - Regular reporting in teams and across the organisation; - Annual audits by external party; - Access to LGAWCS/risk services for advice; - Proven track record of high achievement; - WHS improvement plan; WHS KPI action plan (annual); annual WHS KPI Audit (external party) - Fair Treatment, Workplace Bullying Procedures implemented and training provided - Grievance Procedures implemented	Marginal	Moderate	Possible	Medium (3C)	5/08/19	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	1/02/20	2	Update Fair Treatment and Bullying Procedures, and Grievance Resolution Procedure;	Exec Manager Organisational Development		COMPLETE	Fair Treatment, Workplace Bullying Procedures and Grievance Procedures implemented and published on Workspace	Done	20/12/19	Medium
																3	Undertake Fair Treatment and Bullying training	Exec Manager Organisational Development	30/04/16	COMPLETE	HR delivered training to all employees and People Leaders in March 2016. A network of Equity and Diversity Contact Officers established and trained in March 2016. Training will be undertaken annually for new employees.	Done	20/12/19	
9b	Failure to manage, improve and develop the information resources available to the Council. (F)	**Cause:** - Business systems do not effectively support organisational needs - Ineffective media and brand management strategies. - Poor information management practices (capture, use, storage, retrieval). **Impact:** - Inefficiency; increased risk of errors (from manual systems); negative impact on council brand & reputation; decreased staff morale; potential for increased turnover of staff; lack of consistency; increased cost in undertaking work; systems cannot be upgraded due to inadequate hardware layer; inability to test updates before being implemented; lack of information sharing, working in information silos, failure to capture corporate knowledge effectively, misinformation that leads to negative or undesired outcomes, residents being misinformed or mislead, potential legal or financial implications, poor uptake of services; customer confusion regarding branding of council programs and services	Director Corporate Services	Community, Social & reputational	Major	Likely	Extreme (4B)	Communications and branding team, corporate policies/procedures around media contact, brand style guide for consistency; records department; EDRMS - Records Policy Updated and endorsed by Council; range of internal communication system-emails, meetings, internet, Lync, CRM; business systems are reviewed and upgraded; employees are trained in basic system use; security access relevant to job requirements are provided; restricting permissions control; nightly backups; Workspace (intranet) - Website Champions in place; emails; corporate systems; security groups and access ICT Business Continuity Plan established Tender for new Asset Management System completed - System acquired New information management system acquired - rollout currently underway New data centre built in City and BCP in place for rollover	Marginal	Minor	Possible	Medium (2C)	29/07/19	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	12/01/16	1	Implement Asset Management System	Manager Assets	30/06/18	IN PROGRESS		N	NA	Medium
																2	Implement new records management system in conjunction with SharePoint upgrade	Manager IS	30/06/17	IN PROGRESS	New Sharepoint environment implemented, Record Point software acquired to replace TRIM and installed, project plan established for EDRMS and architecture completed. Build of Test Environment completed and software integration with line of business systems being undertaken. Live enviroment built and configured with a rollout plan commencing July 2019	N	30/12/19	
9c	Failure to manage, improve and develop the financial resources available to the Council. (F)	**Cause:** - Poor internal control environment - Poor procurement planning and processes. - Ineffective insurance arrangements. - Poor financial management processes (treasury, AP, AR) - Poor contract management **Impact:** Potential for qualified accounts as an audit outcome; inappropriate segregation of duties; increased potential for fraud; negative impact on Council brand & reputation; lack of consistency in process use; inability to measure process effectiveness and outcomes; increased risk of litigation; inappropriate assets with short medium and long term financial impacts; potential inability to pay; negative impact on ability to service the community; poor customer relations; poor supplier relationships; potential impact on income from rates, fees and charges; increased risk of litigation leading to financial instability	Director Corporate Services	Legal & Regulatory	Catastrophic	Likely	Extreme (5B)	Internal audit and annual review of internal controls; system security and configuration; induction procedures; recruitment and selection processes; financial delegations; an informed level of insurance cover through LGAMLS, rating policy, process and timeframes; asset management register and program; Manager Governance and Risk in organisation; qualified employees; trained in policies; conflict of interest declaration (Directors/CEO); WHS procedures on plant purchasing, consultation and risk assessment; Fraud and Corruption Policy; Whistleblowers Policy; insurance reviewed annually and all areas of insurance are reviewed and recalculated for following year; wage declaration which affects the insurance calculation annually; insurance claims process; quality accredited insurance company-LG Risk Services; insurer processes claims; professional internal advice; financial management system; Updated Procurement Policy Adopted by Council in 2016 (delegation and authority included); Code of Conduct for Employees and Council Members; discipline processes; ongoing training and development;	Marginal	Moderate	Unlikely	Medium (3D)	29/07/19	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	12/01/16	1	Review positions across council that require criminal history checks, including financial roles	EMOD	30/06/16	COMPLETE	Updated Policy and Procedure covering the relevant criminal history check requirements have been adopted and training completed. Identified positions requiring checks are being updated or undertaken currently.	Y	30/09/17	Medium
																2	Recruit Procurement Coordinator Role	MFSA	30/09/17	COMPLETE	Recruitment completed in June 2018	Y	NA	
																3	Review of Procurement Policy and procedures (Stage 1)	Procuremnt Cordinator	30/06/16	IN PROGRESS	Final update being undertaken after improvements identified through consultation with key stakeholders	N	28/02/19	
																4	Review the process map of the insurance claims procedure to enable consistency of application.	EMOD	30/06/16	COMPLETE		Done	NA	

Section 1: Risk identification				Section 2: Inherent Risk				Section 3: Controls				Section 4: Residual Risk				Section 5: Risk Evaluation		Section 6: Risk Mitigation								
No	Risk Statement (use the situation-consequence technique)	Causes & Impact	Risk Owner	Category	Consequence	Likelihood	Risk Rating	Details	Effectiveness	Consequence	Likelihood	Risk Rating	Date of assessment	Mitigation actions required (According to Risk Management Framework)	Next assessment no later than	Mitigation Number	Mitigation Action	Responsible Officer	Original Due Date	Progress	Status Comment	Move to controls (Y/N)	Revised Due Date	Target Rating
								internal controls framework; debt recovery; Debt Recovery Policy and Accounts Reconciliation Policies updated and adopted External Fund Funding Policy adopted by Council (2017)								5	Explore Grant funding opportunities	All budget owners	1/07/16	IN PROGRESS	A Grant Funding Policy endorsed by Council. Savings Strategy endorsed by ELT.	Y	NA	
10	Failure to act as a representative, informed and responsible decision-maker in the interests of the community. (PR)	**Cause**: - Poor governance practices (CR22) - Poor risk management practices (CR21) - Poor representation arrangements (CR92) - Poor representation of the community by Council Members (CR62) - Lack of effective strategic planning and resource allocation processes. (CR63) - Lack of effective financial sustainability processes. (SR9c) - Ineffective performance management and reporting processes. (CR64) - Poor working relationship between Council and Administration. (CR65) **Impact**: - Decisions are not representative of community sentiment or made in the community's interest - Decisions are poorly or incorrectly informed leading to a high risk profile, errors, loss, waste, omissions, breaches of legislation. - Breaches of legislation, unenforceable decisions/resolutions, creation of liabilities/ additional risk to Council, stakeholder and/or regulator dissatisfaction and/or sanction.	Exec Manager Governance & Performance	Community, Social & reputational	Catastrophic	Possible	Extreme (5C)	Legal considerations considered in agenda report templates, Governance Manager advises council, functioning Audit Committee, flyers and updates from LGA, legal providers and professional associations. Professional and experienced management team. Polices (code of conduct, meeting procedures, allowances & benefits, caretaker, informal gatherings, COPAMD), delegations, agendas, minutes, training & development. Review of s41 Committee, Advisory Groups ,s43 subsidiary and external group fiduciary arrangements CRM Policy adopted, CRMF adopted, training provided to senior staff, RM considerations included in agenda report and project planning templates. General awareness of risk management principles and considerations. Provisions of Chpt 3 of the LG Act regarding composition of councils and wards, mandated representation reviews. Scheduled review completed in 2017. Strategic Plan, strategic, business and project planning and budgeting processes, trained and experienced staff. Budget review processes, provisions of LG Act regarding budget reviews and annual reporting, trained and experienced staff. Council Member and Administration training in the respective roles, team building and relationship development, performance reporting, One Team -Communication Protocols Governance & Performance Department expanded to include dedicated Governance & Risk Coordinator and Corporate Planning & Perfromance Coordinator.	Marginal	Moderate	Rare	Low (3E)	30/07/19	Minimum annual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	29/07/20	1	Governance Framework Review	EMG&P	30/09/16	COMPLETE		Done	NA	Low
																2	Review of s41 Committee and Advisory Group Terms of Reference	EMG&P	30/0916	COMPLETE		Done	30/09/18	
																3	Rollout of ControlTrack (Internal control module)	MFS	30/12/15	COMPLETE		Done	NA	
																4	Review of Risk Management Framework	G&RC	30/09/16	IN PROGRESS	will form part of RM review	N	30/09/19	
																5	Mandated representation review project	EMG&P	30/04/17	COMPLETE		Done	NA	
																6	Participation in boundary reform initiatives	EMG&P	As Required	COMPLETE		N	NA	
																7	Review of s43 and external group fiduciary duties where Council members or staff are on Boards	EMG&P	31/12/16	COMPLETE		Done	NA	
																8	Election induction training	EMG&P	15/11/18	COMPLETE		N	30/06/19	
																9	Implementation of Corporate Planning & Performance Reporting Framework	EMG&P	30/06/19	IN PROGRESS		N	NA	
																10	Strategic Boundary Review project	EMG&P	30/10/19	IN PROGRESS		N	NA	
11	Failure to exercise, perform and discharge the powers, functions and duties under legislation, contracts, leases and policies (PR)	**Cause**: - Lack of awareness of legislative/contractual/lease/policy requirements - Ineffective delegation and authorisation mechanisms. - Poor contract management practices - Ineffective compliance management systems - Staff do not possess the appropriate KSE - Legislative changes, not being fully understood **Impact**: - Legislative/lease/policy of contractual obligations are not discharged leading to breaches of legislation and/ or contractual arrangements - Failure to effectively undertake the functions of a council - Contractual penalties and liabilities. - Inefficient systems that lead to loss of resources - Scrutiny and sanctions by integrity agencies	Exec Manager Governance & Performance	Legal & Regulatory	Major	Likely	Extreme (4B)	Legal considerations considered in agenda report templates, flyers and updates from LGA, legal providers and professional associations. Professional and experienced management team. Legislative delegations register regularly reviewed, role specific training & development. Policy registers, policies on web, MLS and WCS audits, contract registers, lease registers, internal audit program, external audit program Governance Legal Compliance Audit Full review of subdelegations and authorisations completed 2017. Employment of Procurement Coordinator Experienced property team.	Marginal	Moderate	Unlikely	Medium (3D)	30/07/19	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	26/01/20	1	Legislative compliance audit	EMG&P	30/06/16	COMPLETE		Done	NA	Low
																2	Development of contract management system, subject to funding	MFS	31/12/16	COMPLETE		Done	NA	
																3	Development of a legal opinions database	EMG&P	30/06/17	NOT COMMENCED		N	31/12/19	
																4	Implementation of new delegations and authorisations management system and associated training.	G&RC	30/06/19	NOT COMMENCED		N	30/10/19	

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 August 2019
AGENDA BUSINESS ITEM**

Item: **6.10**

Originating Officer: **Lachlan Miller, Executive Manager Governance and
                                       Performance**

Responsible Director: **Andrew Aitken, Chief Executive Officer**

Subject: **LGRS Risk Management Evaluation and Risk Framework**

For: **Information**

SUMMARY

The Local Government Risk Services (LGRS) operates the following risk schemes which utilised by SA
councils (including Adelaide Hills) to manage their risk portfolios:
- LGA Workers Compensation Scheme (LGAWCS)
- LGA Mutual Liability Scheme (LGAMLS)
- LGA Asset Mutual Fund (LGAAMF)
- LG Income Protection Fund

LGRS, as part of its management of the LGAMLS, regularly undertake an evaluation of council risk
management status. The item is detailed in the Committee's Workplan as biennial, with the last
evaluation being undertaken in 2017.

Feedback from the evaluation and recommendations for improvement are provided once the
evaluation is complete and a draft report should be provided within 4 weeks of completion of the risk
evaluation.

The purpose of this report is to inform the Committee the next biennial LGRS evaluation is scheduled
for the 29-31 October 2019, which in turn has prompted a further delay in the review of the Risk
Management Framework.

RECOMMENDATION

1.   **The Audit Committee resolves that the report be received and noted.**

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1.   **GOVERNANCE**

          Goal   Organisational Sustainability
          Strategy   Risk and Responsibility

Updating the risk management framework addresses workplace health and safety, emergency management, business continuity, public liability and legislative accountability and assists in meeting legislative and good governance responsibilities and obligations.

➢ **Legal Implications**

A number of sections of the *Local Government Act 1999* require councils to identify and manage the risks associated with its functions and activities. Further, s125 requires council to have appropriate internal controls.

Similarly the *Work Health & Safety Act 2012* is structured around the protection of workers and others against harm to their health, safety and welfare through the elimination or minimisation of risk arising from work or specified substances or plant.

➢ **Risk Management Implications**

Improvements in the implementation of the risk management framework will assist in mitigating the risk of:

A lack of effective risk management occurs which leads to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (4D)	Medium (4D)

Note that there are many other controls that assist in mitigating this risk.

➢ **Financial and Resource Implications**

There are no direct financial implications in undertaking the review itself.

The results of the LGRS evaluation are considered by the Scheme, together with Council's claim record, in setting our contribution and in calculating the potential amount that may be available as a special distribution. A special distribution is not available every year. The amount is based on funds remaining after all claims across the State have been paid.

➢ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate corporate governance processes in place including an effective corporate risk management system.

➢ **Environmental Implications**

Environmental matters have been considered within the development of the Strategic Risk Profile and Management Plan.

> ➢ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Consultation has occurred internally with the Strategic Risk Owners.

Council Committees: Not Applicable

Advisory Groups: Not Applicable

Administration: Executive Manager Governance & Performance

Community: Not Applicable

2. BACKGROUND

LGRS Risk Evaluation

The LGRS undertakes a regular review across South Australia of local councils' risk management status, including the application of a Risk Management Framework and related processes, organisational systems that influence council's risk profile and specific high risk activities and assets.

The previous Risk Management Evaluation occurred in 2017. Following the evaluation the Administration created a Risk Management Improvement Action Plan in order to respond to the findings of the Review.

In June 2019, LGRS confirmed the dates for the 2019 Risk Evaluation to be 29-31 October 2019.

Risk Management Framework Review

At its February 2019 meeting the Audit Committee resolved the following:

6.5   Risk Management Plan Update

Moved Geoff Purdie
S/- Paula Davies   **6/19**

The Audit Committee:

1.   **Receives and notes the report.**

2.   **Requests an update to the Committee Workplan to include the Risk Management Framework Review for the August 2019 Audit Committee Meeting.**

	Carried

The Audit Committee reviewed the Risk Management Strategy at its 13 May 2019 meeting and resolved:

Moved Peter Brass
S/- Cr Leith Mudge   24/AC19

The Audit Committee resolves that:

1.   The report be received and noted.
2.   The Audit Committee recommends the Risk Management Policy, Appendix 1 to
      Council for consideration.

                                                            Carried Unanimously

In receiving this recommendation Council resolved, at its 28 May 2019 meeting to adopt the Policy.

With the Policy adopted, the Administration continued the broader review of the Risk Management Framework.

3.   ANALYSIS

The Administration work closely with LGRS throughout the year managing and monitoring Council's risks. With the 2019 LGRS Evaluation occurring in the current financial year, it was felt substantially completing a Risk Management Framework review would be an inefficient use of Council resources and potentially undertake work that in real terms should be undertaken once the 2019 LGRS Evaluation is complete.

Subsequently the Risk Management Framework Review has been delayed to follow the 2019 LGRS Evaluation and any outcomes therein.

4.   OPTIONS

The Committee has the following options:

I.   To receive and note the report (recommended).

II.   To receive and note the report and make further resolution(s) (not recommended).

III.   Not to receive and note the report (not recommended).

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 August 2019
AGENDA BUSINESS ITEM

Item:	**6.11**
Originating Officer:	**Lachlan Miller, Executive Manager Governance and Performance**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**Internal Audit Quarterly Update**
For:	**Decision**

SUMMARY

At its 26 February 2019 meeting, Council resolved to amend the Strategic Internal Audit Plan (SIAP) on the recommendation of the Audit Committee to include an audit on the Use of Purchase Cards. This report provides the status of the programing of the next series of internal audit projects.

Internal audit firm, Bentleys, were contracted to conduct the Use of Purchase Cards Internal Audit in July 2019 and have prepared a report *(Appendix 1)* setting out their findings/improvement opportunities and recommendations to improve the internal controls.

RECOMMENDATION

The Audit Committee resolves to receive and note the report.

1.   **GOVERNANCE**

       ➢   **Strategic Management Plan/Council Policy**

       Goal 5   Organisational Sustainability
       Strategy 5.7   Governance

       ➢   **Legal Implications**

       Section 125 of the *Local Government Act 1999* (the Act) requires councils to ensure that appropriate policies, practices and procedures of internal controls 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 Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.

       The Internal Audit program is an important tool to provide an objective appraisal of the adequacy on internal controls in managing our risk and supporting the achievement of council objectives.

➢ **Risk Management Implications**

The implementation of the internal audit program will assist in mitigating the risk of:

Internal control failures occur which lead to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
High (4C)	Medium (3C)	Medium (3C)

➢ **Financial and Resource Implications**

The Internal Audit budget for this financial year includes funding to resource the proposed audits and enable them to be outsourced under the oversight of the Executive Manager Governance and Performance. Given the range of demands on this role, and the specialised nature of a number of the audits, it is not possible to undertake audits internally and while not necessary, it does promote the objectivity of the audit process.

➢ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate corporate governance processes in place including an effective internal control environment.

➢ **Environmental Implications**

Not applicable

➢ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Consultation in the preparation of the report was as follows:

Council Committees: The adequacy of the SIAP was discussed at the February 2019 Audit Committee meeting.

Advisory Groups: Not Applicable

Workshops: Not Applicable

Administration: Director Corporate Services
                          Manager Financial Services
                          Governance & Risk Coordinator

Community: Not Applicable

2. BACKGROUND

Strategic Internal Audit Plan Revision

At its 18 February 2019 meeting, the Audit Committee discussed the ongoing revision of the Council's Procurement Framework and the potential role that purchase cards could play in those procurement arrangements. The Committee also reflected on media reporting of the inappropriate card usage at City of Onkaparinga, City of Burnside and Mount Barker District Council and the provisions of the *Local Government (Ratepayer Protection and Related Measures) Amendment Bill 2018* regarding the publication of purchase card statements on a council's website.

In weighing up these matters, the Committee determined that, while they were not aware of any instances of control failures regarding AHC's use of purchase cards, there was a heightened public interest in the use of purchase cards and it was important to have a contemporary assessment of the current practices ahead of any enhanced role for purchase cards under the revised Procurement Framework.

On the basis of the above, the Committee recommended to Council to amend the SIAP and Council resolved, at its 26 February 2019 meeting, to revise the SIAP.

Strategic Internal Audit Plan – Project Scoping

In June 2019, the Administration engaged a Risk & Internal Audit Consultant (the Consultant) to develop the project briefs for the following series of internal audits on the SIAP, being:

- Recruitment and retention practices
- Budgetary management
- Payroll function
- Use of purchase cards.

The Use of Purchase Cards Internal Audit is the main subject of this report however the other Project Briefs are currently being consulted on internally with a view to procuring a provider(s) in the coming months.

3. ANALYSIS

Use of Purchase Cards Internal Audit - Project Brief

The Project Brief was developed by the Consultant based on her experience in purchase card risks and internal control failures. The Brief was circulated for internal consultation and was finalised for procurement.

The objective of the audit being:

> to provide the Adelaide Hills Council (AHC) with assurance that the processes (including internal controls) designed and implemented to manage risks associated with the issue, use, return and oversight of purchase cards are robust.

The period of audit was 2017-18 and 2018-19.

Following a competitive procurement process, Council engaged Bentleys to conduct the audit. Bentleys have conducted a number of internal audits for Council in the past and have good experience in these types of internal audits

<u>Use of Purchase Cards Internal Audit – Audit Conduct and Report</u>

The audit was conducted in July 2019 and involved interviews, document review and transaction testing.

The draft Internal Audit Report was prepared in late July 2019 and circulated to management for comment and the development of agreed actions.

The Report *(Appendix 1)* was finalised in early August 2019

Bentley's identified and revealed some non-complying purchases against Council's policies and community expectation, with the majority relating to late reconciliations and insufficient or incorrect details provided in the statement.

Based on the internal audit work completed, documents inspected and interviews with key stakeholders, Bentleys concluded that the control environment of Use of Purchase Cards is **Marginal** (Under AHC's Risk Management Framework Control Effectiveness rating scale. The Control Effectiveness rating scale is detailed in the Audit Report).

Bentleys have made control improvement recommendations in the report in relation to the following findings:

- Robust policy framework
- Compliance with Council's requirements
- Split payments
- FlexiPurchase system configuration
- Record management of transaction descriptions.

In addition, Bentleys have identified eight (8) improvement opportunities and these are detailed in the report along with management responses.

The agreed actions contained in the audit report will be entered into the Audit Actions Register and the Committee will receive biannual status reports on the implementation progress.

4. **OPTIONS**

The Committee has the following options:

I.   To note the Use of Purchase Cards Internal Audit Report; or
II.   To identify additional actions to be undertaken.

5. **APPENDIX**

(1)   Use of Purchase Cards Internal Audit Report – Bentleys – August 2019

Appendix 1

Use of Purchase Cards Internal Audit Report – Bentleys – August 2019

Where you want to be.

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August 2019

Adelaide Hills Council

Use of Purchase Cards
Internal Audit Report

David Papa, Partner, Risk & Assurance Services
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Advisors   Accountants   Auditors

6 August 2019

Steven Watson
Governance & Risk Coordinator
Adelaide Hills Council
PO Box 44
Woodside SA 5244

Dear Steven

Internal Audit Report – Use of Purchase Cards

Please find attached our report on the Use of Purchase Cards for Adelaide Hills Council.

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

> Advisors
> Accountants
> Auditors

Contents

Bentleys
THINKING AHEAD

Executive summary

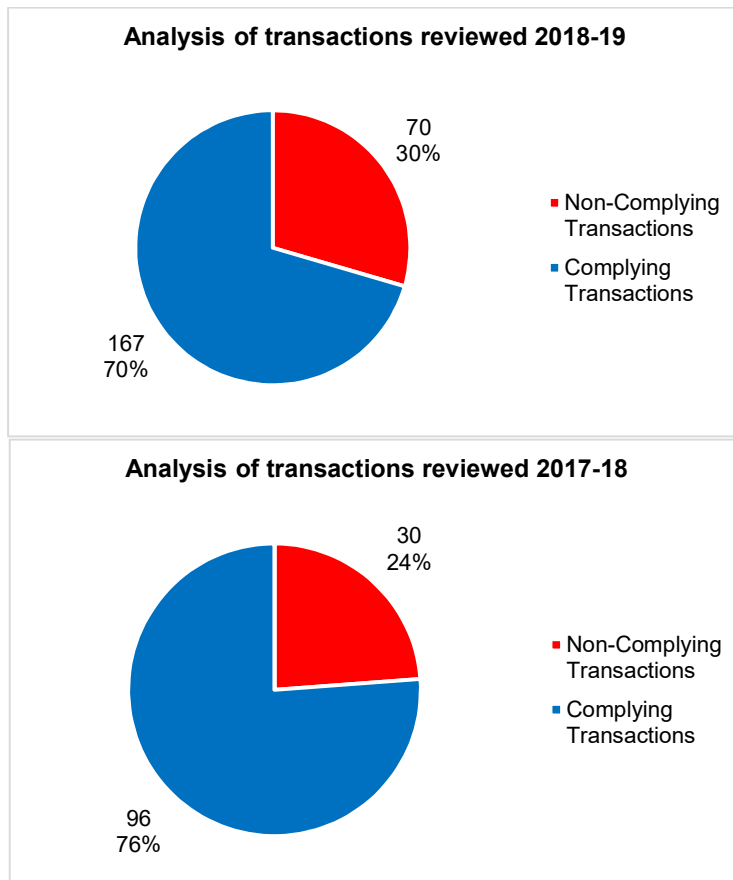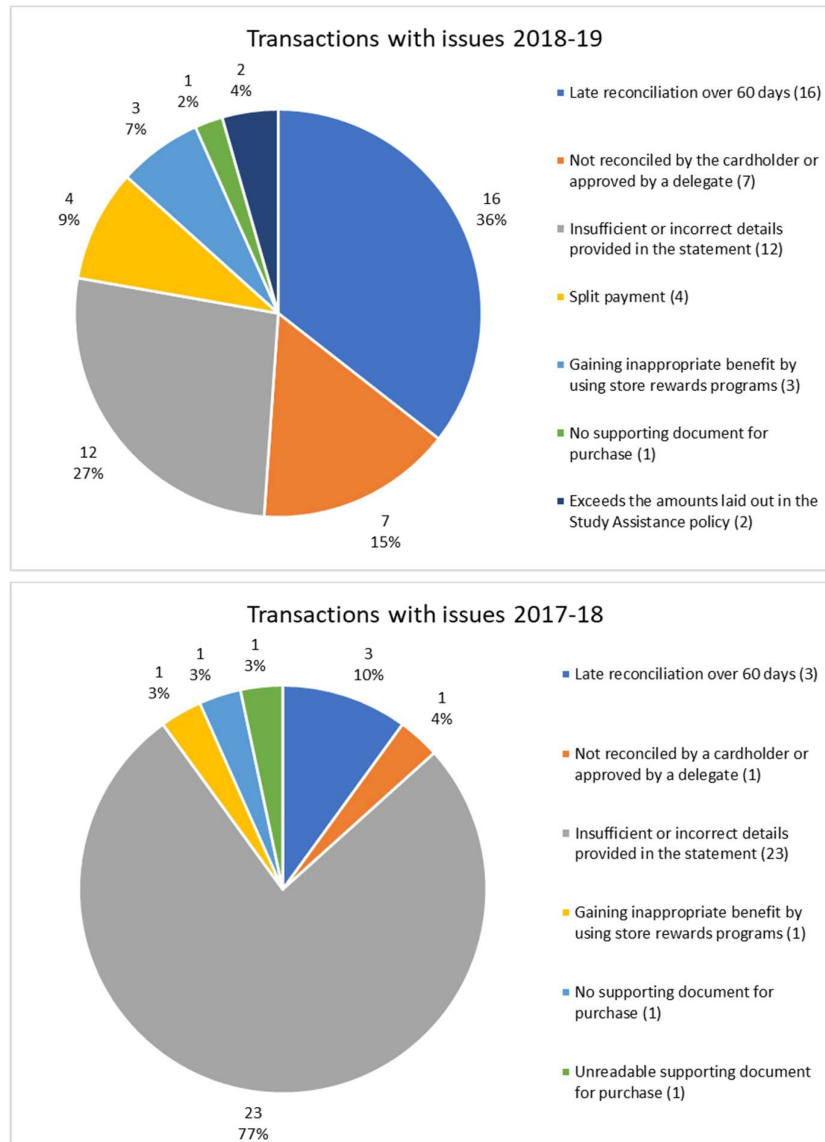## Result summary

The Adelaide Hills Council ("Council") has engaged Bentleys (SA) Pty Ltd ("Bentleys") to conduct an internal audit project – Use of Purchase Cards in July 2019 in line with the Strategic Internal Audit Plan 2018-22.

Council's last internal audit of purchase cards was conducted in 2015. Council has improved the process by introducing a FlexiPurchase system since July 2018 to reduce administrative time and cost. This also promotes transparency and accountability of purchasing high volume, low value consumable goods and services. However, the update and implementation of policies and procedures have not yet been addressed. Therefore, this has increased the risk relating to the use of purchase cards.

This audit covered two financial years of 2018-19 and 2017-18. We found that Council has increased the use of purchase cards in terms of total card spend in 2018-19 ($357K, increased 24%) and number of cardholders (2018-19: 49, increased 13%) because Council aims to replace the use of petty cash and take advantage of a streamlined systematic process. However, the current controls in place are not fully effective to support the increased usage as there is an increase in transactions with issues in 2018-19 (30% of sample, compared to 24% in 2017-18) based on our testing.

In this audit, our data analysis identified that all cardholders purchased within their approved (monthly) card limit in 2017-18 and 2018-19. Also, the sample testing of cardholders revealed that the cards were terminated immediately when the cardholders left Council. However, the sample testing of transactions revealed some non-complying purchases against Council's policies and community expectation. An overview and categories of noncompliance are presented as follows.

Analysis of transactions reviewed 2018-19

70
30%

■ Non-Complying
Transactions

■ Complying
Transactions

167
70%

Analysis of transactions reviewed 2017-18

30
24%

■ Non-Complying
Transactions

■ Complying
Transactions

96
76%

Transactions with issues 2018-19

- Late reconciliation over 60 days (16)
- Not reconciled by the cardholder or approved by a delegate (7)
- Insufficient or incorrect details provided in the statement (12)
- Split payment (4)
- Gaining inappropriate benefit by using store rewards programs (3)
- No supporting document for purchase (1)
- Exceeds the amounts laid out in the Study Assistance policy (2)

Transactions with issues 2017-18

- Late reconciliation over 60 days (3)
- Not reconciled by a cardholder or approved by a delegate (1)
- Insufficient or incorrect details provided in the statement (23)
- Gaining inappropriate benefit by using store rewards programs (1)
- No supporting document for purchase (1)
- Unreadable supporting document for purchase (1)

To support the expanded used of purchase cards, Council needs to establish a robust policy framework to formalise the current processes and provide clearer guidance on allowable card purchases. The framework should align with the Council's Staff Financial Delegations and business needs associated with the cardholder's position to ensure that card limit is appropriately allocated. Further, relevant training sessions are to be organised so that cardholders and approvers are comfortable and capable of using purchase cards under the framework.

It is also recommended that Purchase Card Administrators are more familiar with the FlexiPurchase system to assist continuous monitoring, especially the reporting function (e.g. spend analysis, exception report, and budget compliance etc.).

Based on the internal audit work completed, documents inspected and interviews with key stakeholders, it is the view of Bentleys that the control environment of Use of Purchase Cards is **Marginal**.

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Table of findings/improvement opportunities and key recommendations:

No.	Findings	Key Recommendations	Rating
1	Robust policy framework	Ensure purchase card policies are updated to provide adequate guidance to the organisation including cardholders, especially clearly defining the limitation of card usage.	**Medium**
2	Compliance with Council's requirements	Ensure that the applicable purchase card policy requirements are followed, especially via strengthening induction of the new cardholders and the regular refresher training to both cardholders and the approvers.	**Low**
3	Split payment	Enforce the applicable policy requirements via induction and the regular refresher training.	**Low**
4	FlexiPurchase system configuration	Ensure the FlexiPurchase system is configured correctly to require an approval.	**Low**
5	Record management of transaction description	Ensure that a transaction description is sufficiently documented to specify the actual purchase purpose.	**Low**
No.	Improvement Opportunities	Key Recommendations	
1	Conflict of interest	Ensure that the Directors or CEO do not approve their own expenses, especially when their expenses are made via their Executive Assistants' purchase cards.	n/a
2	Card collection	Formalise the requirement of collecting purchase card when the cardholder is away for a long period of time and ensure it is implemented.	n/a
3	Transaction and monthly limit	Consider apply appropriate transaction and monthly limit for purchase cards.	n/a
4	Card security	Consider including the privacy of personal identification numbers ("PIN's") and security of cards into the policy.	n/a
5	Policy requirements of coffee/tea consumption and flower purchase limit	Assess the necessity, possibility and feasibility to formalise the coffee/tea consumption outside of Council premises and flower purchase limit into the policy.	n/a
6	Record management of cardholders	Ensure that cardholder names are recorded consistently.	n/a
7	System reporting function	Encourage the utilisation of FlexiPurchase system reporting function to efficiently monitor and manage the use of purchase cards.	n/a
8	Prior approval and fuel purchase description	Consider formalising the requirements of prior approval for sensitive expenses and fuel purchases description in the policy.	n/a

Notes: For risk rating matrix, refer to Appendix 7; and for controls assessed, refer to Appendix 6.

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Background

This project has been linked to the risk of AHC SR9c – Failure to manage, improve and develop the financial resources available to the Council.

The *Local Government Act 1999* S49(a1) and the *Independent Commissioner Against Corruption Act 2012* S4 require that a Council must "obtain value in the expenditure of public money" and protect public money from being used in fraudulent activities. To this end, Council has developed and maintained a Purchase Card Policy and other relevant policies; and built up a system to ensure that effective and consistent practices and procedures are in place.

Audit objectives

The objective of this audit was to provide Council with assurance that the processes (including internal controls) designed and implemented to manage risks associate with the issue, use, return and oversight of purchase cards are robust.

Specific objectives include assessing the design and effective operation of Council's controls to address the risks identified by Council and those laid out in the Better Practice Model – April 2017. For details of key risks identified during the audit, refer to the section of Risk Assessment and Cause Analysis next page.

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 Type(s) (refer to Appendix 4 for details)
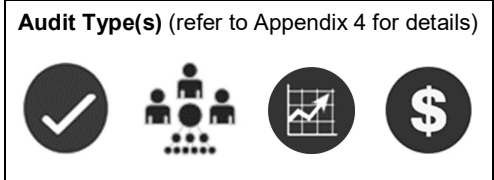
Audit scope and approach

The scope of this internal audit focused on the systems, processes and documentation for the issue, use, return and oversight of purchase cards. It considered purchase card transactions covering the previous and current financial years i.e. 2017-18 and 2018-19.

Our sampling basis comprised the random selection of purchase card transactions across Council covering each month and top five cardholders (by value and quantity) in 2017-18 and 2018-19. For sampling base and size, refer to the table below:

Period	Overall			Samples tested				
	No. of transactions	Total $ incl. GST	Cardholders	No. of transactions	Transaction %	Total $ incl. GST	$ %	Cardholders
2017-18	2,528	$ 288,354	43	126	5%	$ 63,495	22%	43
2018-19	2,854	$ 356,988	49	237	8%	$ 98,736	28%	44

Data analysis of the top five significant users is presented in Appendix 5.

We also sample tested the card authorisation, termination and change of cardholder's information with details listed below:

Period	Overall			Samples tested		
	New cardholders	Terminated cardholders	Cardholders with changes	New cardholders	Terminated cardholders	Change with changes
2017-18	1	6	0	1	3	0
2018-19	9	3	1	4	2	1

Other vendor charge cards (such as fuel cards and cabcharge) and employee reimbursements were not considered within the scope of this audit.

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We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. Our approach involved reviewing the process, procedures, policies and documentation which drive the use of purchase cards. We also conducted interviewing key staff; observation, walkthrough and substantive testing where possible. For the documents accessed and consultation, refer to Appendix 3 for detailed information.

Risk assessment and cause analysis

Key risks identified during the audit include:

Risks	Finding No.
Financial loss of unreconciled or unapproved purchases.	1, 2, 3, 4
Inadequate monitoring to identify transactions outside of established guidelines.	1, 2, 3
Reputational damage.	1, 2, 3, 4
Guidelines for the use of purchase cards do not meet community expectations.	1
Insufficient information recorded to determine the reason for the purchase.	5
Lack of awareness of, and compliance with, cardholder obligations.	2
Purchase card limits are set at inappropriate levels.	3

Provided below is the view of Bentleys as to the main causes giving rise to the reported shortcomings:

- Council's policy framework is not robust to guide the use of purchase cards; and
- Lack of shared knowledge to use the FlexiPurchase system appropriately within the organisation.

Acknowledgement

We appreciate the assistance and cooperation received from management and staff of Adelaide Hills Council in completing this audit.

Appendix 1

Detailed findings and agreed action plan

			Risk Category	C,D,F
Finding 1.	**Robust policy framework**		Impact:	**Moderate**
			Likelihood:	**Possible**
			Risk Rating:	**Medium**

Finding(s)

Council does not have a robust policy framework to guide appropriate use of purchase cards, especially reflected in the following aspects. Consequently, deficiencies in using purchase cards was increased in 2018-19, compared to 2017-18.

Current processes not documented in policy

Due to the use of FlexiPurchase system since July 2018, the current processes have fundamentally changed from the previously manual processes. However, the current processes, including card issuing, (preferred) weekly transaction reconciliation and approval, and card termination (for details refer to Appendix 8) are not yet documented in any policy.

These have increased transactions with issues in 2018-19 and therefore our sample testing found that in 2018-19:

- There were 16 transactions of $3,448 reconciled and/or approved later than 60 days (average 45 days and maximum 383 days). The reconciliation and approval processes on average are even longer than the manual processes in 2017-18 (average 22 days and maximum 506 days), contradictory to the Council's intention to raise efficiency;
- There were 7 transactions of $2,884 not reconciled by a cardholder or approved by a delegate, excluding 25 flagged as "No Approval Required" in the system (Finding 4); and
- There was one transaction of $8 related to catering for Fringe volunteers with no supporting document.

Inappropriately use of personal store rewards programs

Cardholders are gaining inappropriate benefit through the use of personal store rewards programs. The utilisation of Flybuys and other benefit schemes when making transaction provides a benefit to the cardholder which is derived using public money. This presents a risk to the Council as it is considered asset misappropriation and may result in reputational damage.

Our sample testing found that personal store rewards programs were used in three transactions of $130 in 2018-19 and one transaction of $200 in 2017-18. Further, extra 11 transactions were observed using personal store rewards programs in the 2017-18 purchase cards statements.

Risk

- Guidelines for the use of purchase cards do not meet community expectations;
- Inadequate monitoring to identify transactions outside of established guidelines;
- Financial loss of unreconciled or unapproved purchases; and
- Reputational damage.

Recommendation	Management Response and Agreed Action Plan
We recommend management: - Ensure purchase card policies are updated to provide adequate guidance to the organisation including cardholders, especially clearly defining the limitation of card usage.	Council has prepared draft purchase card procedures in accordance with Council's new Procurement Framework. As Council was aware that a purchase card audit was to be conducted at the end of the 2018-19 financial year, it was considered appropriate to delay the finalisation of the procedures until the audit had been completed and findings from the audit taken into account. The procedures will specify the circumstances in which a

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	purchase card must not be used which will include not allowing the use of cards in conjunction with any form of loyalty points program.
	Responsible Officer	**Target Date**
	Manager Financial Services	30 September 2019

Finding 2.	Compliance with Council's requirements	Risk Category	C,D,F
		Impact:	Insignificant
		Likelihood:	Possible
		Risk Rating:	Low

Finding(s)

In absence of the updated policies, the following Council's policies and forms are used to guide cardholders to some degree:

- Purchase Card Policy (no date);
- Purchase Card Agreement and Acknowledgement by Cardholder (no date);
- Credit Card Procedures for Authorised AHC Employees (no date);
- NAB – Corporate Card Register as at 30 June 2019;
- Study Assistance Policy (adopted November 2001);
- Professional Membership Fees (no date); and
- Employee Recognition, Functions and Gifts Policy (amended 29 April 2003).

However, different requirements in multiple policies and forms are not always relevant and have confused cardholders. Therefore, our sample testing found the following:

- The requirement of the Credit Card Procedures for Authorised AHC Employees, i.e. reconciliation and approval within two business days respectively, seems not practical and was not followed. However, in 2017-18, there were three transactions of $535 reconciled and/or approved later than 60 days (Finding 1).
- In 2018-19, there were two transactions of $6,500 exceeding "$2,500 per academic year" required by the Study Assistance Policy.
- There was one transaction of $435 in February 2018 not approved by a delegate, which was related to 30,000KM Service for Plant 1556. This transaction was related to a new cardholder where the approval rules were not activated as part of set up. The approval rule has now been applied and it is understood that all transactions have now been approved.
- In 2017-18, there was one transaction of $93 related to fuel purchase with no supporting document.

Risk

- Lack of awareness of, and compliance with, cardholder obligations;
- Inadequate monitoring to identify transactions outside of established guidelines;
- Financial loss of unauthorised purchases; and
- Reputational damage.

Recommendation	Management Response and Agreed Action Plan	
We recommend management: - Ensure that the applicable purchase card policy requirements are followed, especially via strengthening induction of the new cardholders and the regular refresher training to both cardholders and the approvers.	The rollout of the new purchase card procedures will include training and reinforcement of changes to the existing card holder's obligations. It is also proposed that refresher training is conducted on at least an annual basis for cardholders.	
	Responsible Officer	**Target Date**
	Manager Financial Services	31 October 2019

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Risk Category	**D,F**
Impact:	**Insignificant**
Likelihood:	**Unlikely**
Risk Rating:	**Low**

Finding 3.   Split payment

Finding(s)

Split payment was identified in the use of purchase cards within the Council in 2018-19, which involve breaking up a high-dollar purchase into smaller payments to circumvent the internal controls limiting maximum dollar amounts for a card.

Council does not have specific purchase card policy requirements to prohibit splitting invoice payment. However, the Procurement Policy requires that "Splitting of amounts to bring expenditure within lower limits is not permitted".

Sample testing found four split payments (related to two invoices) totalling $11,299 in 2018-19 related to the Local Government Association ("LGA") Executive Leadership Program fee and the Isubscribe annual renewal. These activities do not exceed the card limit; however, increase the risks of exceeding the procurement limit. Further, the payment to LGA is over the allowed limit of study assistance (Finding 2).

Details of the split transactions are as follows:

Employee ID	Card Limit	Transaction Date	Supplier	Amount	Description	Approval Date
1153	$ 5,000	2018-09-03	Local Gov Professional Sa	$ 4,000	Fee (part payment) for LGA Executive Leadership Program	2018-09-25
1191	$ 5,000	2018-09-03	Local Gov Professional Sa	$ 2,500	LG Professionals Executive Leadership Program - 1153	2018-09-12
827	$ 2,000	2018-12-10	Isubscribe Pty Ltd	$ 1,299	Isubscribe mag 18/19 part payment	2019-01-02
776	$ 8,000	2018-12-10	Isubscribe Pty Ltd	$ 3,500	LS: Mags - Isubscribe annual renewal	2019-02-07
Total				**$ 11,299**		

Risk

- Financial loss of unauthorised purchases;
- Inadequate monitoring to identify transactions outside of established guidelines;
- Purchase card limits are set at inappropriate levels; and
- Reputational damage.

Recommendation	Management Response and Agreed Action Plan
We recommend management: - Enforce the applicable policy requirements via induction and the regular refresher training.	Council will update the purchase card procedures to ensure that it is clear that cardholders are not to split purchases into smaller transactions (ie multiple transactions or over multiple cards) as it can be viewed as an attempt to circumvent expenditure/transactional limits or financial delegations. The response in terms of induction and refresher training is covered in Finding 2.

		Responsible Officer	Target Date
		Manager Financial Services	30 September 2019

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Finding 4.	**FlexiPurchase system configuration**	**Risk Category**	**D,F**
		Impact:	**Insignificant**
		Likelihood:	**Unlikely**
		Risk Rating:	**Low**

Finding(s)

FlexiPurchase system was initially configured incorrectly so that an approval was not required for all transactions.

Sample testing found that 25 transactions between September 2018 and June 2019 (totalling $5,638 made by five cardholders) had no separate approval and was flagged as "No Approval Required". It was advised by management that this system configuration problem was fixed immediately after this audit in July 2019.

Risk

- Financial loss of unauthorised purchases; and
- Reputational damage.

Recommendation	**Management Response and Agreed Action Plan**	
We recommend management:	The system configuration problem has been resolved. Therefore, no further action is required.	
• Ensure the FlexiPurchase system is configured correctly to require an approval.	**Responsible Officer**	**Target Date**
	Manager Financial Services	No action required

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		Risk Category	D
Finding 5.	**Record management of transaction description**	**Impact:**	**Insignificant**
		Likelihood:	**Unlikely**
		Risk Rating:	**Low**

Finding(s)

Transaction description on record was not always sufficient for an independent reviewer to determine whether the purchase is related to business.

Sample testing found that 12 transactions of $4,628 in 2018-19 and 23 transactions of $6,963 in 2017-18 with an inadequate transaction description/explanation provided. The description of these transactions is brief (e.g. "program expense/materials", "cruise", "Harvey Norman" etc.) and does not specify the actual purchase purpose. It was confirmed by the Purchase Card Administrators that the delegates approved the expenses after considering the details of them. However, an inadequate transaction explanation can give rise to a number of problems when determining whether policy requirements have been complied with, especially by a third party, e.g. an independent reviewer, auditor, Councillor or public.

Risk

- Insufficient information recorded to determine the reason for the purchase.

Recommendation	Management Response and Agreed Action Plan	
We recommend management: • Ensure that a transaction description is sufficiently documented to specify the actual purchase purpose.	Under Council's current guidelines, purchase card transactions require approval at the individual transaction level and it is the responsibility of both the cardholder and the card approver to ensure that the description provided is adequate to enable approval of the transaction to occur. It is therefore considered that the items raised are not an issue of non-compliance. Notwithstanding the above, the purchase card procedures will be updated to provide more clarity in terms of descriptions required to ensure that the intent of the purchase is captured.	
	Responsible Officer	**Target Date**
	Manager Financial Services	31 October 2019

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Appendix 2

Improvement opportunities

1. Conflict of interest
Observation(s)
Five Executive Assistants ("EAs") are cardholders and their approvers are the corresponding Directors or Chief Executive Officer ("CEO"). Sampling test found that the EAs paid for their Directors or CEO's travel, accommodation, and membership (e.g. of Australian Institute of Company Directors) etc. There is a risk of conflict of interest. Therefore, we recommend that the Directors or CEO do not approve their own expenses, especially when the expenses are made via their EAs' purchase cards.

Opportunity(ies)	Management Response	
We recommend management ensure that the Directors or CEO do not approve their own expenses, especially when their expenses are made via their EAs' purchase cards.	Council has considered these arrangements where purchases are make by EAs on behalf of their Directors or CEO and consider that the current approach is a practical approach to dealing with these transactions while still maintaining appropriate segregation of duties between the procurer and the approver.	
	Responsible Officer	**Target Date**
	Manager Financial Services	30 September 2019

2.	Card collection

Observation(s)

Sampling tests of card termination and purchases found that a cardholder was away for a year but did not return his purchase card. The cardholder (a mechanic) was sick and took long service leave for the entire financial year 2018-19; however, his purchase card was not collected until he retired in June 2019.

There was no transaction made by the cardholder. However, there is no legitimate business reason for him to hold a purchase card during the long-term leave. We recommend Council include the relevant requirement of collecting purchase card when the cardholder is away for a long time into a policy.

Opportunity(ies)	**Management Response**	
We recommend management formalise the requirement of collecting purchase card when the cardholder is away for a long period of time and ensure it is implemented.	The draft purchase card procedures include guidance on requirements when purchase cards need to be returned when a cardholder has ceased employment, on extended leave or other circumstances. These will be reviewed in light of Audit Comments to ensure that cardholders and relevant managers are clear on their responsibilities.	
	Responsible Officer	**Target Date**
	Manager Financial Services	30 September 2019

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3.	Transaction and monthly limit

Observation(s)

This audit highlighted the improvement opportunities in setting up appropriate card limit, including both transaction and monthly.

We found that one cardholder has a higher card limit for 2018-19 and 2017-18 (i.e. $8,000) than the limit of Purchase Orders & Invoices (i.e. $2,000) recorded in the Council's Staff Financial Delegations as at 13 September 2018. The Delegations document needs to be updated to reflect the accurate card limit.

Currently, Council only applies credit limit per card, which is a monthly limit. Although no one violated their credit limit in 2017-18 and 2018-19, data analysis found an increase trend of high value purchases over $2,000 over two years (details as follows). Therefore, it worth applying transaction limit to strengthen the control environment.

Period	Overall		Transactions above $2,000			
	No. of transactions	Total $ incl. GST	No. of transactions	Transaction %	Total $ incl. GST	Value %
2017-18	2,528	$ 288,354	0	-	0	-
2018-19	2,854	$ 356,988	17	1%	$ 48,874	14%

Data analysis also found that the current card limit seems redundant to some cardholders. There were 27 cardholders in 2018-19 (55%) and 19 cardholders in 2017-18 (44%) spent at least $1,000 lower than their monthly limit all the time. There is a potential that those cardholders are allocated excess card limit compared to their business needs.

Opportunity(ies)	Management Response
We recommend management: • Consider apply appropriate transaction and monthly limit for purchase cards; and • Ensure relevant policy requirements are updated without any ambiguity.	Card limits are currently considered appropriate and are regularly reviewed to ensure that they remain adequate.

	Responsible Officer	Target Date
	Manager Financial Services	No action required

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4.	Card security

Observation(s)	
The audit highlighted an improvement opportunity in applying the relevant card security requirements of the Payment Card Industry ("PCI") Data Security Standards ("DSS"), especially Requirement 3.2.2 "Protect stored cardholder data" and Requirement 9 "Restrict physical access to cardholder data".	
Audit testing did not find any incidents of purchase card security violation. To further improve the use of purchase cards, Council's purchase card policy should refer to the privacy of personal identification numbers ("PIN's") and security of cards.	

Opportunity(ies)	**Management Response**	
We recommend management consider including the privacy of PIN's and security of cards into the policy.	Purchase Card Procedures will be updated to ensure that specific mention is made of the need to keep cardholders' PINs confidential at all times.	
	Responsible Officer	**Target Date**
	Manager Financial Services	30 September 2019

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5.	Policy requirements of coffee/tea consumption and flower purchase limit

Observation(s)

Coffee/tea consumption outside of Council premises

Coffee/tea appeared a frequent expense; however, there was no policy requirements to regulate it, especially when the coffee/tea purchases are outside of Council premises.

Data analysis found that in 2018-19 Council made 100 coffee/tea purchases totalling $6,361 (excluding morning tea of 21 transactions totalling $505). Coffee/tea consumption was identified by the key words (coffee, tea or cafe), merchant group and name. We did not perform the same analysis for 2017-18 as there is no sufficient data available.

The majority of the spend has adequate descriptions which highlight that the expenditure largely relates to coffee and tea supplies in a number of Council locations including the library (where coffee is provided to the public for a fee) notwithstanding that there may be the odd purchase that may relate to internal staff buying coffee at local cafes etc. As such, Council's policy should provide guidance in relation to internal staff purchases outside of Council premises.

Flower purchase limit

Sample testing found the following flower purchases. However, Council has not defined a limit for flower purchases in any policy. This may not provide cardholders sufficient guidance.

Employee ID	Transaction Date	Supplier	Amount	Description	Approval Date
2018-19					
869	2019-02-11	Flowers To Please	$ 80	library lovers day: flowers	2019-03-20
827	2019-05-01	Flowers To Please	$ 88	Maternity Flowers	Not reconciled (Finding 1)
688	2019-06-11	Flowers To Please	$ 88	Staff flowers	Not reconciled (Finding 1)
2017-18					
1131	2018-01-29	Flowers by Definition	$103.5	Flowers for Lee Mullins	2018-02-01
894	2018-02-28	Flowers To Please	$144	Flowers	2018-02-28
Total			**$503.5**		

Opportunity(ies)	**Management Response**
We recommend management assess the necessity, possibility and feasibility to formalise the coffee/tea consumption outside of Council premises and flower purchase limit into the policy.	Purchase Card Procedures will be updated to ensure that clear guidance is provided to cardholders in relation to the use of coffee/tea consumption outside of Council premises.

Management Response (continued):

In addition, the procedures will be updated to make reference to Council's Employee Recognition, Functions and Gifts Policy.

Council's Employee Recognition, Functions and Gifts Policy will be reviewed to provide greater guidance on the required limits on expenditure for items covered under this Policy, including flowers.

Responsible Officer	Target Date
Purchase Card Procedures Manager Financial Services	30 September 2019
Employee Recognition, Function and Gifts Policy Executive Manager Organisational Development	20 December 2019

6.	Record management of cardholders

Observation(s)

Review of the manual Transaction List 2017-18, the FlexiPurchase Transaction List 2018-19 and the NAB – Corporate Card Register as at 30/06/2019 found that the cardholder names are not always correctly recorded, and one current cardholder is missed in the Register.

Inconsistent cardholder names on record could lead to duplication or mistake in relevant purchase reporting.

Opportunity(ies)	Management Response	
We recommend management ensure that cardholder names are recorded consistently.	The cardholder names per the register are aligned to Council's payroll system and are therefore considered appropriate.	
	Responsible Officer	**Target Date**
	Manager Financial Services	No action required

7.	**System reporting function**

Observation(s)

Reporting function of the FlexiPurchase system seems not fully familiarised by the Council to assist monitoring and management.

The current FlexiPurchase Transaction List does not have the basic information of expense types, description, reconciled date and approved date etc. If the Council's Purchase Card Administrators could further familiarise with the FlexiPurchase system reporting function and fully utilise them, the monitoring and management of purchase card usage would be more efficient.

Opportunity(ies)	**Management Response**	
We recommend management encourage the utilisation of FlexiPurchase system reporting function to efficiently monitor and manage the use of purchase cards.	The current Flexipurchase Administrator who is familiar with the Flexipurchase system reporting function was not available for some period of audit testing. The current procedures have been updated to reflect the use of reports for monitoring and management of purchase cards. These procedures will be reviewed in light of Audit Comments to ensure that they are appropriate. In addition, Council will review training requirements across the team involved in Flexipurchase processing and reporting to ensure that any knowledge gaps are closed by either internal training or external training from Flexipurchase/NAB.	
	Responsible Officer	**Target Date**
	Purchase Card Procedures Manager, Financial Services	30 September 2019
	Flexipurchase Training Requirements	20 December 2019

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8.	**Prior approval and fuel purchase description**

Observation(s)

This audit also highlighted the improvement opportunities in the following two areas to more effectively track and prevent inappropriate use of purchase cards.

Prior approval

Prior approvals are not present for sensitive transactions which include purchases made in the following areas: travel, accommodation, entertainment, alcohol, and flowers etc. Travel and accommodation are sensitive expenses as the relevant rates are normally material and fluctuate, which requires discretional judgement. While entertainment, alcohol and flowers expenses in nature do not have direct link to business purpose. There are higher risks of these transactions resulting in inappropriate use.

Our sample testing found that there was no prior approval for 18 sensitive expenses (totalling $7,040) in 2018-19 and 14 sensitive expenses (totalling $8,299) in 2017-18.

Fuel purchases

We note that it is occasionally the need to pay for fuel on purchase cards (rather than fuel cards) as a result of changeover of vehicles or where a Caltex petrol station (Fuel card supplier) is not in close proximity. In addition, it is noted that the majority of managers and above have private use and therefore the timing of petrol purchase is when fuel gauge is low and not necessarily Monday to Friday.

The widely accepted Council's requirement for identification of the vehicle is normally by the Plant Reference Pxxxx. However, the sample testing found that there was one fuel purchase (of $62) made in 2018-19 and seven purchases (of $546) made in 2017-18 without fuel card and not addressing the Plant Reference Pxxxx.

Opportunity(ies)	**Management Response**	
We recommend management consider formalising the requirements of prior approval for sensitive expenses and fuel purchases description in the policy.	Council's current purchase card procedures do not require any documented prior approval including fuel purchases and as discussed previously, all purchase card transactions require approval at the individual transaction level. Notwithstanding, Council will review its draft purchase card procedures to consider those circumstances where prior approval for particular expenditure is warranted to ensure that there are increased controls for more sensitive expenditure	
	Responsible Officer	**Target Date**
	Manager Financial Services	30 September 2019

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Appendix 3

Documents accessed and consultation

Documents provided by Adelaide Hills Council and accessed include:

- Purchase Card Policy (no date)
- Purchase Card Agreement and Acknowledgement by Cardholder (no date)
- Credit Card Procedures for Authorised AHC Employees (no date)
- NAB – Corporate Card Register as at 30/06/2019
- Study Assistance Policy (adopted November 2001)
- Employee Recognition, Functions and Gifts Policy (amended 29 April 2003)
- Staff Financial Delegations as at 13 September 2018
- Procurement Policy dated 8 November 2016
- Organisational Chart
- Walkthrough documents for card issuing, weekly transaction reconciliation and approval, and card termination processes
- NAB corporate card transactions lists for 2018-19 and 2017-18
- Supporting (FlexiPurchase) documentation of purchases selected for 2018-19 and 2017-18 testing

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

- Lachlan Miller, Executive Manager Governance & Performance
- Steven Watson, Governance & Risk Coordinator
- Mike Carey, Manager Financial Services
- Marcela Ardelean, Management Accountant
- Sonia Cooper, Finance Officer
- David Collins, Manager Sustainable Assets
- James Sinden, Manager ICT
- Kym Kotz, Works Storeman
- Matthew Ahern, Team Leader Regulatory Services
- Natalie Westover, Manager Property Services

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Appendix 4

Audit types

The following are main internal audit services provided by Bentleys:

Audit Types						
Compliance	**Governance**	**Strategic**	**Performance / Operational**	**Transactional**	**Financial**	**Investigation**

Appendix 5

Top 5 significant users

Top five spenders were significant users based on transaction volume and total value. The Top One Cardholder (#766) mainly purchased coffee consumptions and newspaper and magazine subscription etc. Details are as follows:

2018-19 Top 5 Significant Users by Value

2018-19 Top 5 Signficant Users by Quantity

2017-18 Top 5 Significant Users by Value

2017-18 Top 5 Signficant Users by Quantity
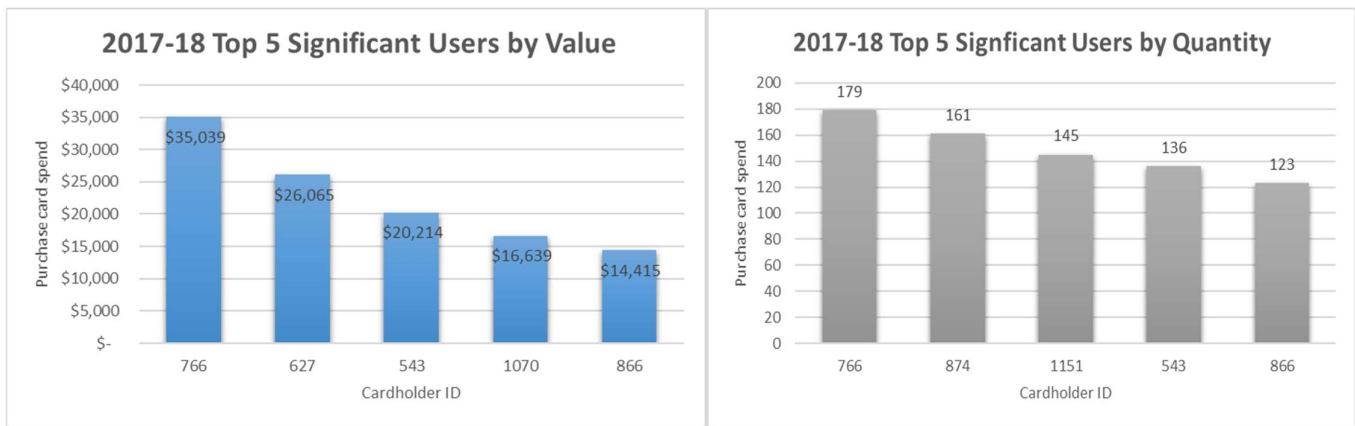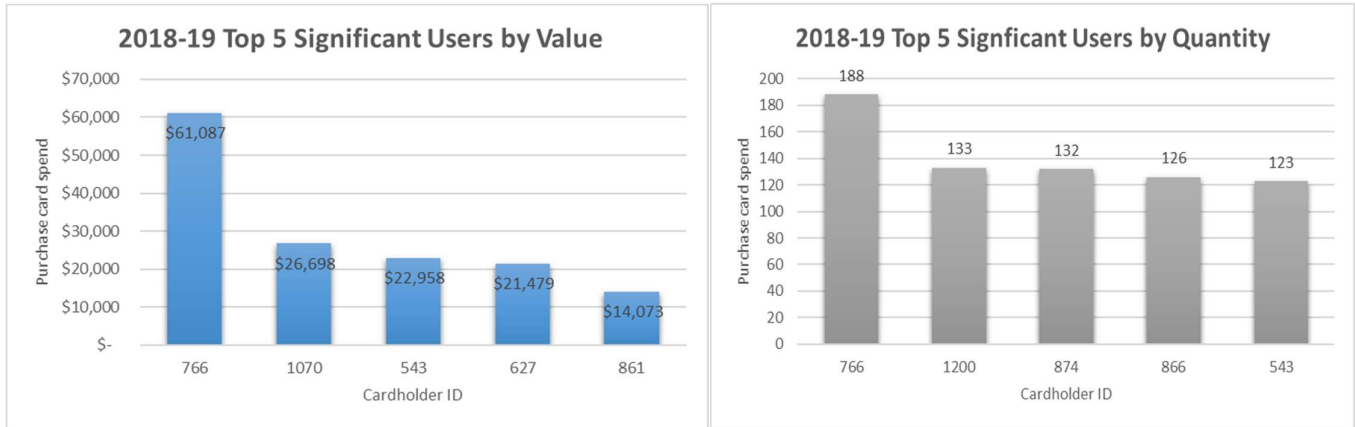
Appendix 6

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.

Overall Controls Assessment [1]		
Good	Marginal	Poor

(1) Limited to audit scope and based on test results.

Control Effectiveness Graph

	Number of Controls
Poor	0
Marginal	6
Good	5

Key controls identified during the audit include:

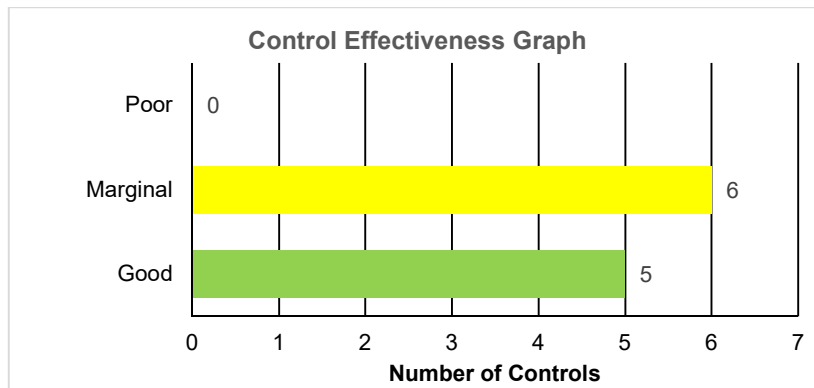| No.	Control name	Control effectiveness
1	Policies and procedures	Marginal
2	Issuing, changing and terminating of a credit card	Good
3	Allowance purchases	Marginal
4	Card restrictions	Marginal
5	Segregation of duties	Good
6	Prior written approval for expenses	Marginal
7	Limitations on expenditure	Good
8	ATO GST and FBT requirements	Good
9	Escalation process	Good
10	Reconciliation, monitoring and reporting	Marginal
11	Record management	Marginal

Control Assessment Table is as follows:

Control / Mitigating Factor	Description
I – Good	Systems and processes exist to effectively manage the risk and management accountability is assigned. There is a high proportion of systemised controls which are well documented and regular monitoring and review indicates high compliance with the process.
II – Marginal	Systems and processes exist which partially manage the risk. A combination of systemised and manual controls. Some improvement opportunities are possible but have not been achieved.
III – Poor	The system and processes for managing the risk are ineffective, have been subject to major change or are in the process of being implemented and their effectiveness cannot be confirmed.

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Appendix 7

Risk assessment

Provided below is an audit assessment of the residual risk based on the Adelaide Hills Council risk framework in respect of the process reviewed, having regard to the issues identified by the audit.
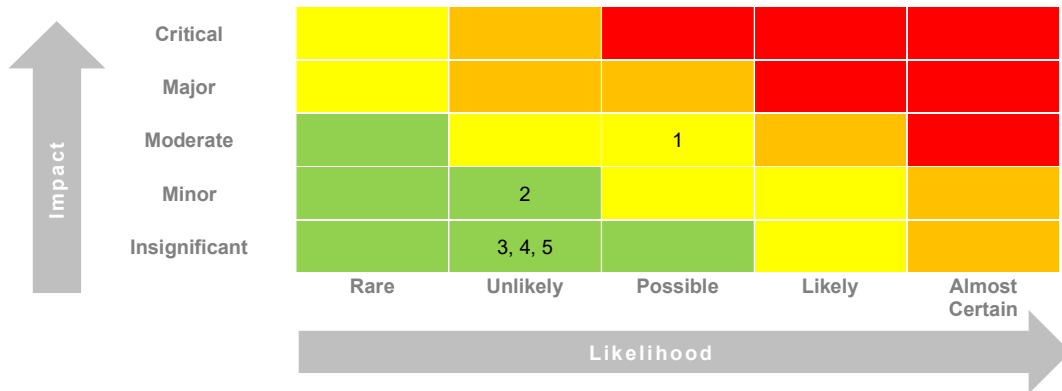
The following details the framework for risk ratings developed by the Adelaide Hills Council to prioritise findings according to their relative significance depending on their impact to the process.

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

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

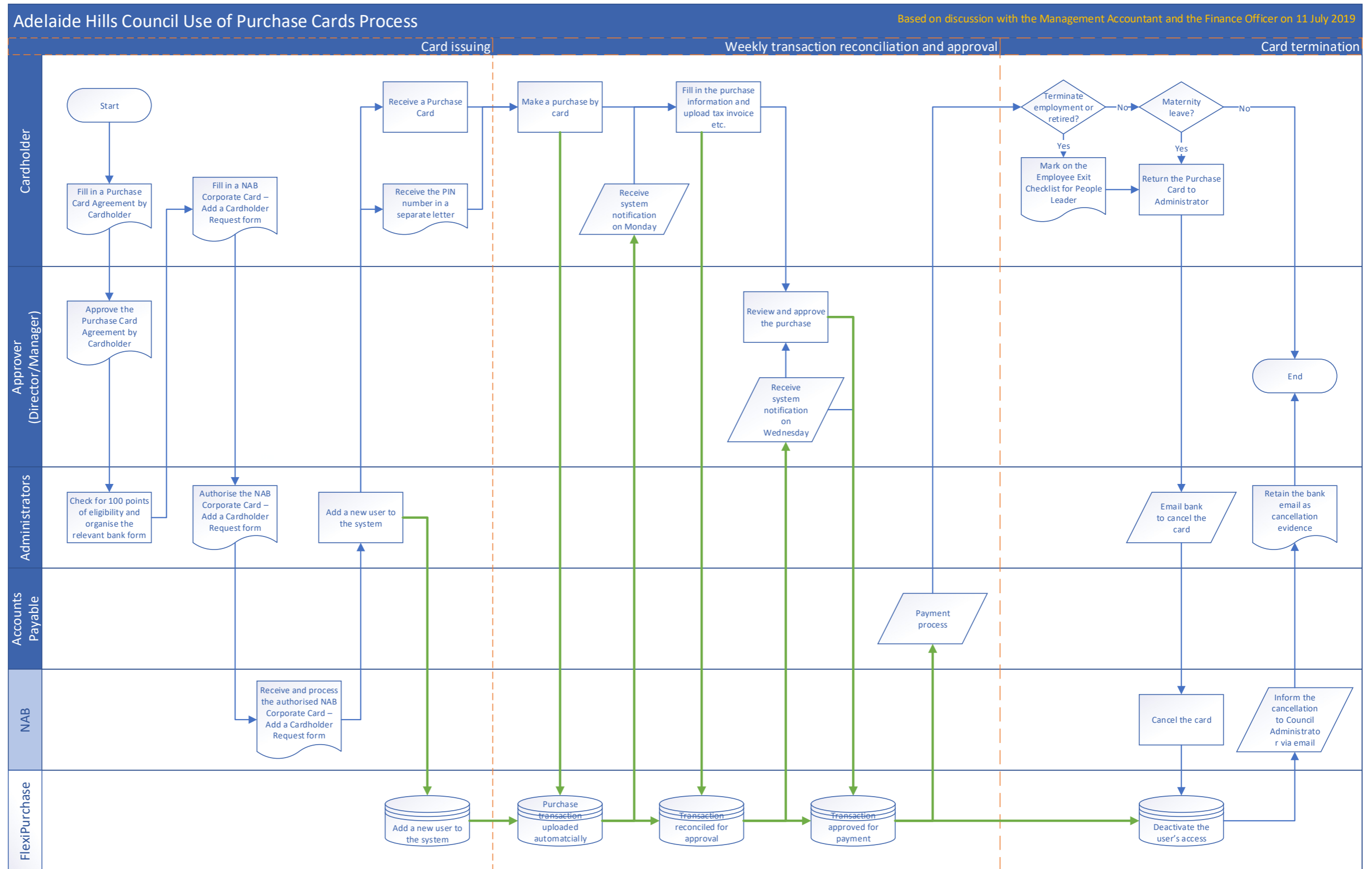| LIKELIHOOD RATING	DESCRIPTION
A – Almost Certain	*Is expected to occur in most circumstances.* Greater than 90% chance that the event will occur in situations that the risk is present OR significant past history and considered most likely in the circumstances.
B – Likely	*Will probably occur in most circumstances.* About 30 - 90% chance that the event will occur in situations that the risk is present OR some past history and considered quite likely in the circumstances.
C – Possible	*Might occur at some time.* About 10 - 30% chance that the event will occur in situations that the risk is present OR some past history and considered possible in the circumstances.
D – Unlikely	*Could occur at some time.* About 3 - 10% chance that the event will occur in situations that the risk is present OR limited past history, but possible in some circumstances or occasionally.
E – Rare	*May occur in exceptional circumstances.* Less than 3% chance that the event will occur in situations where risk is present OR no past history and considered unlikely to occur (if ever).

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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.

		INTERNAL IMPACT				EXTERNAL IMPACT		
	Corporate Objectives (A)	Staff Welfare & Engagement (B)	Legal and Regulatory (C)	Finance & Assets (D)	Service Continuity (E)	Community, Social & Reputation (F)	Environment (G)	Economic (H)
1. Insignificant	No impact on the ability to achieve corporate objectives.	No injuries. No effect on staff morale.	Innocent procedural breach, evidence of good faith, little impact; Limited/normal insurance claims. Legal action highly unlikely.	Low financial impact - <2% of budget.	No material disruption. Small delays in routine needs/tasks for ½ day.	Isolated complaint without media attention. No impact on community confidence or wellbeing.	No environmental damage.	Minor shortfall relative to current forecasts.
2. Minor	Minor impairment in achieving corporate objectives.	First aid treatment. Minor effect on staff morale.	Breach of regulatory or legal obligations with no punitive actions. Internal breach of policy or procedure requiring internal investigation/ corrective action.	Minor financial impact - 2- < 5% of budget.	Short term temporary suspension. Minor impact in undertaking routine needs or tasks for 1 day or impact on multiple areas within Council.	One-off, localised adverse media event. Loss of confidence by localised community. Minor adverse impact on community wellbeing.	Minor environmental damage. Contamination - on-site release contained. Quick clean-up possible with slight, reversible damage to few species. "Nuisance" category under EPA met.	Individually significant but isolated areas of reduction in economic performance relative to current forecasts.
3. Moderate	Moderate impairment in achieving corporate objectives.	Medical treatment required moderate effect on staff morale.	Breach of regulatory or legal obligations with limited litigation. Internal breach of policy or procedure requiring external investigation.	Moderate financial impact - 5-<15% of budget.	Medium term temporary suspension of capability, moderate impact on stakeholders & routine needs or tasks for up to 1 to 7 days – backlog cleared by additional resources.	Sustained but localised adverse media attention. Limited short-term impact on community confidence. Moderate adverse impact on community wellbeing.	Moderate local impact on or off site requiring long term clean-up. "Material" category under EPA met. Some minor adverse effects to a few species that are short term and reversible.	Significant general reduction in economic performance relative to current forecasts.
4. Major	Major impairment in achieving corporate objectives.	Extensive injuries. Significant impact on staff morale.	Breach of regulatory or legal obligations with potential civil/criminal charges or protracted litigation.	Major financial loss - 15-< 30% of budget.	Prolonged suspension of work (major impact on stakeholders & routine task) for greater than 7 days.	Significant adverse media event. Significant and prolonged loss of community confidence. Major adverse impact on community wellbeing.	Major but reversible environmental damage. Full clean up difficult and expensive. "Serious" category under EPA met. Loss of habitat and migration of animal population, plants unable to survive, pollution requires physical removal.	Regional stagnation such that businesses are unable to thrive and employment does not keep pace with population growth.
5. Catastrophic	Permanent impairment in achieving corporate objectives.	Death related to work incident. Huge effect on staff morale.	Civil/criminal charges or serious litigation.	Huge financial exposure/impact – >30% of budget.	Indeterminate prolonged suspension of work; non Performance.	Significant sustained adverse media attention. Complete loss of community confidence and widespread outrage. Huge adverse impact on community wellbeing.	Catastrophic environmental damage. Full clean-up not possible. "Serious" category under EPA met. Death of animals in large numbers, destruction of flora species, air quality requires evacuation.	Regional decline leading to widespread business failure, loss of employment and hardship

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Appendix 8

Use of Purchase Cards Processes

Adelaide Hills Council Use of Purchase Cards Process

Based on discussion with the Management Accountant and the Finance Officer on 11 July 2019

Card issuing | Weekly transaction reconciliation and approval | Card termination

Cardholder
- Start
- Fill in a Purchase Card Agreement by Cardholder
- Fill in a NAB Corporate Card – Add a Cardholder Request form
- Receive a Purchase Card
- Receive the PIN number in a separate letter
- Make a purchase by card
- Fill in the purchase information and upload tax invoice etc.
- Receive system notification on Monday
- Terminate employment or retired?
- Maternity leave?
- Mark on the Employee Exit Checklist for People Leader
- Return the Purchase Card to Administrator

Approver (Director/Manager)
- Approve the Purchase Card Agreement by Cardholder
- Review and approve the purchase
- Receive system notification on Wednesday
- End

Administrators
- Check for 100 points of eligibility and organise the relevant bank form
- Authorise the NAB Corporate Card – Add a Cardholder Request form
- Add a new user to the system
- Email bank to cancel the card
- Retain the bank email as cancellation evidence

Accounts Payable
- Payment process

NAB
- Receive and process the authorised NAB Corporate Card – Add a Cardholder Request form
- Cancel the card
- Inform the cancellation to Council Administrator via email

FlexiPurchase
- Add a new user to the system
- Purchase transaction uploaded automatically
- Transaction reconciled for approval
- Transaction approved for payment
- Deactivate the user's access

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29

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 August 2019
AGENDA BUSINESS ITEM

Item:	**6.12**
Originating Officer:	**Lachlan Miller, Executive Manager Governance & Performance**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**Audit Actions Implementation Update**
For:	**Information**

SUMMARY

The implementation status of actions arising from previous Internal and External Audits is provided in *Appendix 1*.

RECOMMENDATION

The Audit Committee resolves:

1.   **To receive and note the report.**
2.   **To note the implementation status of Internal and External Audit actions.**

1.   **GOVERNANCE**

➢   **Strategic Management Plan/Council Policy**

Goal 5   Organisational Sustainability
Strategy 5.5   Risk & Responsibility
Strategy 5.7   Governance

Monitoring the implementation of internal and external audit actions facilitates the effective management of risk exposures and improves the overall governance environment.

➢   **Legal Implications**

Accounts, Financial Statement and Audit, *Local Government Act 1999*

Section 125 of the *Local Government Act 1999* (the Act) requires councils to ensure that appropriate policies, practices and procedures of internal controls 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 Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.

The Internal Audit program is an important tool to provide an objective appraisal of the adequacy on internal controls in managing our risk and supporting the achievement of council objectives.

Testing of Council's transactions and internal controls by the external auditor coincides with Council's own Risk Management Framework. The External Auditor's annual inspection and certification of Council's financial position and performance provides the community with an assurance of Council's internal financial control environment in managing our risk and supporting the achievement of council objectives.

➢ **Risk Management Implications**

The implementation of actions arising from internal and external audits will assist in mitigating the risk of:

Internal control failures occur which lead to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
High (4C)	Medium (3C)	Medium (3C)

Note there are many other controls that contribute to managing this risk.

➢ **Financial and Resource Implications**

Actions arising from internal and external audits are generally accommodated in existing functional budgets. Where an agreed action requires unbudgeted funds, this will be managed through Council's budget review processes

➢ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate corporate governance processes in place including an effective internal control environment.

➢ **Environmental Implications**

Not applicable

➢ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Consultation on the implementation of actions to address the audit findings was as follows:

Council Committees: The Audit Committee receives the reports from each Internal and External Audit conducted.

Advisory Groups: Not Applicable

Workshops: Not Applicable

Administration: Managers and staff with actions allocated from completed audit reports.

Community: Not Applicable

2. BACKGROUND

The Audit Committee was last provided an update of outstanding actions at its February 2019 meeting.

3. ANALYSIS

The status of the outstanding actions from Internal and External Audit is at *Appendix 1*.

4. OPTIONS

The Committee has the following options:

I.   To note the implementation status of the Internal and External Audit actions as presented; or

II.   To identify additional actions to be undertaken.

5. APPENDIX

(1)   Audit Actions Implementation Status – August 2019

Appendix 1
Audit Actions Implementation Status – August 2019

Audit Name	Reference	Issue	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion Date	Comment
Asset Management - May 2014 - Creative Auditing	6.1.1.1	Policy	That a procedure be documented on how compliance with the policy is going to be monitored.	The set up and development of the Confirm Asset Management system will consider traking of tasks and actions to align with Policy	David Collins	30/12/2017	In Progress	27/09/2019	Significant data sets being finalised for import to asset system production including all transport and buildings - asset mangement plan review being undertaken by new Senior Infrastructure Planning Engineer transport data AMP currently being prepared for seals/ unsealed and footpaths
Asset Management - May 2014 - Creative Auditing	6.1.2.1	Registers	That all asset data be transferred into a computerised asset register.	Basic register has been established and base of valuation data. Roads, Footpaths, Safety Barrier, Bus Stops, Bridges, Footbridge, Retaining Walls, Buildings assets have been transferred into the Production environment. CWMS data currently being transitioned into new system. Data Validation of existing spreadsheet and GIS information ongoing as part of transfer into Confirm Enterprise Asset Register. Business Review process and data transfer specification for bridges complete. Business Review Process for roads complete. Data transfer specification for roads in progress. specification development has identified a number of data elements that require validation prior to transfer into new system. Bridge data has been uploaded into the new register. Building Data has been uploaded into the test environment and under review. Stormwater data review and data transfer specification underway.	David Collins	30/06/2017	In Progress	23/08/2019	Road data is in the process of being brought into production - this includes Seals, Unsealed, Road Pavements, Formation, Shoulders and Footpaths. Kerb and Gutter data (11,000 features) has been consolidated to around 2,500 features and under QA review prior to data load into test. Road data is current being transferred into test. Safety Barriers and retaining walls are in Production Financial reporting for the 2017/18 financial year was completed from the data held in Confirm.

The vast majority of Council assets are recorded in Conquest and subsequent spreadsheets and GIS. Implementation of Confim Asset Management System currently underway. Business Review Process complete for Playgrounds, Transport Assets (Seals, Pavements, Footpaths, Unsealed) and Bridges. Data Tranfer of Playgrounds complete and data tranfer specification being finalised for Transport and Bridges.

Bridges data has been in the test envirnment and expected to be live by September 2018. Bridges are in the live environemnt.

Business Review Process for Building and Data Transfer Specification has been finalised and data clensing and review by consultant underway. Buliding Data is in the Test environment and under review.

The integration between system CRM, GIS and Confirm has commenced. Initial GoLive of CRM and Confirm is in place for Arborculture. This framework will be used to set up asset category integrations progressively. |
| Asset Management - May 2014 - Creative Auditing | 6.5.1 | Asset Condition | That now that the existing condition has been documented, subsequent condition assessments need to be used to reassess the effective life of assets. | Council is undertaking an external review of its bridge asset data condition and useful lives in 2019/20. A review of Unit rates for roads, retaining walls and footpaths has been completed in 2018/19. A rolling program of audit and condition assessments will be included in updated asset management plans and condition assessment cycles are being implemented in Asset Management system upgrade - for example monthly and 3 monthly observations are occurring on the playground assets. bridge inspection observations are also being testing via the system. Currently Building Asset and CWMS Asset complete. Review of useful lives as part of AMP update. Condition assessment of footpaths completed in December 2017. Peer review work required to validate initial AMP review investigations of useful lives, unit rates and subsequent depreciation. | David Collins | 30/06/2017 | In Progress | 23/08/2019 | The 2017/18 auditor process mapped out condition assessments for asset classes within the register. Sustainable Assets area scheduling in required condiiton audits to align with schedlue.

A schedule of asset revaluations has been developed to ensure asset categories are revalued at least every four years. The schedule is now under review given recent appointment of Manager Sustainable Assets.

High level review of the Asset Management Plans and associated data was completed in January 2018.

Unit rates and useful lives are currently being reviewed as data cleansing is occurring with data specification works associated with the transfer of data in Confirm.

Consultant reviewing rates in line with revaluation schedule discussed with auditors |
| Bentleys Internal Audit Report August 2018 – Customer Service Standard Reporting | Finding 6 | Roles and responsibilities | We recommend management:

• Prioritise resources to ensure smooth transition of the reporting responsibility;
• Build up a backup capacity in the future to ensure no interruption of the process; and
• Identify, document and communicate the relevant data reporting responsibilities with the managers and team leaders of the business areas to engage stakeholders in the process. | • Quarter 3 Reporting was undertaken by the new staff member, no issues were identified.

• Engaging with relevant Managers and Team Leaders will be undertaken as part of the response in Finding 5

Proposed Action:

Train the 'Executive Assistant Community Capacity' to undertake the Quarterly CSS reporting as a back-up. | Jess Charlton | 31/12/2018 | Completed | | Training for the Executive Assistant Community Capacity took place in January 2019 and will be ongoing in compiling future reports. |

Audit Name	Reference	Issue	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion Date	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act "to establish and enforce cost-effective technical requirements"; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	1. Establish the payment of Development Application fees on-line payment portal to reduce gaps between lodgement and payment.	Deryn Atkinson	22/11/2019	In Progress	22/11/2019	Test Version of Payment portal requires upgrade of sequel searcher. Agreement reached with Open Office and IT 5 July 2019 but waiting on this to be built before testing can occur. Estimate to be tested by 5 August 2019
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act "to establish and enforce cost-effective technical requirements"; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	3. Review and develop new standard operating procedures for electronic development tasks, including lodgement, initial assessment, referrals, public notification, final assessment and CAP report preparation, decision generation and notification private certification, and fee refunds to achieve improved process consistency and efficiency.	Deryn Atkinson	30/08/2019	In Progress	30/08/2019	Completed development of new standard operating procedures for lodgement, initial assessment, referrals, public notification, CAP report preparation, decision generation, private certification and fee refunds. Final planning assessment procedure in progress but yet to be finalised and training to occur
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act "to establish and enforce cost-effective technical requirements"; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	4. Review standard templates and checklists on an annual basis and as legislation changes occur.	Deryn Atkinson	19/07/2019	Completed	30/06/2019	As part of the development of new procedures the templates have been reviewed. As part of the website information review checklists have been updated and a new development application checklist developed and uploaded. The next reviewed will be scheduled for mid June 2019 when statutory fees are released.

Audit Name	Reference	Issue	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion Date	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act "to establish and enforce cost-effective technical requirements"; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	5. Develop a new assessment process flowchart for staff and customers.	Deryn Atkinson	13/09/2019	In Progress	13/09/2019	Flow chart developed and completed for internal workflow. 30/7/19 Planning Flow chart for customers started but not completed to satisfactory standard for website. In process of being revised.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act "to establish and enforce cost-effective technical requirements"; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	7. Provide training for all staff as new standard operating procedures are rolled out and when amended. Document through team meeting agendas.	Deryn Atkinson	30/09/2019	In Progress	30/09/2019	Training sesssion held with all of team on 19 September 2018 Training session held with all planners 11 October 2018 on action entry and monitoring and planning inspection recording procedure. Training sessions on action entry and monitoring and building inspection recording procedure scheduled for 1 November 2018. Training undertaken on new procedures with all Development staff 1 July 2019 - refer all of Team Meeting When Planning Assessment Procdedure finalised further training needed.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 2	Attainment of statutory timelines	We recommend management: Include the requirements of the statutory timelines into the Council's policies and procedures; Review the system Open Office to ensure the requirements of the statutory timelines are built in; Provide refresher training of the updated procedures and system functions to the relevant responsible officers and ensure they are capable to meet the statutory timeline requirements; and Set up relevant Key Performance Indicators (KPI) to monitor compliance of the statutory timeline requirements.	2. Ensure the statutory timelines are operating in Open Office through enhanced functionality.	Deryn Atkinson	31/10/2019	In Progress	31/10/2019	This is a complex piece of work and whilst progress has been made the statutory timelines are not completely working as of 25/3/19. E-development officer and Open Office are still working on ensuring the front end timeframes are correctly loaded and testing is yet to occur. Bug fixes have occurred and stop the clock is working in Open Office. We need to check we can run reports still and review each time an upgrade is applied. 31/7/19 Open Office fixed reporting bug but reports run are still not populating all the fields previously working. Follow-up occurring.

Audit Name	Reference	Issue	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion Date	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 2	Attainment of statutory timelines	We recommend management: Include the requirements of the statutory timelines into the Council's policies and procedures; Review the system Open Office to ensure the requirements of the statutory timelines are built in; Provide refresher training of the updated procedures and system functions to the relevant responsible officers and ensure they are capable to meet the statutory timeline requirements; and Set up relevant Key Performance Indicators (KPI) to monitor compliance of the statutory timeline requirements.	3. Provide refresher training on updated procedures and system functions to responsible officers as required.	Deryn Atkinson	30/06/2019	Completed	31/03/2019	Training is on-going. Training sesssion held with all of team on 19 September 2018 Training session held with all planners 11 October 2018 on action entry and monitoring and planning inspection recording procedure. Training sessions on action entry and monitoring and building inspection recording procedure scheduled for 1 November 2018. 31/7/19 Further training will be undertaken on an as-needs basis for existing staff and during induction sessions for new staff. To be programmed in for All of Team Meetings as a regular item for updates.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 2	Attainment of statutory timelines	We recommend management: Include the requirements of the statutory timelines into the Council's policies and procedures; Review the system Open Office to ensure the requirements of the statutory timelines are built in; Provide refresher training of the updated procedures and system functions to the relevant responsible officers and ensure they are capable to meet the statutory timeline requirements; and Set up relevant Key Performance Indicators (KPI) to monitor compliance of the statutory timeline requirements.	4. Report on requests for information quarterly as a KPI for planners.	Sam Clements	30/12/2018	In Progress	28/12/2018	Ongoing and discussed regularly at Team Leader and planning discussions.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 3	Tracking the progress of applications	We recommend management: • Effectively and consistently apply the "Action" function in Open Office to monitor and track the progress of the applications; • Perform regular (at least quarterly) monitoring and reporting of the status and number of applications in the system, and the time of applications by type to complete assessment or milestones, etc.; and • Continuously investigate the monitoring and reporting functions of the system and utilise them consistently to meet the legislative requirements and improve the efficiency of the process and customer satisfaction.	1. Build in action functionality to development assessment tasks in the review of procedures.	Deryn Atkinson	30/12/2018	Completed	31/03/2019	Actions are being progressively introduced into the system as development tasks are reviewed. This is work in progress. All planning workflows have action functions in place and are being utilised.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 3	Tracking the progress of applications	We recommend management: • Effectively and consistently apply the "Action" function in Open Office to monitor and track the progress of the applications; • Perform regular (at least quarterly) monitoring and reporting of the status and number of applications in the system, and the time of applications by type to complete assessment or milestones, etc.; and • Continuously investigate the monitoring and reporting functions of the system and utilise them consistently to meet the legislative requirements and improve the efficiency of the process and customer satisfaction.	2. All planners to be trained in monitoring their overdue action requests.	Deryn Atkinson	27/12/2019	In Progress	27/12/2019	Staff are progressively adapting to working from a list of actions. This is work in progress. Overdue actions for Further Information was the focus of action training for planning staff on 11 October 2018. 16/7/19 Work flow actions created and implemented. Monitoring and reporting still requires work by Team Leaders but Open Office reporting has been affected by Open Office Upgrade and this has delayed completion of the action.

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Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 3	Tracking the progress of applications	We recommend management: • Effectively and consistently apply the "Action" function in Open Office to monitor and track the progress of the applications; • Perform regular (at least quarterly) monitoring and reporting of the status and number of applications in the system, and the time of applications by type to complete assessment or milestones, etc.; and • Continuously investigate the monitoring and reporting functions of the system and utilise them consistently to meet the legislative requirements and improve the efficiency of the process and customer satisfaction.	4. Regularly monitor planners' overdue actions. Report monthly on the number of outstanding information requests older than 6 months initially (reducing to 3 months over time) and to prepare reports for each planner to prioritise follow-up and reduce open file loads.	Sam Clements	30/12/2018	Completed		First report provided to planners on 16/10/18- outstanding further information requests older than 6mths. Ongoing
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 3	Tracking the progress of applications	We recommend management: • Effectively and consistently apply the "Action" function in Open Office to monitor and track the progress of the applications; • Perform regular (at least quarterly) monitoring and reporting of the status and number of applications in the system, and the time of applications by type to complete assessment or milestones, etc.; and • Continuously investigate the monitoring and reporting functions of the system and utilise them consistently to meet the legislative requirements and improve the efficiency of the process and customer satisfaction.	5. Initiate regular meetings between Team Leader Statutory Planner/Senior Planner with statutory planners to discuss progress of applications.	Sam Clements	30/12/2018	Completed	28/12/2018	Ongoing and regular meetings are in place.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 4	Urban Tree Fund management	We recommend management: • Formalise the process focusing on developing a management plan to use the specific reserve Urban Tree Fund, including – Conditions, restrictions and obligations on the use of the fund Options to use the fund for tree maintenance and/or purchase with consideration given to cost, outcome, and time frame etc.; – Comparison of options and consult relevant utility organisations such as SA Power Network where relevant; and – Approval from delegates; • Review and update the management plan on an as needs basis; • Implement the management plan and monitor the use of fund; and • Retain records of and report the fund movements and significant activities to the relevant stakeholders/governance bodies.	1. Planning, Open Space and Finance staff to develop an Urban Tree Fund Management Plan for the use of fund contributions paid by development applicants.	Deryn Atkinson	30/08/2019	In Progress	31/08/2019	18/7/19 meeting scheduled with Managers Open Space and Finance to draft management plan 30/7/19 draft management plan developed and will be circulated for comment and finalisation

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Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 4	Urban Tree Fund management	We recommend management: • Formalise the process focusing on developing a management plan to use the specific reserve Urban Tree Fund, including – Conditions, restrictions and obligations on the use of the fund Options to use the fund for tree maintenance and/or purchase with consideration given to cost, outcome, and time frame etc.; – Comparison of options and consult relevant utility organisations such as SA Power Network where relevant; and – Approval from delegates; • Review and update the management plan on an as needs basis; • Implement the management plan and monitor the use of fund; and • Retain records of and report the fund movements and significant activities to the relevant stakeholders/governance bodies.	2. Implement, monitor & review (as required) the Urban Tree Fund Management Plan.	Chris Janssan	31/01/2020	In Progress	31/01/2019	Internal discussion held to ensure allocation of operational responsibilities clearly aligned between Development and Financial Services. Action assigned to Manager Open Space for implementation and ongoing monitor & review.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 4	Urban Tree Fund management	We recommend management: • Formalise the process focusing on developing a management plan to use the specific reserve Urban Tree Fund, including – Conditions, restrictions and obligations on the use of the fund Options to use the fund for tree maintenance and/or purchase with consideration given to cost, outcome, and time frame etc.; – Comparison of options and consult relevant utility organisations such as SA Power Network where relevant; and – Approval from delegates; • Review and update the management plan on an as needs basis; • Implement the management plan and monitor the use of fund; and • Retain records of and report the fund movements and significant activities to the relevant stakeholders/governance bodies.	3. Retain records and report on the Urban Tree Fund movements as part of the Annual Business Plan.	Mike Carey	30/06/2019	Completed	30/04/2019	Internal discussion has been undertaken to ensure allocation of operational responsibility clearly articulated between Development Services, Financial Services and Open Space. In relation to reporting on Urban Tree Fund movement, this was already incorporated into Note 9 of Council's Annual Financial Statements and given that the amount is not significant, this level of reporting is considered appropriate.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 5	Quality review of Open Office	We recommend management: • Enhance controls for the user access in Open Office where possible, such as use expiry dates on user set up; • Review user access on a regular basis using a formal process, at least annually; • Incorporate user deletion as part of termination; • Improve data quality in the system via regular independent review and reporting, at least quarterly; including verifying that the mandatory fields for record entry are accurate and still valid.	1. Review Open Officer user access on a 6-monthly basis (December and June) and confirm users with full access are required to have this	Deryn Atkinson	30/12/2018	Completed	30/12/2018	A review of users was undertaken in March 2018 and obsolete users were inactivated. 16/7/19 Scheduled open officer user access review each time someone exits the organisation through request to ICT. On Exit Checklist for People Leader
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 5	Quality review of Open Office	We recommend management: • Enhance controls for the user access in Open Office where possible, such as use expiry dates on user set up; • Review user access on a regular basis using a formal process, at least annually; • Incorporate user deletion as part of termination; • Improve data quality in the system via regular independent review and reporting, at least quarterly; including verifying that the mandatory fields for record entry are accurate and still valid.	2. Investigate with Open Office user access expiry dates functionality and the ability for resetting these	Deryn Atkinson	30/12/2018	Completed	31/07/2019	16/7/19 Investigation initiated with Open Office in 2018 but functionality does not currently exist. Manual task by IT as per proposed action 1.

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Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 5	Quality review of Open Office	We recommend management: • Enhance controls for the user access in Open Office where possible, such as use expiry dates on user set up; • Review user access on a regular basis using a formal process, at least annually; • Incorporate user deletion as part of termination; • Improve data quality in the system via regular independent review and reporting, at least quarterly; including verifying that the mandatory fields for record entry are accurate and still valid.	3. Work with Organisational Development to include Open Office user deletion in the employee exit process	Deryn Atkinson	30/12/2018	Completed	31/07/2019	Request made 22/10/18 to Organisational Development for inclusion of Open Office User Inactivation in the Employee Termination Checklist for People Leader. 16/7/19 Review of Checklist for People Leader changed
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 5	Quality review of Open Office	We recommend management: • Enhance controls for the user access in Open Office where possible, such as use expiry dates on user set up; • Review user access on a regular basis using a formal process, at least annually; • Incorporate user deletion as part of termination; • Improve data quality in the system via regular independent review and reporting, at least quarterly; including verifying that the mandatory fields for record entry are accurate and still valid.	4. Improve data quality in the Open Office system with 6 monthly internal performance review and reporting on assessment data accuracy to Manager Development Services Note quarterly reviewing and reporting on data quality is considered onerous and is unable to be resourced. Internal reviews are considered adequate to improve data quality.	Deryn Atkinson	21/11/2019	In Progress	31/08/2019	First 6 monthly review scheduled for early January 2019 16/7/19 Open Office data has been cleaned up and work undertaken on categories by Open Office has created a bug. Fix still to occur before review can be undertaken and report prepared. Finalisation of report pushed to November 2019.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	We recommend management: • Reinforce the record management policy requirements via induction and refresher training; and • Strengthen the records management via performance review and regular independent quality review within Council.	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 1. Review the Land Management Register for accuracy of information and electronic register access rather than reliance on hardcopy information.	Deryn Atkinson	28/02/2020	In Progress	28/02/2020	Review to be commenced in early 2019 16/7/19 Resourcing has not permitted this to be undertaken. To be included in the Project Plan for Transition to PDI.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	We recommend management: • Reinforce the record management policy requirements via induction and refresher training; and • Strengthen the records management via performance review and regular independent quality review within Council.	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 2. Review the standard procedure for entering agreements in the Land Management Register annually.	Deryn Atkinson	30/11/2019	In Progress	30/11/2019	Review of procedure to commence by the end of November 2019
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	We recommend management: • Reinforce the record management policy requirements via induction and refresher training; and • Strengthen the records management via performance review and regular independent quality review within Council.	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 3. Undertake induction and refresher training on the Land Management Agreement Register procedure annually or as required.	Deryn Atkinson	30/09/2019	Not Commenced	30/09/2019	Commence refresher training on LMA procedure once review finalised.

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Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	We recommend management: • Reinforce the record management policy requirements via induction and refresher training; and • Strengthen the records management via performance review and regular independent quality review within Council.	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 4. Implement annual internal review of the Land Management Agreement Register.	Deryn Atkinson	29/11/2019	Not Commenced	29/11/2019	Commence annual internal review of the LMA register early January 2019 31/7/19 Not commenced yet but to be undertaken as part of the PDI Transition Project.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	We recommend management: • Reinforce the record management policy requirements via induction and refresher training; and • Strengthen the records management via performance review and regular independent quality review within Council.	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 5. Implement a standard procedure for recording site inspections and reasons why a site inspection was unnecessary. Build the system functionality and undertake training of planning officers in the procedure.	Deryn Atkinson	30/11/2019	In Progress	30/11/2019	Training session held with all planners 11 October 2018 on planning inspection recording procedure. Training sessions building inspection recording procedure held 1 November 2018. 16/7/19 Refinements to the procedure made earlier in 2019 - and further refinements needed to ensure working satisfactorily. Consideration to the use of Iauditor application on Iphones and incorporation into procedure. 7/8/19 All of Team Meeting discussion and demonstration of Iauditor.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 7	Data access	We recommend management: • Ensure mechanism is in place to authorise and cancel the system access; • Ensure the system access is consistent with the employee's responsibilities; and • Deactivate the employees' system access in a timely manner when they have left the Council.	• Process in place where IT department are advised of staff exits. Access is removed upon receipt of this information and leaving staff member no longer has access to SharePoint or CRM. Accounts also have a lockout policy when there are 3 attempts to enter the password. • New SharePoint environment will only enable new users to be added via 'active directory 'groups, and no longer separately to the different SharePoint pages. This will mean removing access will be undertaken in one single easy step	Deryn Atkinson		Completed		
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Improvement Opportunities	Credit card details security management	We recommend management • Contact the Council's founding payment brand member to obtain their own PCI compliance programs for the protection of their affiliated payment card account data; and • Improve the relevant controls to be compliant with the PCI DSS requirements, including: – Identify and document the existence of all cardholder data in the environment; – Use the results to select appropriate PCI DSS scope and apply the guidelines; – Implement the PCI DSS activities as part of the Council's overall security strategy to ensure cardholder data security controls continually implemented; and – Retain documentation for assessor review and/or fore reference for at least one year.	Undertake an internal review of PCI compliance and implement relevant controls for best practice.	Mike Carey	31/08/2019	Completed	30/06/2019	A coordinated approach was undertaken in conjunction with Council's banker NAB, together with Customer Service, ICT and Financial Services to ensure that controls over cardholder data is appropriate. A monitoring process has been set up with all record keeping areas to ensure that credit card details are not stored in corporate systems and the banking PCI compliance survey has now completed with advice received that AHC has validated our annual PCI Compliance requirement and we are currently PCI Compliant.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Improvement Opportunities	Issuing an invoice	We recommend management • Investigate and implement a system function to issue the invoice with the coordination of the Planner and the Administration Officer; and • Measure and monitor the outcome of the new process to ensure continuous improvement of the efficiency and effectiveness.	3. Review initial assessment process to monitor the efficiency and effectiveness of the new process.	Deryn Atkinson	28/11/2019	In Progress	28/11/2019	Review will be undertaken as part of the 6 monthly internal performance scheduled for early January 2019 Performance review scheduled to begin by 1/9/19

Audit Name	Reference	Issue	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion Date	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Improvement Opportunities	Conflict of interest in Job Description of responsible employees	We recommend management • Reinforce the need of disclosure of conflict of interest in the performance review of the responsible manager and employees and/or in the induction of new employees.	Section 56 (A) of the Development Act only refers to Council Assessment Panel Members and not Council staff who make planning decisions under delegation. Therefore recommendation 1 and 2 are not required. 1. Reinforce the need of disclosure of a conflict of interest in performance reviews with staff as good professional and ethical practice, and as a requirement for members of the Planning Institute of Australia.	Deryn Atkinson	30/12/2018	Completed		Conflcit of interest provisions applying to staff are set out in s120 of the Locla Govenrment Act 1999. All new staff have training in s120 as part of their induction.
Galpins Financial Controls Review Interim Management Letter August 2018	2.1.1 Absence of Documented Processes for Purchase Orders	Purchase, Procurement and Contracting	Processes and framework for raising a purchase order, including details of when a purchase or payment is exempt from a contract and/or purchase order, are documented and appropriately communicated to staff. After establishing these processes, management periodically produces a report containing all payments with no purchase order to be reviewed to identify any instances of noncompliance. Audit supports council's current plans to develop a more robust procurement framework.	Agree with finding and the Procurement Framework will address this issue.	James Greenfield	28/03/2019	In Progress	30/09/2019	Framework and Procedures currently in consultation phase. Audit Committee 12 August 2019
Galpins Financial Controls Review Interim Management Letter August 2018	2.1.2 Evidence of Procurement Procedures Undertaken	Purchase, Procurement and Contracting	All documentation related to procurement procedures undertaken (e.g. request for tenders, tender responses, evaluation forms detailing the decision made, etc) are retained on file. When procurement procedures are not undertaken and an exemption is provided, reasons for the exemption are documented and approved by the appropriate delegated officer in accordance with the procurement policy.	Agree with finding and will ensure Procurement Framework and supporting procedures emphasise the need for appropriate documentation to be retained to substantiate procurement decisions and adherence to process.	James Greenfield	30/09/2019	In Progress	30/09/2019	Procurement Framework and supporting procedures will emphasise the need for appropriate documentation to be retained. Currently discussing with Records. Exemption Register has been created. Framework and Procedures currently in consultation phase. Audit Committee 12 August 2019
Galpins Financial Controls Review Interim Management Letter August 2018	2.1.3 Absence of Formal Contracts and Agreements	Purchase, Procurement and Contracting	Council ensures that procedures to enter into a contract are documented within the new procurement framework currently being developed. Council to ensure that there are formal agreements with suppliers with significant cumulative spend, and that works are not commenced prior to signing of contracts.	Agree with finding and will ensure Procurement Framework and supporting procedures emphasise the need for appropriate documentation to be retained to substantiate procurement decisions and adherence to process.	James Greenfield	30/09/2019	In Progress	30/09/2019	Regular review of yearly spending patterns will be undertaken to identify cumulative spend. Currently analysing Data from 2018/2019 Framework and Procedures currently in consultation phase. Audit Committee 12 August 2019
Galpins Financial Controls Review Interim Management Letter August 2018	2.1.6 Conflict of Interest Declaration	Purchase, Procurement and Contracting	Panel members are required to provide conflict of interest declarations when assessing a procurement / tendering process.	This requirement will be built into the Framework/procedures documentation.	James Greenfield	30/09/2019	In Progress	30/09/2019	Conflict of Interest form has been developed and will be included in Framework and Procedures. Forms currently being utilised on as required basis. Framework and Procedures currently in consultation phase. Audit Committee 12 August 2019
Galpins Financial Controls Review Interim Management Letter August 2018	2.2.2 Asset Management Plan	Fixed Assets	The Transport Asset Management plan is finalised and adopted by Council. Asset Management Plans are prepared for other major asset classes.	As part of the migration of data into a new asset management system Council has undertaken extensive review of its data and in particular Transport Assets. Council has undertaken an internal review of the Transport Asset Class that has informed current long term planning. Council is currently in the process of formally updating the 2012 Transport Asset Management Plan by January 2019.	David Collins	29/03/2019	In Progress	27/09/2019	Draft Transport updated plan proposed by end of June 2019, peer review to be undertaken by external consultant and workshops with Council in August. September and October proposed. Council is currently in the process of formally updating the 2012 Transport Asset Management Plan - the plan will be broken into asset classes such as Pavements, Seals, Unsealed, Shoulders

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Galpins Financial Controls Review Interim Management Letter August 2018	2.2.3 Capitalised Asset (Accounting Policy)	Fixed Assets	The Capitalised Asset (Accounting Policy) is reviewed and updated to reflect current and desired practice.	This document has been removed as a formal Policy of Council but is used as an operational guideline for the capitalisation of assets. It is agreed that this document should be updated to reflect current accounting standards.	David Collins	29/03/2019	In Progress	26/07/2019	A review of the document has comenced in June 2019 and will be updated as council works through capitalisation within the new asset management system. This procedure document has been discussed with Asset Management and it is agreed that the document will be updated as part of the Asset Management Planning update over the next six months.
Galpins Financial Controls Review Interim Management Letter August 2018	2.2.5 Asset Maintenance	Fixed Assets	Ensure that maintenance schedules are in accordance with Asset Management Plans, and steps are taken to progress towards more proactive maintenance plans.	Council has approved additional resources to undertake planning of future maintenance works. Council is reviewing service levels (initial priority – Stormwater) to identify the required maintenance activities to ensure the required performance of those assets. The clarity regarding the agreed service level will allow better planning and the associated scheduling of proactive maintenance. Council is currently ensuring integration between its CRM system (customer requests) and the Confirm Enterprise Asset Management System to ensure alignment with reactive requests and planned maintenance.	David Collins	31/12/2019	In Progress	27/12/2019	Council is currently ensuring integration between its CRM system (customer requests) and the Confirm Enterprise Asset Management System to ensure alignment with reactive requests and planned maintenance. Tree enquiries and Playground enquires are integrated. The tree enquiries has a risk based priority system developed. The inclusion of road data into the Production environemnt of Confirm will allow integration considerations between CRM and Confirm.
Galpins Financial Controls Review Interim Management Letter August	2.3.3 Business Continuity Plan	General Ledger	The Business Continuity Plan is updated.	Following the review of resources and functions in the Governance & Performance Department, the review of the BCP has been scheduled in 2018/19.	Lachlan Miller	26/09/2018	In Progress	31/03/2020	Due to other priorities the review of the BCP has been rescheduled for completion by March 2020.
Governance Legislative Compliance Audit May 2016	Rec 11	Section 50 - Public Consultation Policy	The Council review the Public Consultation Policy (PCP) to ensure it correctly reflects the requirements of Section 50 throughout.	Programmed into policy review schedule.	David Waters	7/08/2019	In Progress	30/09/2019	The Policy is in the Council Policy Review Schedule for review in February 2019. It was moved from October 2018 to avoid the election period in accordance with Caretaker Policy provisions. Staff attended an LGA workshop (September 2018) on the latest legal advice for constructing a legislatively compliant Public Consultation Policy. This will be incorporated in the review. A workshop on a draft new policy was held with Council Members on 12 Feb 2019. On 13 Feb 2019 the LGA advised that their model PC Policy is currently under legal review with a revised version due out shortly. It was thus determined and communicated to Council Members on 14 February that the draft new Policy would not be put to the Feb Council Meeting, but rather that it would make sense to wait for the LGA's legal review to be completed. Recent advice from the LGA (July 2019) indicates the matter is still in progress.
Governance Legislative Compliance Audit May 2016	Rec 4	Section 43 - Ability of Council to Establish a Regional Subsidiary	Follow up the status of the review of the AHRWMA and SHLGA.	These points will be considered in Status of Charter reviews to be determined	Lachlan Miller	30/09/2018	In Progress	31/12/2019	AHRWMA and SHLGA Charter reviews scheduled to occur in 2019-20.
ICT Security Risk Assessment - August 2015 - CQR	REC 3	Policy and Governance	Business Continuity Planning	ICT to action - (ICT BCP Plan only) included in 2015/16 Capital Works Program	James Sinden	28/02/2017	Completed	28/02/2019	Work on the final stages of Councils ICT BCP Systems is progressing now that contracts for Telecommunications Services from Telstra have been agreed upon. Services have been ordered and are waiting installation here at Stirling. The next stages are reliant upon works being delivered by Telstra for us to progress further. Once completed Council's ICT BCP Systems will be able to operate outside the Adelaide Hills District. Work Commenced with Telstra for the provision of services at Datacentre and Stirling Sites The appointment of a contractor for implementation services has been completed and the program of works to completed tasks is scheduled for January 2019 The contractor is currently completing the final stages of activities with a view to be finalised, all going to plan February 2019. Contractor IComm has completed works for the fail over of our voice telecommunication system and this now concludes the schedule of works and closes this action.

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ICT Security Risk Assessment - August 2015 - CQR	REC 4	Policy and Governance	Incident Management	ICT to action - create a security incident management procedure	James Sinden	29/12/2017	In Progress	28/02/2019	A draft Incident Management procedure has been developed and reviewed by the Executive Leadership Team. Final amendments being undertaken before the ICT/IS Operational Procedure is adopted.
Montacute Road Project - September 2017 - Ray Pincombe	REC 1	Emergency Projects Decision Making Porcess Rules	Consideration of developing some rules around the decision-making processes in emergency projects and provision of authority for staff and potential partners to act on Council's behalf	Development of mechanism to clarify rules and delegations in regards to Emergency Projects and situations.	Peter Bice	30/06/2020	In Progress	27/12/2019	Council staff are exploring the most effective mechanism to incorporate appropriate rules and delegations, including project and contractor management templates.
Montacute Road Project - September 2017 - Ray Pincombe	REC 3	Emergency Management Plan	The current review of the Strategic Management Risk Register has identified the need for an Emergency Management Plan and zone based preventative maintenance programs. This appears to cover the types of events that can impact upon Council assets and infrastructure, though perhaps more emphasis might be placed on flood events given the recent experience	Develop Emergency Management Plan based on LGA Template.	John McArthur	31/07/2019	In Progress	1/11/2019	Draft Emergency Management Plan completed. LGA Council Ready Program to revise template for Emergency Management Plans. When this is completed Council's draft Plan will be transferred to the new template. Draft Incident Operations Manual completed and to be presented to ELT for sign off.
Montacute Road Project - September 2017 - Ray Pincombe	REC 4	WHS & IM arrangements with external project managers	As WHS & IM is the responsibility of the asset owner, Council could consider the development of an agreement in similar situations to ensure the protection of the people involved in projects in these circumstances	Develop protocols around clarifying roles and responsibilties in Emergency situations where external project managers are involved.	Ashley Curtis	27/12/2019	In Progress	28/06/2019	2/07/19 - update - no change. Council staff are in the process of reviewing Emergency Manaement Planing and developing a Project Management Framework which will incorporate protocols which clarify roles and responsibilties in Emergency situations where external project managers are involved.
Montacute Road Project - September 2017 - Ray Pincombe	REC 5	Post Project Review	A review could provide good feedback on the beneficial elements of the project and the potential improvements that could be made. The outcome of the review could be used to better inform any potential emergency management planning	Review the learnings from the project to identify potential improvements.	Peter Bice	30/08/2019	In Progress	30/08/2019	Council staff, and other stakeholders are currently reviewing the outcomes of the project. Learnings will help inform the current review of Council's Emergency Planning approach.
Procurement Audit May 2014	4.2.1	Compliance with Applicable Policies and Procedures	That procedures should be documented for: • the use and selection of preferred suppliers • Procurement Committee annual review procedure for preferred suppliers • tender opening • tender evaluation process • Procurement Committee policy compliance review procedures • determination of the staff delegations • approval process from the Procurement Committee if staff wish to deviate from the procurement and purchasing policy	Develop procedures as recommended Framework and Procedures currently in consultation phase. Audit Committee 12 August 2019	James Greenfield	30/09/2019	In Progress	30/09/2019	Framework and Procedures are currently being developed. Estimated to be 80% complete. Consultation process will being soon.
Procurement Audit May 2014	4.3.2	Use of Preferred Contractors	That a procedure be developed for the acceptance of new suppliers. Council should determine what supplier details are required and who signs off on the Credit Application, which is effectively a council guarantee.	Develop procedures as recommended	James Greenfield	30/09/2019	In Progress	30/09/2019	To be developed in conjunction with with 4.2.1. This forms part of the Procurement Framework which is proposed to be signed off by ELT in early 2019.. Framework and Procedures currently in consultation phase. Audit Committee 12 August 2019
Procurement Audit May 2014	4.8.1	Inventory	That the inventory management procedures for stores, small plant and fuel at the Depot be documented to ensure compliance when the Works Storeman is absent		Chris Janssan	27/12/2019	In Progress	27/12/2019	The fuel process has been completed and we will continue to work through the stores and small plant.