



## **AUDIT COMMITTEE**

### **NOTICE OF SPECIAL MEETING**

To: **Presiding Member** Cr Malcolm Herrmann

#### **Members**

David Moffatt  
Peter Brass  
Pamela Lee  
Cr Melanie Selwood

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

**Monday 19 June 2023**  
**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.

A Public notice of the Agenda for this meeting is supplied under Section 88 of the Act.

A handwritten signature in blue ink, appearing to read 'David Waters', is written over a light blue horizontal line.

**David Waters**  
**Chief Executive Officer**



**Adelaide Hills**  
COUNCIL

## **AUDIT COMMITTEE**

### **AGENDA FOR SPECIAL MEETING**

**Monday 19 June 2023**

**6.00pm**

**63 Mt Barker Road, Stirling**

### **ORDER OF BUSINESS**

#### **1. COMMENCEMENT**

- 1.1. Acknowledgement of Country

*Council acknowledges that we meet on the traditional lands and waters of the Peramangk and Kurna people. We pay our respects to Elders past, present and emerging as the Custodians of this ancient and beautiful land. Together we will care for this country for the generations to come.*

#### **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 – 15 May 2023

***Recommendation***

*That the minutes of the Audit Committee meeting held on 15 May 2023, as supplied, be confirmed as an accurate record of the proceedings of that meeting.*

#### **4. PRESIDING MEMBER'S OPENING REMARKS**

#### **5. DELEGATION OF AUTHORITY**

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

**6. DECLARATION OF CONFLICT OF INTEREST BY MEMBERS OF THE COMMITTEE**

**7. PRESENTATIONS, ACTION REPORT & WORKPLAN**

7.1. Corporate Services Directorate Risk Presentation

7.2. Development & Regulatory Services Directorate Risk Presentation

7.3. Action Report and Work Plan Update

1. *That the report be received and noted.*

2. *That the status of the Action Report and Work Plan be noted.*

**8. OFFICER REPORTS**

8.1. Development Services – Service Review

1. *That the report be received and noted.*

2. *To receive and note the Service Review 2022-23 – Development Services, as contained in Appendix 3.*

3. *To note that that the Management Review and Implementation Plan of agreed actions will be reported to Audit Committee and subsequently Council within 4 months of the date of this report.*

8.2. Interim Audit Management Letter

1. *That the report be received and noted*

2. *Notes the communication received from BDO Audit from their Interim visit relating to the 2022-23 Annual Financial Statement and Internal Financial Control Audits and the Management Responses to their findings from the Interim Audit, as contained in Appendix 1.*

**9. NEXT MEETING**

The next Audit Committee meeting will be held at 6.00pm on Monday 21 August 2023 at 63 Mount Barker Road, Stirling.

**10. CLOSE MEETING**

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 15 MAY 2023  
63 MT BARKER ROAD STIRLING**

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**In Attendance****Members:**

Cr Malcolm Herrmann	Presiding Member
Peter Brass	Independent Member
David Moffatt	Independent Member
Pamela Lee	Independent Member
Cr Melanie Selwood	Council Member

**In Attendance:**

David Waters	Chief Executive Officer
Lachlan Miller	Executive Manager Governance & Performance
Mike Carey	Manager Financial Services
Steven Watson	Governance and Risk Coordinator

**Guests in Attendance:**

Nil	
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**1. COMMENCEMENT**

The meeting commenced at 6.02pm.

**1.1. Acknowledgement of Country**

Council acknowledges that we meet on the traditional lands and waters of the Peramangk and Kaurna people. We pay our respects to Elders past, present and emerging as the Custodians of this ancient and beautiful land. Together we will care for this country for the generations to come.

**2. APOLOGIES/LEAVE OF ABSENCE****2.1. Apology**

Nil

**2.2. Leave of Absence**

Nil

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 15 MAY 2023  
63 MT BARKER ROAD STIRLING**

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**2.3. Absent**

Nil

6.05pm David Moffatt joined the meeting

**3. MINUTES OF PREVIOUS MEETINGS**

**3.1. Audit Committee Meeting – 17 April 2023**

**Moved Peter Brass**

**S/- Cr Melanie Selwood**

**AC18/23**

**That the minutes of the Audit Committee meeting held on 17 April 2023 as supplied, be confirmed as an accurate record of the proceedings of that meeting.**

<b>Carried Unanimously</b>
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**4. PRESIDING MEMBER'S OPENING REMARKS**

1. Welcome Pamela Lee as a member of the Committee.
2. The Long-Term Financial Plan was adopted by Council on 26 April as recommended by the Committee.
3. On the recommendation of the Committee, BDO were appointed as the Council's External Auditors for up to five years
4. On 9 May, Council accepted the Committee's recommendation to adopt the Annual Business Plan and Budget. There were a few amendments to income and expenditure from what was presented to the Committee for consideration on 17 April. However, the Key Financial Sustainability Ratios were maintained within the approved ranges. Some key operating expenditures include - Increased employment costs \$156k; CC management Plan \$25k; Place making and township planning \$40k-; Woodside Pool \$30k- Diversified income study \$25k-; Amy Gillet Bikeway \$25k-; Offset by an increase in Regulatory income \$135k-.

There were some variations to the Capital budget, such as Installation of EV charging stations, purchase of EV's, CRM system and a Dog and Cat Management facility. Consultation commenced on Friday 12 May and closes on 2 June. A public meeting will be held on Tuesday 23 May 2023.

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 15 MAY 2023  
63 MT BARKER ROAD STIRLING**

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**5. DELEGATION OF AUTHORITY**

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers. The Recommendations in Item(s) 8.1 are to be submitted to Council for consideration.

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

Nil

**7. PRESENTATIONS, ACTION REPORT & WORKPLAN**

**7.1. Corporate Services Risk Presentation – Postponed**

**7.2. Action Report and Work Plan Update**

Moved Pamela Lee

S/- Peter Brass

AC19/23

The Audit Committee resolves:

1. That the report be received and noted
2. That the status of the *Action Report May 2023* as contained in *Appendix 1* be noted.
3. To note the *Audit Committee Work Plan 2023, Version: 1.1a* as contained in *Appendix 2*.
4. To approve the proposed change to the *Draft Audit Committee Work Plan 2023, Version:1.2* as contained in *Appendix 3*, with amendment to the Director Presentations to accommodate a dual presentation at the next meeting.

<b>Carried Unanimously</b>
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**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 15 MAY 2023  
63 MT BARKER ROAD STIRLING**

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**8. OFFICER REPORTS – DECISION ITEMS**

**8.1. Budget Review 3**

Moved Peter Brass

S/- Pamela Lee

AC20/23

The Audit Committee resolves:

1. That the report be received and noted
2. To recommend to Council the proposed budget adjustments presented in Budget Review 3 which result in:
  - a. An increase in the Operating Surplus from \$830k to \$970k for the 2022-23 financial year.
  - b. No overall change to the Capital Works capital expenditure budget for 2022-23 thus maintaining a budget of \$19.369m which takes into account estimated carry forwards of \$8m in capital expenditure.
  - c. A change in Council's current Net Borrowing Result to that presented in BR2 from \$342k to \$202k for the 2022-23 financial year as a result of the proposed operating adjustments.
  - d. proposed financial sustainability indicators within Council's agreed targets of the following:
 

i.	Operating Surplus Ratio	1.8%	(Target 1% to 5%)
ii.	Net Financial Liabilities Ratio	46%	(Target 25% to 75%)
iii.	Asset Renewal Funding Ratio	104%	(Target 95% to 105%)

<b>Carried Unanimously</b>
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**8.2. End of Year Financial Reporting Timetable**

Moved Cr Melanie Selwood

S/- David Moffatt

AC21/23

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

<b>Carried Unanimously</b>
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**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 15 MAY 2023  
63 MT BARKER ROAD STIRLING**

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**8.3. Internal Controls Review**

Moved Peter Brass  
S/- Pamela Lee

AC22/23

The Audit Committee resolves:

1. That the report be received and noted
2. To note the further developments and improvements that have been made to Council's internal controls environment.

<b>Carried Unanimously</b>
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**8.4. Public Interest Disclosure Arrangements and Compliance**

Moved David Moffatt  
S/- Cr Melanie Selwood

AC23/23

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

<b>Carried Unanimously</b>
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**9. QUESTIONS WITHOUT NOTICE**

Presiding Member – Key information on Federal Budget which may affect Council  
Peter Brass – Is Council up to speed with Single Touch Payroll v2 and ATO payment requirements?

**10. CONFIDENTIAL ITEMS**

Nil

**11. NEXT MEETING**

The next meeting of the Audit Committee (Special) will be held on Monday 19 June 2023 from 6.00pm at 63 Mt Barker Road, Stirling.

**12. CLOSE MEETING**

The meeting closed at 7.07pm.



**ADELAIDE HILLS COUNCIL  
SPECIAL AUDIT COMMITTEE MEETING  
Monday 19 June 2023  
AGENDA BUSINESS ITEM**

**Item:** 7.3

**Responsible Officer:** Lachlan Miller  
Executive Manager Governance and Performance  
Office of the Chief Executive

**Subject:** Action Report and Work Plan Update

**For:** Decision

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**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 2023 Work Plan (Appendix 2)* has zero (0) suggested amendments for this meeting.

**RECOMMENDATION**

**The Audit Committee resolves:**

- 1. That the report be received and noted**
  - 2. That the status of the *Audit Committee Action Report June 2023* be noted.**
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**1. 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.

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 an updated Work Plan at its 15 May 2023 meeting.

## 2. ANALYSIS

### *Strategic Plan 2020-24 – A brighter future*

Goal 5	A Progressive Organisation
Objective O4	We actively represent our community.
Priority O4.3	Attract and develop a diverse and capable elected body that represents, promotes and reflects the composition of the community.
Priority O4.3	Advocate to, and exert influence with, our stakeholders on behalf of our community to promote the needs and ambitions of the region.
Objective O5	We are accountable, informed, and make decisions in the best interests of the whole community.
Priority O5.1	Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations.
Priority O5.2	Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action.

#### ➤ **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)	Low (3E)	Low (3E)

The Audit Committee Action Report and Work Plan are current controls and therefore the Committee’s approval of this item will not impact the Residual or Target Risk ratings.

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.

#### ➤ **Sustainability Implications**

Not applicable.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

*Council Committees:* Not Applicable  
*Council Workshops:* Not Applicable  
*Advisory Groups:* Not Applicable  
*External Agencies:* Not Applicable  
*Community:* Not Applicable

➤ **Additional Analysis**

The review by the Audit Committee of the Action Report and Work Plan is an important element of Council’s commitment to open and transparent decision making which facilitates public accountability.

Action Report

There are four (4) completed items and one (1) outstanding item on the Audit Committee Action Report (**Appendix 1**) arising from previous Committee meetings. Commentary against the item is provided for the Committee’s information.

Work Plan and Reporting Schedule

As per the *2023 Audit Committee Work Plan and Reporting Schedule (Appendix 2)*, the following items are detailed below are included in this meeting:

Item	Commentary	Month Scheduled
<b>Financial Reporting</b>		
Long Term Financial Plan (LTFP)		February
Annual Business Plan (draft)		April
Budget Review 1		November
Budget Review 2		February
Budget Review 3		May
End of Year Financial Report		November
End of financial year reporting timetable		May
End of financial year update		August
Final Annual Financial Statements (incl management representation letter)		October
<b>Internal Control and Risk Management</b>		
Placement of Council’s insurance portfolio (for noting)		August
Internal Financial Controls update		May
Risk Management Plan update		February/May/ August/November
Results of LGRS Risk Management Review		February (Biennial)
LGRS Risk Evaluation - Action Plan Review		May/November

<b>Internal Audit</b>		
Internal Audit quarterly update		February/May/ August/November
Internal audit reports		As Required
Implementation of internal audit actions progress report		February/August
Internal Audit Plan review		May
<b>External Audit</b>		
External audit interim letter	Included in this meeting	June (Special)
Implementation of external audit actions progress report		February/August
External Audit Plan review		February
Meeting attendance by external auditors		February/October
Review of auditor independence and legislative compliance		October
Audit Committee Completion Report		October/November
<b>Public Interest Disclosure</b>		
Public Interest Disclosure Policy review (replaces Whistle-blowers)		April 2024
Public Interest Disclosure Arrangements and Compliance	Nil reports made to date	May 2024
<b>Service Review</b>		
Service Review Brief		November
Service Review Report	Included in this meeting	June (Special)
Implementation of service review actions progress report		April/August
<b>Other Business</b>		
Audit Committee self-assessment review		November
Presiding Member's Report		November
Work Plan and Reporting Schedule		November
Audit Committee Meeting Dates		November
Debtors Report		February/August
Annual Report		November
Action Report & Work Plan Update		All Meetings
Audit Committee Terms of Reference		August
Directors Presentation	Corporate Services, Development & Regulatory Services	February/May/ August/November
Other Reports	As required	As Required

### Amendments to 2023 Work Plan

There are zero (0) suggested changes to the *2023 Audit Committee Work Plan v1.2 (Appendix 2)*.

### **3. OPTIONS**

The Audit Committee has the following options:

- I. To note the status of the Action Report at **Appendix 1**.
- II. To alter or substitute elements of the Action Report or Work Plan (Not Recommended).

### **4. APPENDICES**

1. *Audit Committee Action Report – June 2023*
2. *Audit Committee Work Plan 2023 (v1.2)*

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# **Appendix 1**

*Audit Committee Action Report – June 2023*

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**Audit Committee Action Report June 2023**

Meeting Date	Meeting	Res No.	Item Name	Previously Declared COI	Action Required (Council Resolution)	Responsible Director	Responsible Officer	Status	Date of Update	Due Date	Status (for Council reporting)
12/12/2022	Audit Committee	AC49/22	External Audit Tender - Duration of Confidentiality	Nil	Report31 December 2024Related Attachments31 December 2024MinutesUntil Council has appointed an External Auditor for the 30 June 2023 financial year.Other (presentation, documents, or similar)Nil	David Waters	Lachlan Miller	In Progress	13/06/2023	30/12/2022	Council approved the External Auditors at its 20 December 2022 meeting. Report and attachments need to be retained in confidence.
17/04/2023	Audit Committee	AC14/22	2022-23 External Audit Plan	Nil	<ol style="list-style-type: none"> <li>That the report be received and noted.</li> <li>To recommend to Council the approval of the 2022-23 External Audit Plan by BDO Audit Pty Ltd as contained in Appendix 1.</li> <li>To note the 2022-23 Financial Statement Audit – Engagement Letter as contained in Appendix 2 and the 2022-23 Internal Financial Control Audit – Engagement Letter as contained in Appendix 3.</li> </ol>	David Waters	Lachlan Miller	Completed	10/05/2023	10/05/2023	Council approved the External Audit Plan 2022-23 at its 26 April 2023 meeting.
17/04/2023	Audit Committee	AC17/22	Draft Annual Business Plan for Consultation	Nil	<p>That the report be received and that the Committee notes that the budget contained within the draft Annual Business Plan 2023-24 (Appendix 1) meets the following financial sustainability targets as set by Council: Adjusted Operating surplus ratio of 2.6% (target of 1% to 5%) Net financial liabilities ratio of 53% (target of 25% to 75%) Asset sustainability ratio of 100% (target of 95% to 105%)</p> <p>To advise Council that the Committee has reviewed the draft Annual Business Plan 2023-24 (ABP), as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability.</p> <p>That, on the basis of the Committee's review, to recommend the draft ABP to Council for community consultation.</p>	David Waters	Lachlan Miller	Completed	10/05/2023	26/05/2023	Council approved the draft Annual Business Plan 2023-24 for consultation at its 9 May 2023 meeting.
15/05/2023	Audit Committee	AC19/23	Audit Action Report and Work Plan Update	Nil	<ol style="list-style-type: none"> <li>That the report be received and noted</li> <li>That the status of the Action Report May 2023 as contained in Appendix 1 be noted.</li> <li>To note the Audit Committee Work Plan 2023, Version: 1.1a as contained in Appendix 2.</li> <li>To approve the proposed change to the Draft Audit Committee Work Plan 2023, Version: 1.2 as contained in Appendix 3, with amendment to the Director Presentations to accommodate a dual presentation at the next meeting.</li> </ol>	David Waters	Steven Watson	Completed	16/05/2023	2/06/2023	The workplan was updated to adopted as per the resolution.
15/05/2023	Audit Committee	AC20/23	Budget Review 3	Nil	<p>That the report be received and noted</p> <p>To recommend to Council the proposed budget adjustments presented in Budget Review 3 which result in: An increase in the Operating Surplus from \$830k to \$970k for the 2022-23 financial year. No overall change to the Capital Works capital expenditure budget for 2022-23 thus maintaining a budget of \$19.369m which takes into account estimated carry forwards of \$8m in capital expenditure. A change in Council's current Net Borrowing Result to that presented in BR2 from \$342k to \$202k for the 2022-23 financial year as a result of the proposed operating adjustments. proposed financial sustainability indicators within Council's agreed targets of the following:</p> <p>Operating Surplus Ratio 1.8% (Target 1% to 5%)  Net Financial Liabilities Ratio 46% (Target 25% to 75%)  Asset Renewal Funding Ratio 104% (Target 95% to 105%)</p>	Terry Crackett	Mike Carey	Completed	16/05/2023	23/05/2023	Budget Review 3 presented and adopted by Council at 23 May 2023 Meeting

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## **Appendix 2**

*Audit Committee Work Plan 2023 (v1.2)*

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**ADELAIDE HILLS COUNCIL  
AUDIT COMMITTEE MEETING  
Monday 19 June 2023  
AGENDA BUSINESS ITEM**

<b>Item:</b>	<b>8.1</b>
<b>Responsible Officer:</b>	<b>Natalie Armstrong Director Development &amp; Regulatory Services Development &amp; Regulatory Services</b>
<b>Subject:</b>	<b>Development Services Service Review</b>
<b>For:</b>	<b>Information</b>

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#### **SUMMARY**

Council resolved to implement a *Service Review Framework* (the Framework) as part of the *Annual Business Plan 2021-22 (Appendix 1)*. The Framework was adopted by Council at the 26 October 2021 meeting and provides Council with principles and guidelines for conducting an external Service Review to evaluate the adequacy, effectiveness and efficiency of the reviewed services.

The Service Review Brief – Planning and Development Services was presented at the 25 October 2022 Council Meeting (*Appendix 2*), subsequent to which the consultant (BeeSquared Consultants) was appointed and work commenced in early February 2023.

The purpose of this report is to present the findings and recommendations of the Service Review as detailed in the *Service Review 22-23 – Development Services (Appendix 3)*.

Subsequent to this report, a Management Review and Implementation Plan will be prepared and provided to the Audit Committee for their review in their capacity of providing advice to the Council on the adequacy and effectiveness of the systems and processes regarding financial management and reporting, internal control and risk management, internal audit and governance.

#### **RECOMMENDATION**

**The Audit Committee resolves:**

- 1. That the report be received and noted.**
  - 2. To receive and note the Service Review 2022-23 – Development Services, as contained in Appendix 3.**
  - 3. To note that that the Management Review and Implementation Plan of agreed actions will be reported to Audit Committee and subsequently Council within 4 months of the date of this report.**
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## 1. BACKGROUND

Council resolved to implement a *Service Review Framework* (the Framework) as part of the *Annual Business Plan 2021-22*. The Framework (**Appendix 1**) was adopted by Council at the 26 October 2021 meeting and provides Council with principles and guidelines for conducting an external Service Review to evaluate the adequacy, effectiveness and efficiency of the reviewed services. The current budget allocation is for one external Service Review to be conducted per annum.

A Council workshop was held on 16 November 2021 to discuss the criteria for determining the function schedule for Service Reviews over the next 3 years.

Based on the criteria, all functions were scored to provide the following 3 year schedule:

- Year 1 – Civil Services (maintenance)
- Year 2 - Open Space Operations
- Year 3 – Planning and Development

Following the appointment of a new Director Development and Regulatory Services in August 2022, a workshop was held on 13 September 2022 to discuss a proposal to bring forward the service review for Development Services to Year 2, and this was subsequently resolved by Council on 25 October 2022.

### 12.5 Service Review Brief – Development Services

Moved Cr Linda Green  
S/- Cr Ian Bailey

278/22

**Council resolves:**

1. **That the report be received and noted.**
2. **To adopt the draft *Service Review Brief – Development Services* as contained in *Appendix 1*.**
3. **That the Chief Executive Officer be authorised to make minor changes to the draft *Service Review Brief – Development Services* arising from the Council's consideration of the matter.**
4. **That the Chief Executive Officer be authorised to make amendments to the scope of the *Service Review Brief – Development Services* in response to the proposals received in the "request for quote" (RFQ) if required to meet budget.**

**Carried Unanimously**

Following the Request for Quote procurement process being undertaken in November 2022, the consultant (BeeSquared) was appointed, with work commencing in early February 2023.

The objective of the service review of the Development Services function was to facilitate efficiency, effectiveness, and appropriateness in service provision through the analysis of factors such as:

- Service clarity, replicability and quality
- Customer (internal or external) priorities, aspirations and experience
- Alignment to the Council’s strategic intent
- Statutory obligations
- Process efficiency and savings opportunities
- Service delivery effectiveness and performance assessment

Review and analysis was undertaken between February & May 2023, with the findings and recommendations captured in the *Service Review 2022-23 – Development Services Report (Appendix 3)*.

The Director Development and Regulatory Services, in conjunction with other key staff, has commenced its review of the final report and will prepare a Management Response and draft Implementation Plan to the Recommendations for consideration by both the Audit Committee and Council.

The draft summary report was presented at the 5 June 2023 workshop, with the final report not yet presented to Council.

## 2. ANALYSIS

### ➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

#### *Strategic Plan 2020-24 – A brighter future*

Goal	A Progressive Organisation
Objective O2	Our customers find it easier to interact and do business with Council and have an improved customer experience.
Priority O2.2	Modernise our services and enhance the customer experience by making service delivery faster, more convenient and more proactive.
Priority 2.4	Continuously strive to measure and improve performance and service delivery across all functions.
Objective O3	Our organisation is financially sustainable for both current and future generations.
Priority O3.4	Assess the range and level of services undertaken to ensure they fulfil Council’s legislative and strategic intent.

Council also operates an Internal Audit Program which, while undertaking somewhat similar review activities, has as its main focus to evaluate the adequacy and effectiveness of the systems of internal control within the Council to manage risk.

The Internal Audit Program and this Framework are complementary but separate governance activities.

➤ **Legal Implications**

Section 8 of the *Local Government Act 1999* (the Act) sets out the principles that a council must enact to uphold and promote observance in the performance of its roles and functions. The following principles are particularly relevant in the context of the Framework:

- (g) manage its operations and affairs in a manner that emphasises the importance of service to the community;
- (h) seek to ensure that council resources are used fairly, effectively and efficiently and council services, facilities and programs are provided effectively and efficiently;
- (i) seek to provide services, facilities and programs that are adequate and appropriate and seek to ensure equitable access to its services, facilities and programs;
- (ia) seek to balance the provision of services, facilities and programs with the financial impact of the provision of those services, facilities and programs on ratepayers;
- (j) achieve and maintain standards of good public administration;
- (k) ensure the sustainability of the council's long-term financial performance and position.

➤ **Risk Management Implications**

*Lack of effective strategic planning and resource allocation processes*

Inherent Risk	Residual Risk	Target Risk
Extreme (4A)	Low (3E)	Low

The Framework is a mitigation action in addition to the many controls that are already in place for this risk.

➤ **Financial and Resource Implications**

The Service Review was a funded initiative in the *Annual Business Plan 2022-23*. The funding of \$26,000 related directly to the cost of appointing an external consultant.

The Corporate Planning & Performance Coordinator coordinated the procurement, conduct and reporting of the Service Review.

It is envisioned that there will be a need to review resource allocations in the short to medium term, particularly in relation to the Building Team and Development Compliance roles. Any financial implications arising from the Management Response and draft Implementation Plan will be raised as budget review items or future consideration items, as required.

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

Implementation of the Service Review Report recommendations will facilitate improvements to the customer satisfaction of the Development Services activities.

➤ **Sustainability Implications**

Review and implementation of the agreed Service Review Report recommendations will facilitate improvements to the effectiveness and efficiency of the Development Services activities, including improvements in assessment consistency and the customer experience.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

*Council Committees:* The Service Review Framework was considered at the Audit Committee meeting on 18 October 2021 where it was resolved to recommend adoption of the Framework to Council.

*Council Workshops:* The Service Review Framework was discussed in the 26 March 2021 Annual Business Plan and Budget workshop. Following the adoption of the Framework, a further workshop was held on 16 November 2021 to discuss the criteria for determining the function schedule for Service Reviews over the next 3 years. At the workshop on 13 September 2022 it was discussed that it was the preference of staff to bring the Development Services Service Review forward to Year 2. The draft findings and recommendations of the Development Services Service Review were presented at a workshop on 5 June 2023.

*Advisory Groups:* Not applicable

*External Agencies:* Not applicable

*Community:* Not applicable

➤ **Additional Analysis**

Analysis of Report

The finalisation of the draft occurred in late May 2023 so, whilst some feedback has been received from staff, a detailed review by the Director Development & Regulatory Services has not yet occurred. The Director will review and draft a Management Response and Implementation Plan which will be presented to both the Audit Committee and Council.

Benchmarking

In the course of the Service Review, the consultant contacted a number of councils to collect benchmarking data. While useful insights to those councils' practices and good data with which to benchmark against were provided, these councils have differing structures and position obligations as well as differing planning overlays impacting the complexity of applications and assessments.

In accordance with clause 6.8 of the Service Review Framework (**Appendix 1**), Recommendations from the Service Review that are adopted in the proposed Implementation Plan will be monitored in Council's Audit Action Register and will be reported on a biannual basis to Audit Committee and Council (nominally March and August).

### 3. OPTIONS

The Committee has the following options:

- I. To receive and note this report (Recommended).
- II. To receive and note the *Service Review 2022-23 – Development Services at Appendix 3* (Recommended).
- III. To note that a further report detailing the Management Response and Implementation Plan will be presented to both the Audit Committee and Council.
- IV. To note that the implementation status of the agreed actions will be reported to Audit Committee and Council on a biannual basis, nominally March and August (Recommended).

### 4. APPENDICES

- (1) Service Review Framework
- (2) Service Review Brief – Planning and Development Services
- (3) Service Review 2022-23 – Development Services

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# **Appendix 1**

## *Service Review Framework*

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# COUNCIL POLICY

 <p><b>Adelaide Hills</b> COUNCIL</p>	<b>Service Review Framework</b>
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<b>Policy Number:</b>	<b>GOV-24</b>
<b>Responsible Department(s):</b>	<b>Governance and Performance</b>
<b>Relevant Delegations:</b>	<b>As per the Delegations Register and as detailed in this Policy</b>
<b>Other Relevant Policies:</b>	<b><i>Internal Audit Policy</i></b>
<b>Relevant Procedure(s):</b>	<b>N/A</b>
<b>Relevant Legislation:</b>	<b>N/A</b>
<b>Policies and Procedures Superseded by this policy on its Adoption:</b>	<b>N/A</b>
<b>Adoption Authority:</b>	<b>Council</b>
<b>Date of Adoption:</b>	<b>26 October 2021</b>
<b>Effective From:</b>	<b>26 October 2021</b>
<b>Minute Reference for Adoption:</b>	<b>Res 225/21, 26 October 2021</b>
<b>Next Review:</b>	<b>No later than October 2024 or as required by legislation or changed circumstances</b>

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## Version Control

<b>Version No.</b>	<b>Date of Effect</b>	<b>Description of Change(s)</b>	<b>Approval</b>
0.1	8/10/21	Draft for consultation	N/A
1.0	26/10/21	Framework adoption by Council	

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## Service Review Framework

### 1. INTRODUCTION

- 1.1 Council has a culture of continuous improvement across all of its services and activities.
- 1.2 In addition to these continuous improvement processes, it is also prudent to periodically conduct an objective and in-depth analysis of Council's key services to assist Council in clarifying the community's service aspirations and assessing how efficiently and effectively those aspirations are being met through the current service ranges and levels. These in-depth analyses are known as Service Reviews (Reviews).
- 1.3 This Service Review Framework (the Framework) provides Council with principles and guidelines for conducting external Service Reviews.

### 2. OBJECTIVES

- 2.1 The objective of this Service Review Framework is to facilitate 'value for money' in service provision through the analysis of factors such as:
- Service clarity, replicability and quality
  - Customer (internal or external) priorities, aspirations and experience
  - Alignment to the Council's strategic intent
  - Statutory obligations
  - Service delivery modes and alternatives (including outsourcing and shared services)
  - Process efficiency and saving opportunities
  - Service delivery effectiveness and performance assessment

### 3. DEFINITIONS

- 3.1 A **"Function"** is a group of like services.
- 3.1.1 A **"Service"** is any specific activity undertaken to deliver outcomes for stakeholders as part of carrying out Council's functions and objectives.
- 3.1.2 A **"Functional Area"** is the section or teams in Council where the services are performed.

### 4. POLICY STATEMENT

- 4.1 Council is committed to implementing and maintaining a Service Review Framework that assures stakeholders that it is fulfilling its responsibilities and meeting the needs of the community through effective and efficient services.
- 4.2 A fundamental component of this Framework is the operation of an objective review that evaluates the adequacy, effectiveness and efficiency of the Council services under review and the extent to which the services delivered met the community's aspirations.

### 5. SCOPE

- 5.1 The Framework sets out the elements for conducting an external Service Review using a consultant. This Policy does not cover internal Service Reviews or activities which may be conducted within teams as part of their continuous improvement practices.
- 5.2 Council also operates an Internal Audit Program which, while undertaking somewhat similar review activities, has as its main focus to evaluate the adequacy and effectiveness of the systems of internal control within the Council to manage risk.
- 5.3 The Internal Audit Program and this Framework are complimentary but separate governance activities.

## **6. ELEMENTS OF THE SERVICE REVIEW**

### **6.2 Function vs Service**

- 6.2.1 Services within Council have been grouped together into a Function for the purpose of planning, resourcing and performance reporting. There are currently 44 Functions identified within Council.
- 6.2.2 The Service Reviews will be undertaken on a Function and the like Services that are grouped within it. Some Functions have a larger number of Services and therefore not every Service under a Function may be able to be included in a Review.

### **6.3 Determining the Function(s) to be reviewed**

- 6.3.1 Each Function will be scored annually against a series of criteria to determine the priority for review and an indicative schedule of reviews developed for the forthcoming 3 years. The criteria will include, but may not be limited to, the:
- Volume of transactions
  - Resourcing (revenue, expenditure and staffing)
  - Customer feedback (where available)
  - Statutory requirements
- 6.3.2 The criteria and indicative schedule will be reviewed annually and provided to Council.

### **6.4 Service Review Brief**

- 6.4.1 Once the schedule has been determined, a Service Review Brief will be developed setting out the Function and underlying Services being reviewed along with the specific objectives/areas of focus for the Review. The Service Review Brief will be provided to Council.

### **6.5 Timing**

- 6.5.1 The timing for the Review(s) within the financial year will be based on the availability of the consultant and capacity of the Functional Area to participate.

### **6.6 Methodology**

- 6.6.1 The methodology to be utilised by the consultant in the review is based on the *Australian Centre of Excellence for Local Government - Service Delivery Review* guidelines (the

Guidelines). Other business improvement tools and processes (i.e. Lean, Six Sigma, etc.) may be utilised depending on the Review to be conducted.

6.6.2 The Guidelines are built around seven main steps and include suggested tools and resources to assist in service review delivery. The seven main steps are:

- Establish the building blocks
- Set the project up
- Gather existing information
- Analyse services
- Engage stakeholders
- Implement change
- Evaluate and drive continuous improvement

## 6.7 Review Output

6.7.1 At the conclusion of a Review, the consultant will be required to prepare a report setting out, but not limited to, the following:

- Description of Service(s) (range, level, volumes, inputs, outputs, etc.)
- Customer/stakeholder analysis
- Assessment of Service(s) appropriateness, effectiveness and efficiency (including where applicable, benchmarking data from other comparable organisations)
- Process maps of Service(s)
- Recommendations
  - Refinements to current Service provision quality, effectiveness and efficiency
  - Proposals (as applicable) to change service range, level, delivery modes, etc.
  - Implementation plan including action, responsible officers and due dates

## 6.8 Implementation Plan Monitoring and Reporting

6.8.1 Recommendations from the Service Reviews that are adopted by Council will be monitored and the progress and evaluation of implementation will be reported to Council on a biannual basis.

6.8.2 Resourcing or other implications arising from Service Reviews will be the subject of separate reports to Council as required.

## 7. **FUTURE EXPANSION**

7.1 This Framework has the potential to be expanded for additional reviews in the future if additional funding and/or resources are applied

## 8. **DELEGATION**

8.1 The Chief Executive Officer has the delegation to:

- Approve, amend and review any procedures that shall be consistent with this Policy; and
- Make any formatting, nomenclature or other minor changes to the Policy during the period of its currency.

**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](http://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.

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## **Appendix 2**

### *Service Review Brief – Planning and Development Services*

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## SERVICE REVIEW PROJECT BRIEF – Adelaide Hills Council

Function	Planning & Development	Directorate	Development & Regulatory Services
Services	<ul style="list-style-type: none"> <li>Development Services</li> <li>Compliance and Inspection Services (subject to RFQ outcome)</li> </ul>		
Key Stakeholders	Director Development & Regulatory Services Manager Planning & Development Development & Regulatory Services Corporate Planning & Performance Coordinator		
Approval			

Objectives	<p>The objective of this Service Review is to facilitate efficiency, effectiveness, and appropriateness in service provision through the analysis of factors such as:</p> <ul style="list-style-type: none"> <li>Service clarity, replicability and quality</li> <li>Customer (internal or external) priorities, aspirations and experience</li> <li>Alignment to the Council’s strategic intent</li> <li>Statutory obligations</li> <li>Process efficiency and saving opportunities</li> <li>Service delivery effectiveness and performance assessment</li> </ul>
Scope	<p>The scope of the review will be on the following services:</p> <p style="margin-left: 20px;">Development Assessment</p> <ul style="list-style-type: none"> <li>- Planning</li> <li>- Building</li> </ul> <p>Subject to RFQ outcomes, Compliance/Inspections may be included</p>
Timeframes	<ol style="list-style-type: none"> <li>1. RFQ Close Date: 30 November 2022</li> <li>2. Contract Award by 16 December 2022 (indicative subject to no change of scope or budget required)</li> <li>3. Commencement of consultancy: January-April 2023</li> </ol> <p>Consultant to produce a potential timeline for completion of review by 30 June 2023.</p>
Resourcing & Budget	<p>Council has allocated a budget of \$26,000 to conduct the Service Review. The scope may need to be reviewed based on quotes received from the market.</p> <p>The service review will be coordinated by the Corporate Planning and Performance Coordinator, Kira-marie Laverty, and will include various members of staff and management across the Planning &amp; Development.</p>
Approach	<p>Utilising the methodology from the <i>ACELG Service Delivery Review: A How to Manual for Local Government</i> – by the Australian Centre of Excellence for Local Government OR other similar methodology as agreed.</p>
Deliverables	<p>At the conclusion of a Review, the consultant will be required to <u>prepare and present</u> a report to Council and the Audit Committee setting out, but not limited to, the following:</p> <ul style="list-style-type: none"> <li>Description of Service(s) (range, level, volumes, inputs, outputs, etc.)</li> <li>Analysis of existing customer/stakeholder feedback and data</li> <li>Analysis of targeted customer feedback and data (internal and external)</li> </ul>



## SERVICE REVIEW PROJECT BRIEF – Adelaide Hills Council

	<ul style="list-style-type: none"><li>• Analysis and assessment of Service(s) appropriateness, effectiveness and efficiency (including where available, benchmarking data from other comparable organisations)</li><li>• Process maps of Service(s)</li><li>• Recommendations:<ul style="list-style-type: none"><li>○ Refinements to current Service provision quality, effectiveness and efficiency</li><li>○ Proposals (as applicable) to change service range, level, delivery modes, etc.</li><li>○ Proposed Implementation plan actions, including any known recommended responsible officers/areas and suggested timeframes</li></ul></li></ul>
Communication	<p>Communication by the consultant shall occur through the Corporate Planning and Performance Coordinator, Kira-marie Laverty, ph. (08) 8408 0568, email <a href="mailto:klaverty@ahc.sa.gov.au">klaverty@ahc.sa.gov.au</a>.</p> <p>Council’s Corporate Planning and Performance Coordinator will be responsible for liaising with the Consultant to ensure the consultancy is on target and to provide any reasonable assistance.</p>

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# **Appendix 3**

*Service Review 2022-23 – Development Services*

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# Development Services

Review



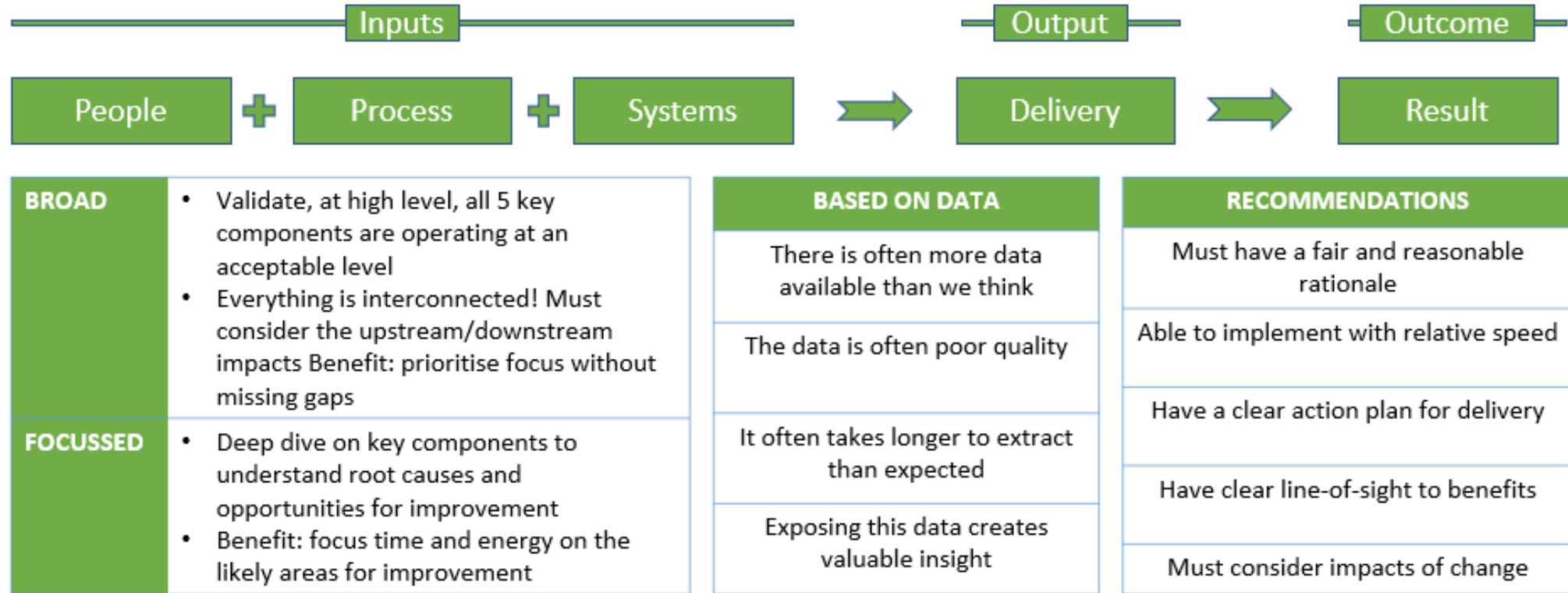
# Purpose

## Purpose

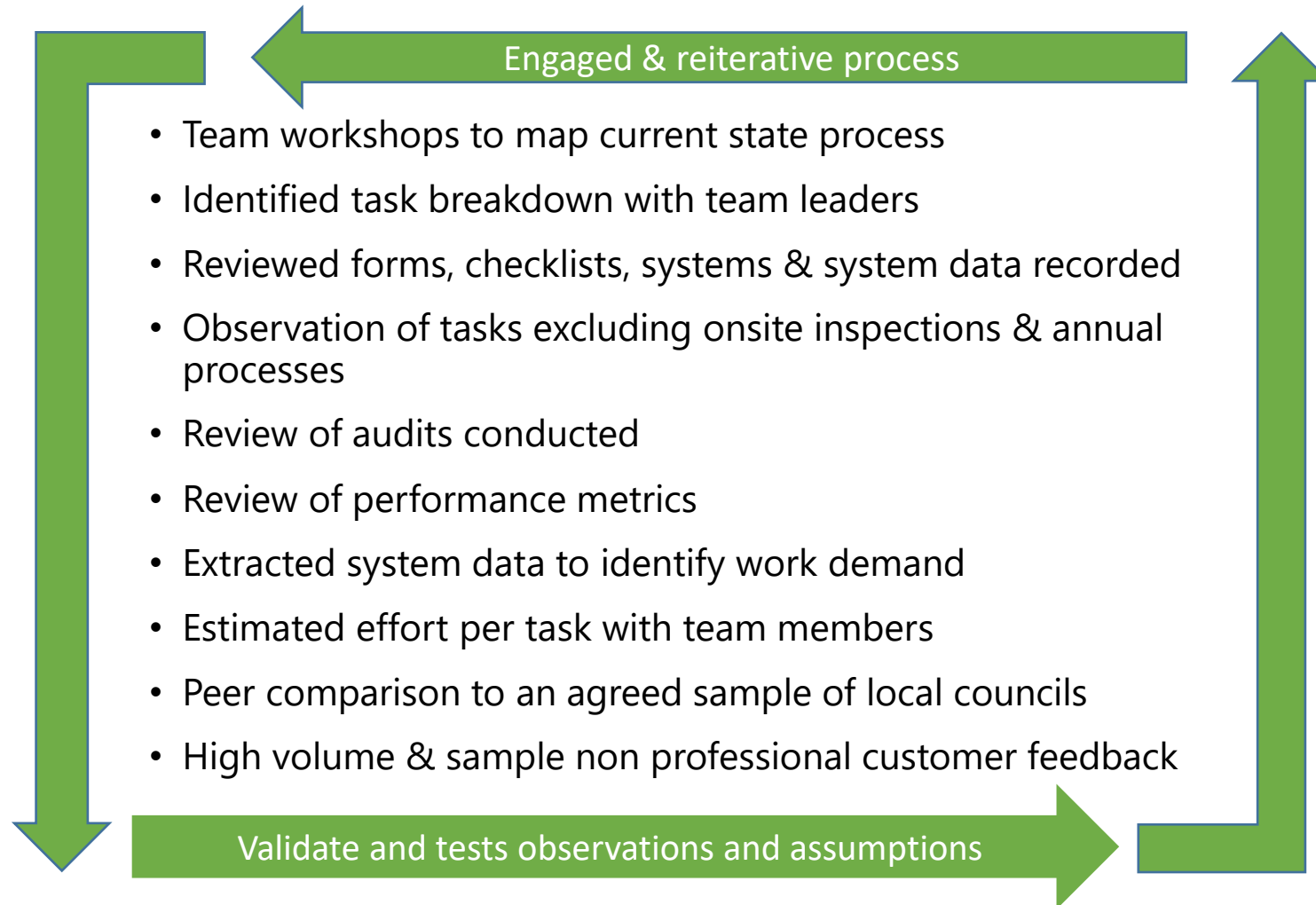
The objective of this Service Review is to facilitate efficiency, effectiveness, and appropriateness in service provision through the analysis of factors such as:

- Service clarity, replicability and quality
- Customer (internal or external) priorities, aspirations and experience
- Alignment to the Council's strategic intent
- Statutory obligations
- Process efficiency and saving opportunities
- Service delivery effectiveness and performance assessment

# Approach

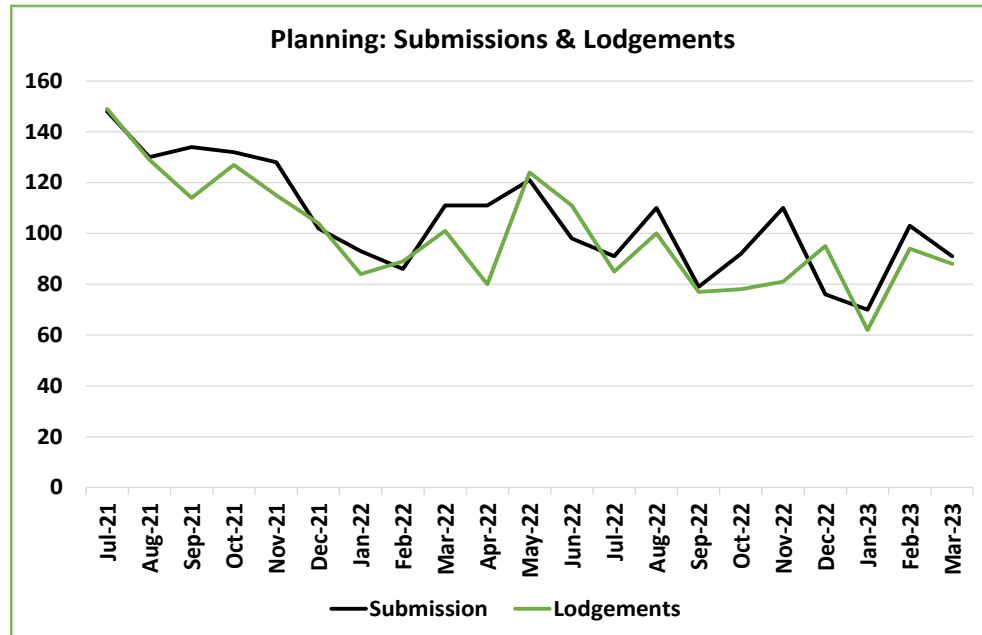


# Process



# Summary Analysis

# Key Environmental Changes



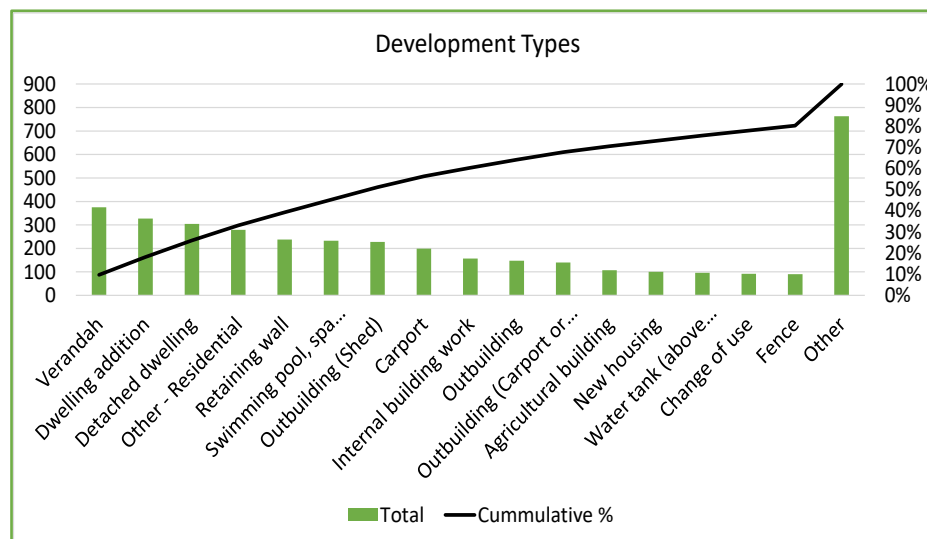
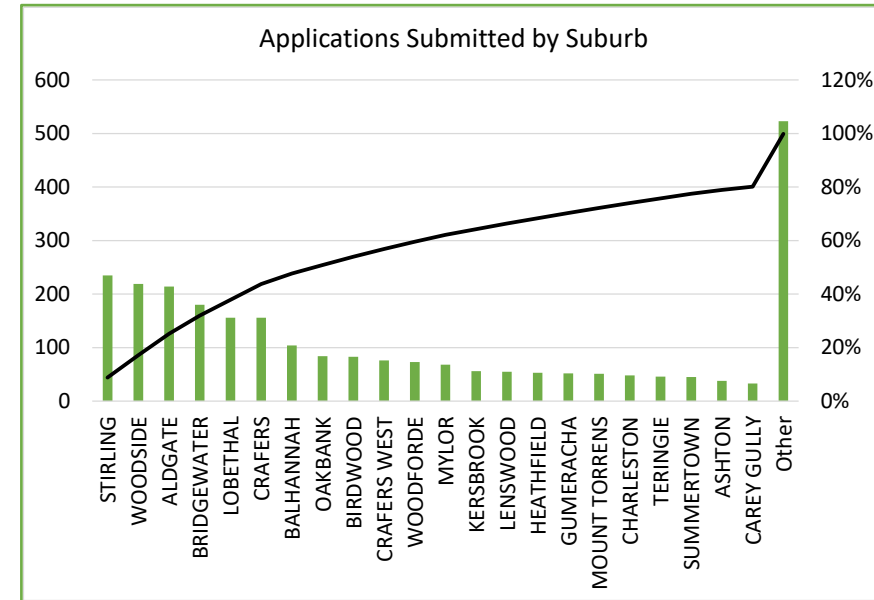
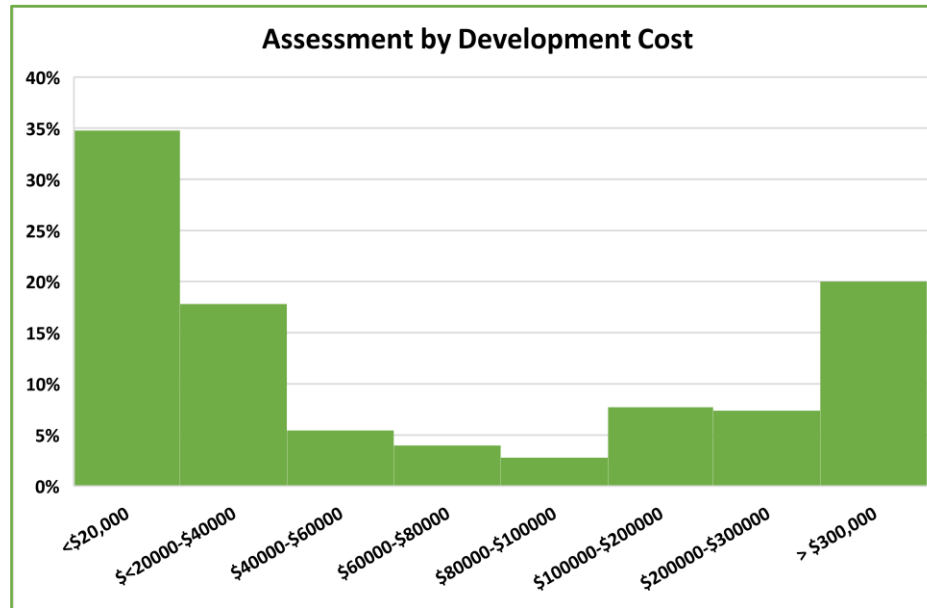
- New Planning Code and system implemented in March 2021
- Changes to process and the new way of working, impacts efficiency as staff and customers learn and adapt to a new process and technology
- Government incentives and bushfires contributed to historical increased & prioritised volumes
- Increase in volume and assessment complexity requires a consistent approach in how the work system is managed, the way work is prioritised, performed and process adapted to meet the specific needs of localised customers.
- Volume of Development Applications submissions is showing a downward trajectory since July 2021



# Key Observations

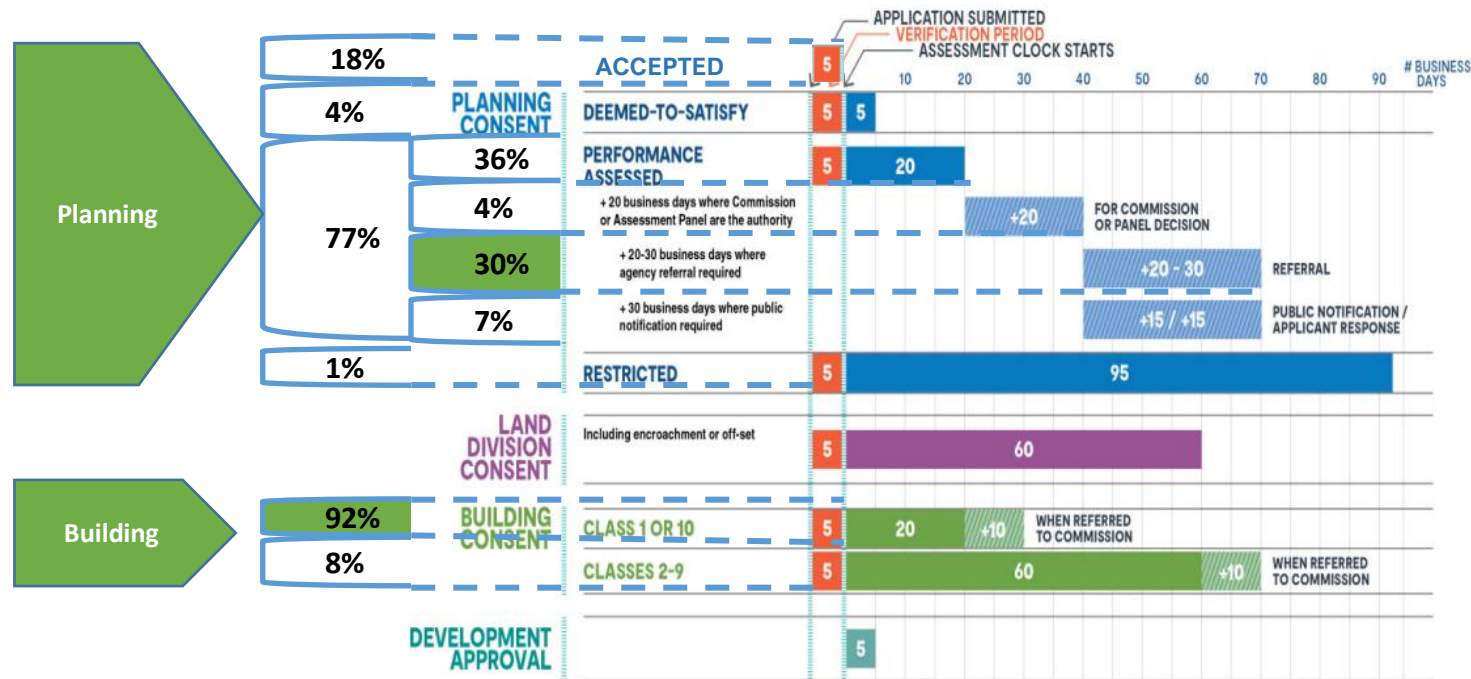
People	Primary team <b>focus on legislative measures</b> and there is a need to balance the end-to-end customer time frame
	Opportunity to utilise <b>active process and resource management</b> in current governance meetings with staff
Process	<b>Internal referral time frames</b> and priority not agreed for all internal referral types
	Opportunity to <b>define and systemise planning reactive compliance</b> process to measure efficiency and effectiveness of activities
	<b>Variation in the planning assessment approach</b> impacting consistency time to decision and customer process expectations
	Opportunity to clarify and <b>align task prioritisation</b> to enable greater consistency when task are in and out of service
	Significant number of <b>overlays requiring referrals to external agencies</b>
	<b>Calls via customer service go to duty planner voicemail.</b> Typically, this will increase workload via call backs and not an ideal customer experience
	Proactive Compliance review to ensure notifications for <b>pools inspections</b> received
	No central register to flag all council building requiring <b>Essential Safety Provisions</b>
System	<b>Preliminary assessment not recorded in system</b> to enable planner to refer historical discussions when undertaking assessment
	<b>All planning compliance activities not recorded in workflow</b> to measure effectiveness and makes it challenging to back fill during leave
	<b>Plan SA underlying data not leveraged</b> to understand the end-to-end customer process experience
	<b>Opportunity to create control reports</b> for compliance activities, to ensure timely and aligned rectification or enforcement activities
	Laptops and phone devices not ideal for all inspections
Operating Model	Focused Planning Compliance role while creates efficiencies with a dedicated focus creates, is a key person risk prioritisation of work agreed during periods of relief. <b>Compliance Role reporting directly to manager</b> can result in having to address more escalated compliance matters.

# Development Types & Location



- <\$100K development value account for 65%
- Most frequent building types 10a,(45%) which are typically sheds, carpports, garages and verandas
- While assumed lower value applications are less complex in nature, the overlays and required referrals need to be undertaken
- Largest clusters are located around Stirling & surrounding suburbs accounting for 35% of applications and Woodside & surrounding suburbs 22%.
- This highlights the consideration co-location of duty planner to able to support in person queries.

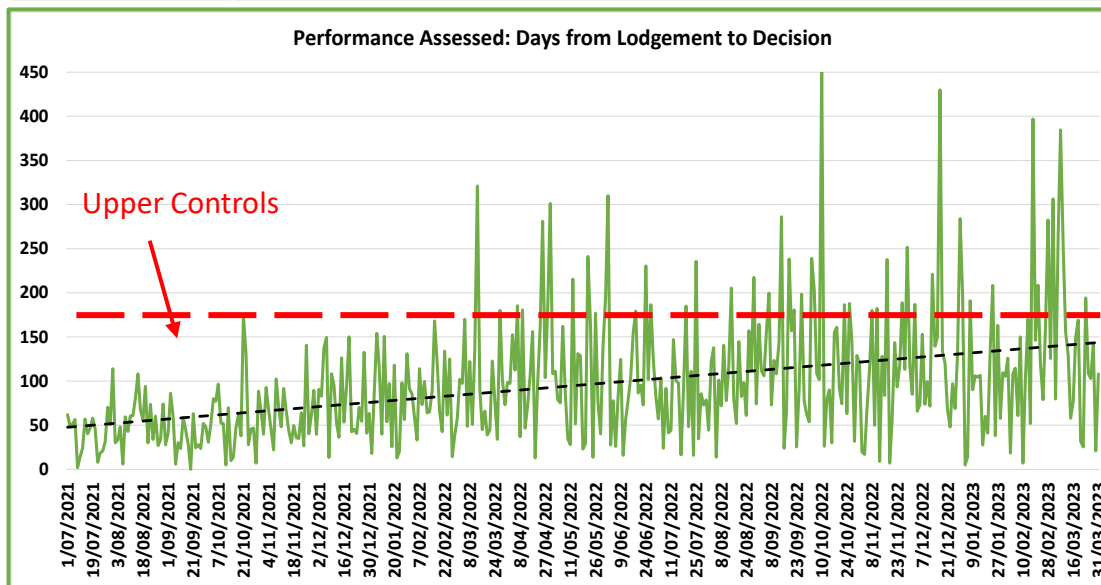
# Assessment Pathways



- Most common planning assessment pathway is performance assessed at 77%
- 30% require an additional 30 days to assessment time frame via external referral
- 4% adding up to 50 days for planning consent assuming linear process
- Majority of building assessments are non-commercial
- Opportunity to educate residents/ home builder applicants to set expectations based on the assessment pathway and the required steps

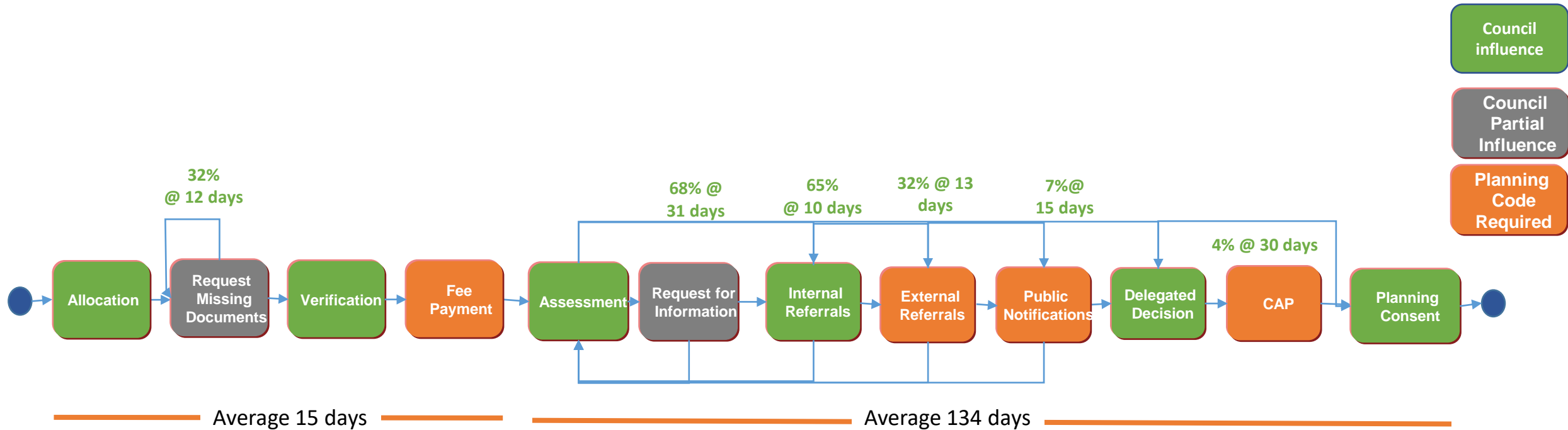
# Process Analysis

Consents	Pathway	Required Days (Excluding Pauses)	Average Days (Exclude pauses)	% Time Frames Met
Planning	Deemed To Satisfy	5	3	84%
	Performance Assessed - No Public Notification No Referral	20	15	82%
	Performance Assessed - No Public Notification With Referral Required	50	33	
	Performance Assessed - Public Notification No Referral	70	46	
	Performance Assessed - Public Notification With Referral Required	60-70	51	
Planning & Land Division	Performance Assessed - No Public Notification No Referral	60	36	87%
	Performance Assessed - Public Notification Required	70	22	
Building	Class 1 & 10	20	14	88%
	Class 2 to 9	60		



- On ave. assessment legislative time frames being met
- 85% application times frames met with minimal variation on assessment pathway.
- All assessment categories highlight increasing variation in end-to-end customer time.
- Applicants experience can be significantly less or greater than average and required time frame
- Highlights opportunity for alignment on prioritisation of tasks, clarity of internal referral and alignment of RFI details follow up
- Use of controls report to assist in enabling an aligned approach

# Planning Assessment Process



- Significant time through the planning process delay is caused by hand-offs
- If application went through every hand-offs process, can equate up to additional **104 days** in addition the assessment time
- Mixture of the hand-offs are legislated and influenced by Council
- Validation and consistency in applicant information request and proactive clarification to support non professional applicants will assist in timeliness of decisions.

# Customer Feedback

Value Criteria	Ranking	Performance VS Expectations			VS Other Councils		
		Better	Meet	Worse	Better	Same	Worse
Consistency: time, decisions & information requested	1	0%	40%	60%	0%	40%	60%
Facilitating an Outcome	2	0%	80%	20%	20%	60%	20%
Time	3	0%	80%	20%	0%	60%	40%
Communication	4	20%	40%	40%	20%	80%	0%
Clear Expectations	5	0%	60%	40%	0%	60%	40%
Relationship	6	0%	60%	20%	20%	40%	40%
Transparency of Status	7	0%	100%	0%	0%	100%	0%
Rationale of Decisions	8	0%	80%	20%	0%	80%	20%

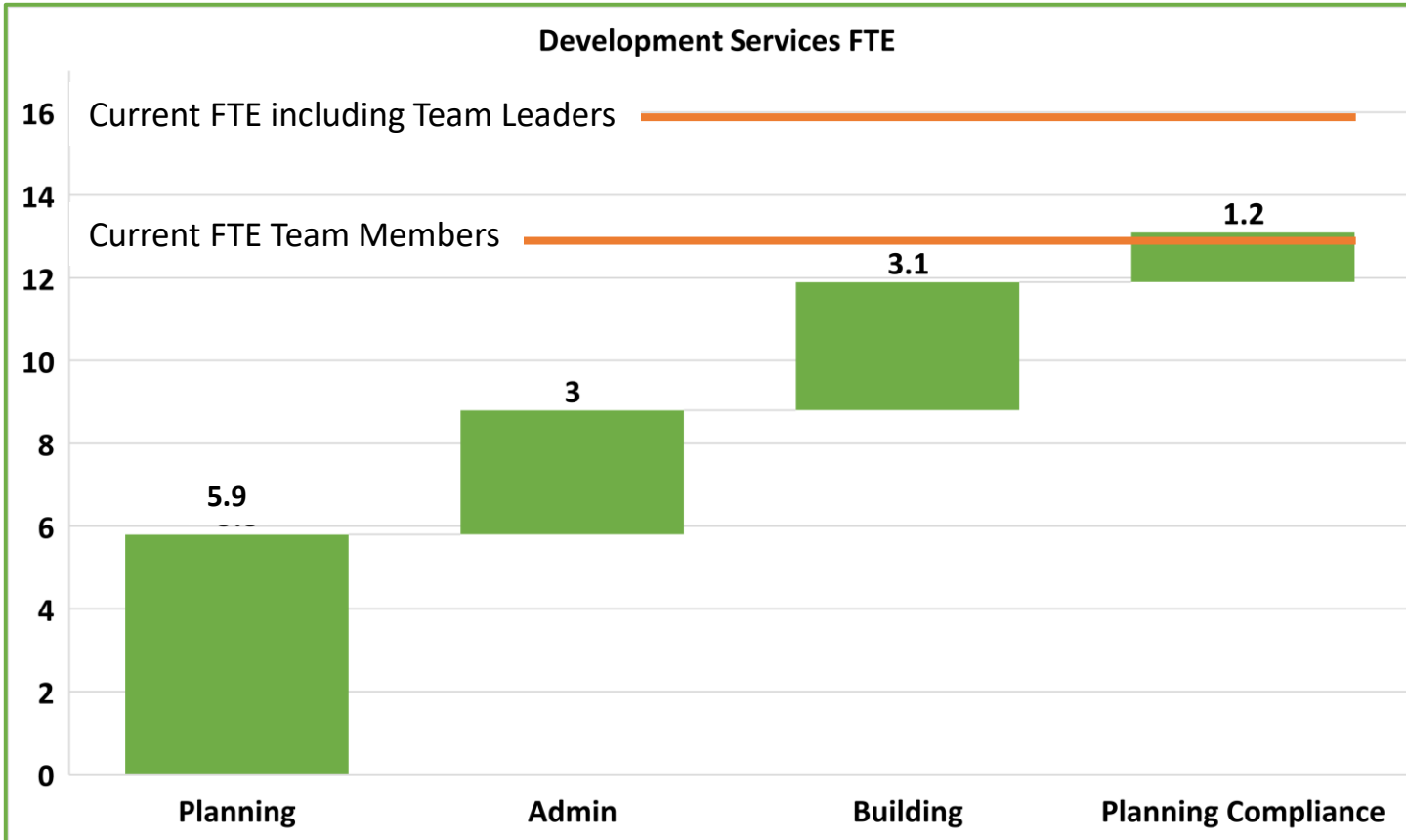
## Value Criteria

- Consistency was ranked the most important and not meeting expectation and against other councils.
- Other factors were on par with other councils, with exception of relationships
- Less complex applications valued timeliness and communication more, versus more complicated applications valued facilitating outcomes and consistency

## Key Feedback

- Application not held up in verification and timely in comparison to other councils
- Native Vegetation under the new code has complicated the process, but Council can't control this
- Hard to set expectation with their clients with a lack of consistency between planners
- Opportunity for more open discussion and other councils, we often meet regularly to discuss current and future applications.
- Customer service were unable to answer queries on the status of an application and required transfer often going to voicemail and multiple calls.
- Once contacted the support was extremely helpful and informative. Clarity was provided on what was required, next steps and expected time frame, as portal is not always clear.

# Effort Summary

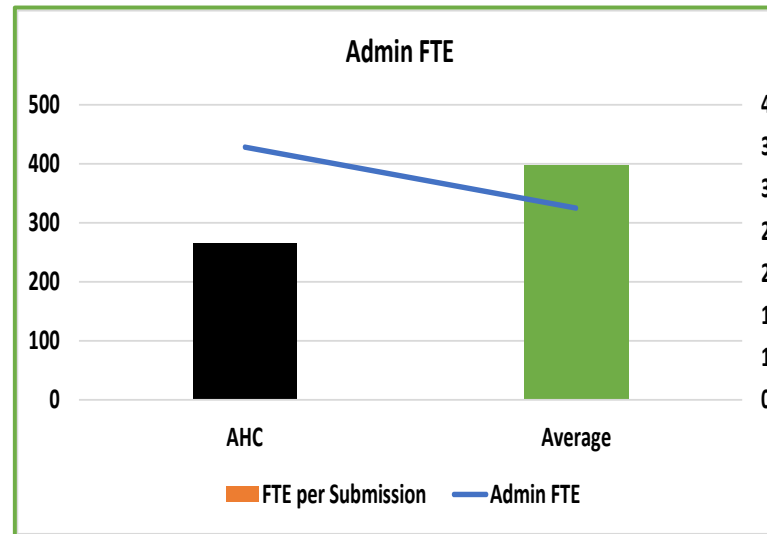
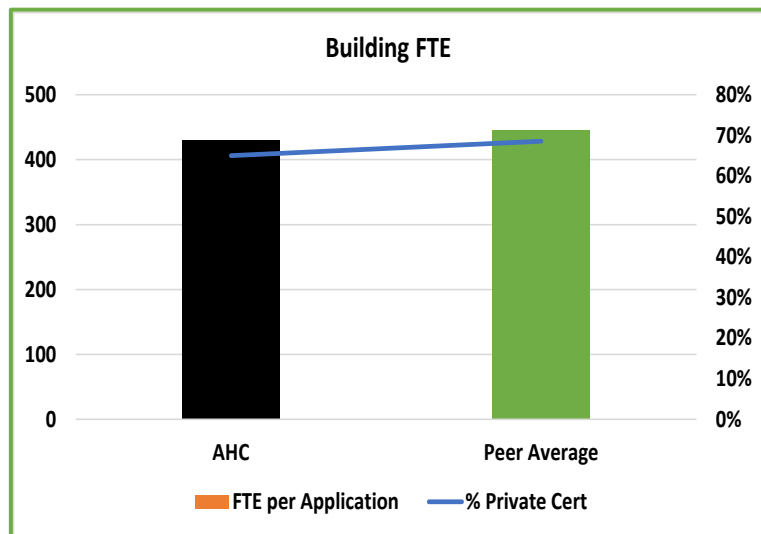
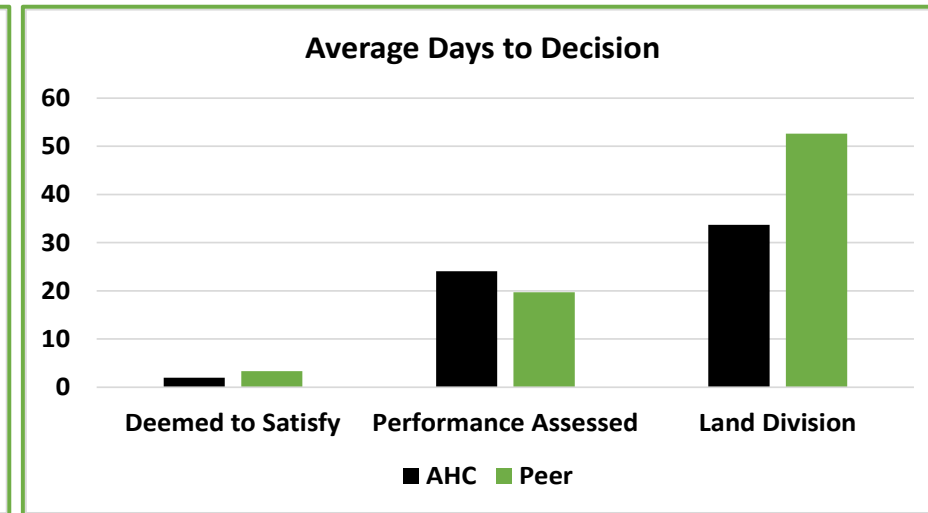
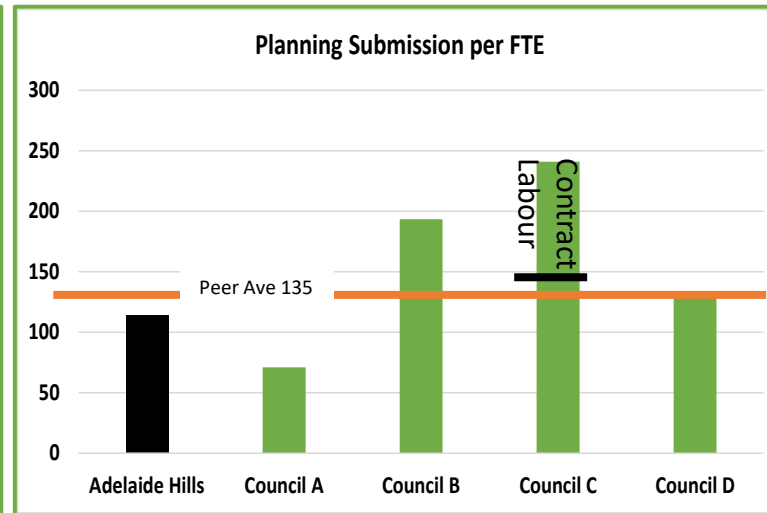
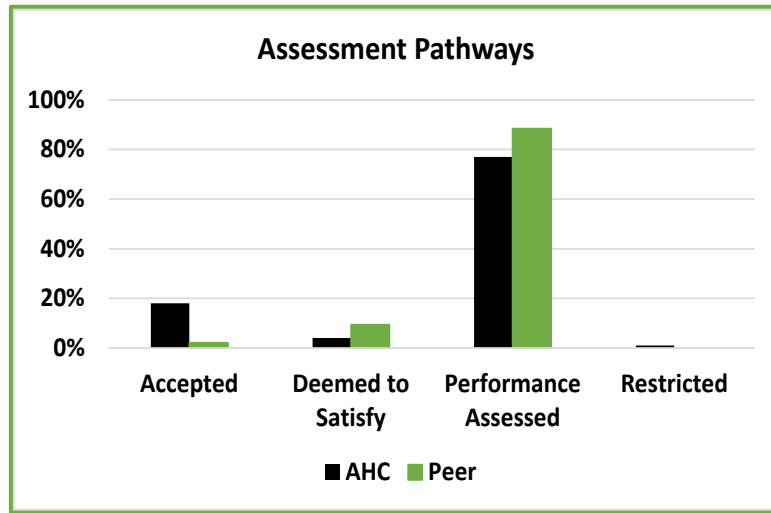


Team	Task FTE	Team FTE
Planning Assessment	5.9	7
Building Assessment & Compliance	3.1	2.8
Planning Compliance	1.2	1
Admin Support	3	2
EA Development & Reg Services		0.2
<b>Total Excluding Leaders</b>	<b>13.2</b>	<b>13</b>
Team Leaders		3
<b>Total</b>		<b>16</b>

- Overall Current FTE is within 0.2 FTE of required effort, with overs and under by team
- Reduction Planning effort required is reflective of reduced FY 23 submissions and lodgments
- Smaller teams require team leader effort and Director EA which is effective. However, an upper limit required, enabling capacity for effective management.
- Planning Compliance is supported by Planning

\*Call effort was estimated for to each task as unable to be provided system data. Recommend validation with call data upon receipt of data

# Peer Comparison



- Similar Planning application pathways, AHC has slightly higher Accepted with less Deemed to Satisfy & Performance Assessed
- Peer Ave. planning applications per FTE is 135 vs AHC 114.
- AHC Assessment Time Frame faster for DTS & Land Division. Performance Assessed taking 4 days longer than peers.
- AHC Building FTE per app. is 431 vs Peer 445, however the Private Certs are 4% greater for peers reducing their assessment effort
- Admin highlights more FTE per Submissions than peers, however **can not be** used as a comparisons as tasks significantly varied. Planning Compliance data received was not sufficient for comparison



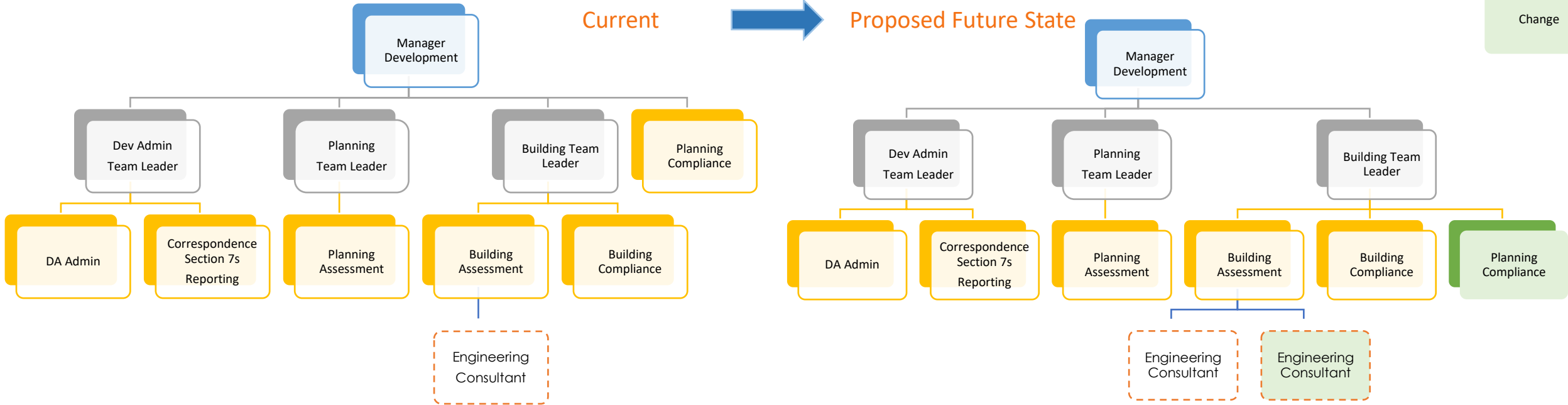
# Operating Model

Current



Proposed Future State

Change



- **Building Engineer Supplier :**

- At contract renewal, look to engagement panel/ multiple building engineering suppliers to mitigate key person risk

- **Planning Compliance:**

- Consider transition Planning Compliance reporting line from Manager to team leader to enable :
  - Manager focus on work system via leverage portal data and active embed operational and process management
  - Support timely reactive inspections with opportunity to minimise travel with other inspector role
  - Leverage and aligned inspections approaches and process management
- Typically Planning Compliance roles of peer Council reported to the Building Team Leader when team leaders existed.
- Transition to the Building team is an ideal end state transition, due to current capacity and an interim realignment to Planning or alternative Regulator Services team would provide greater capacity to support

# Recommendations

<b>People</b>	<b>Validation and alignment</b> on Team outcomes and purpose, guide process to balance community, legislative and applicant outcomes
	<b>Resource &amp; process management upskilling for Team Leaders and Manager</b> , supported by balanced metrics, governance
<b>Process</b>	Duty planner to <b>answer incoming phone calls</b>
	Trial <b>Developments Services</b> option to customer service IVR to redirect calls.
	Agree internal referral times for all areas to assist planner in setting expectations
	<b>Operational Data based Governance framework</b> to actively monitor and regularly discuss process performance metrics and process alignment
	Creation of <b>ESP register</b> to enable control check that all Form 3s are completed
	Agree Council approach to building inspection with incoming need for Council issuance of Certificate of Occupancy
<b>System</b>	<b>Review and update Planning compliance workflow</b> to enable recorded activities to better measure effectiveness and experience
	<b>Control reports with escalation points</b> for customer queue and compliance, e.g. Notifications/forms note received, open inspection compliance unresolved and customer queries
	Leverage planning portal data to create and <b>actively measure of end-to-end customer times</b> in combination with legislative measures
	<b>Record preliminary advice as application</b> in development apps or alternative for reference for future Assessment
<b>Operating Model</b>	<b>Relationship meeting with high volume applicants</b> , to identify market trends, seek feedback and work to collaborative solutions
	<b>Add additional Building engineering Consultant</b> to reduce sole operator key person risk
	<b>Consideration Planning Compliance</b> to transition reporting line from Manager to Team Leader
	<b>Consider Planning and Building overflow suppliers</b> at points of attrition and Jan 24 Certificate of Occupancy change

# Implementation Road Map

	Phase 1	Phase 2	Phase 3	Phase 4
PEOPLE	Validation & alignment on Team outcomes	Manager & TL resource & process management upskilling	Determine Building inspection approach and FTE impact of Jan 24 CoO requirements	
PROCESS	Duty Planner to answer inbound calls	Validate and align of RFI request & follow ups	Trail Dev Service Option on Council IVR	Adopted an aligned Building Compliance Enforcement approach
	Agree all Internal Referral Time Frames	Metrics focused Weekly Governance Meetings	Monitor End to end assessment times	ESP Register
SYSTEM	Record preliminary advice as application in Dev app	Review Plan SA e-mail default & inbox auto filing solution	Upper Control Compliance reports & escalation points	Update Planning Compliance process
OPERATING MODEL	Establish High Volume applicants Relationship Meetings	Add additional Building engineering supplier	Consider overflow supplier at point of Attrition & for Jan 24 CoO impacts	Planning Compliance to report to Team Leader

Project plan and an assessment is required to determine if the skills and capacity exist to implement, along with other organisation priorities to be agreed to determine exact timing.

**ADELAIDE HILLS COUNCIL  
SPECIAL AUDIT COMMITTEE MEETING  
Monday 19 June 2023  
AGENDA BUSINESS ITEM**

<b>Item:</b>	<b>8.2</b>
<b>Responsible Officer:</b>	<b>Lachlan Miller Executive Manager Governance &amp; Performance Office of the Chief Executive</b>
<b>Subject:</b>	<b>Interim Audit Management Letter</b>
<b>For:</b>	<b>Decision</b>

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#### **SUMMARY**

As part of the External Audit Plan, Council's external auditors (BDO) have completed the interim fieldwork as part of their 2022-23 Annual Financial Statement and Internal Financial Control Audits and have issued an interim management letter.

This report provides an update to the Audit Committee in relation to the 2022-23 Annual Financial Statement and Internal Financial Control Audits detailing the outcomes from BDO's fieldwork in relation to both audits as detailed in the Interim Management Letter (**Appendix 1**).

Management have provided responses to the findings contained within the interim management letter and these responses are provided within this report to the Audit Committee.

#### **RECOMMENDATION**

**The Audit Committee resolves:**

- 1. That the report be received and noted**
  - 2. Notes the communication received from BDO Audit from their Interim visit relating to the 2022-23 Annual Financial Statement and Internal Financial Control Audits and the Management Responses to their findings from the Interim Audit, as contained in Appendix 1.**
- 

#### **1. BACKGROUND**

At its 17 April 2023 meeting, the Audit Committee received the Annual Audit Plan 2023 from its recently appointed audits, BDO. In consideration of the Audit Plan, the Committee resolved as follows:

**8.1. 2022-23 External Audit Plan**

Moved Peter Brass  
S/- Natalie Johnston

AC14/22

The Audit Committee resolves:

1. That the report be received and noted.
2. To recommend to Council the approval of the *2022-23 External Audit Plan* by BDO Audit Pty Ltd as contained in Appendix 1.
3. To note the *2022-23 Financial Statement Audit – Engagement Letter* as contained in Appendix 2 and the *2022-23 Internal Financial Control Audit – Engagement Letter as contained in Appendix 3.*

Carried Unanimously
---------------------

Council received the Committee’s recommendations at its 26 April 2023 meeting and resolved as follows:

**17.2.1 Audit Committee Recommendations to Council from 17 April 2023 meeting**

Moved Cr Malcolm Herrmann  
S/- Cr Melanie Selwood

101/23

Council resolves:

1. That the report be received and noted.
2. In relation to Appendix 1 of this report:
  - a. To approve the *2022-23 External Audit Plan* by BDO Audit Pty Ltd.
  - b. To note the *2022-23 Financial Statement Audit – Engagement Letter* and the *2022-23 Internal Financial Control Audit – Engagement.*
3. In relation to Appendix 2 of this report, to receive and note the Q3 2022-23 Quarterly Council Performance Report.

Carried Unanimously
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The Audit Plan provided for the interim visit to include opening balance work, review of controls and transactional testing.

The BDO Audit Team undertook their fieldwork in the week commencing 15 May 2023 with some follow up queries and information provision in the weeks following.

## 2. ANALYSIS

### ➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

*Strategic Plan 2020-24 – A brighter future*

Goal 5 A Progressive Organisation

Objective O5 We are accountable, informed, and make decisions in the best interests of the whole community

Priority O5.1 Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations

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)

The controls tested are part of the internal control framework contributing to the current Residual Risk rating. The recommendations arising from the review and the management actions to be undertaken are mitigations which will contribute to reducing the risk rating to the Target Risk level.

### ➤ Financial and Resource Implications

Satisfactory internal financial controls (IT and non-IT) provide the foundation for Council's financial management and reporting framework.

The costs associated with the provision of external audit services 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.

➤ **Sustainability Implications**

Not applicable.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

*Council Committees:* Not Applicable

*Council Workshops:* Not Applicable

*External Agencies:* BDO Audit

*Community:* Not Applicable

➤ **Additional Analysis**

The Interim Management Letter for the 2022-23 Annual Financial Statement and Internal Financial Control Audits has now been received and is attached for the Committee's consideration (**Appendix 1**).

The Letter provides a summary of the work undertaken to date, additional risks identified in the conduct of the fieldwork, and provides a status update on key issues identified in the Audit Plan.

BDO have provided an update on their audit opinion in relation to internal financial controls as follows:

*At the time of this report, we have not completed all testing of core controls as some relate to annual processes and consequently will not occur until the end of the financial year, or others are more closely aligned to testing we would normally conduct after year end.*

*Based on the work to date, we have not noted any material exceptions that would lead to a qualification to the audit report on internal controls. We have included in Appendix A of this letter, other matters of deficiencies that we have identified during the course of our audit to date to be of sufficient importance to merit being reported to Council.*

As stated, Appendix A of the BDO Interim Management Letter identifies three internal control findings. These have been set out describing the issue identified, the potential effects and BDO's recommendations.

Management have provided a response to each of the findings along with an action, responsible officer and due date. Implementation of these actions will be monitored through the biannual Audit Actions Implementation Report.

The Interim Management Letter conclusion is positive, and management will continue to manage the operation of internal controls with diligence while working towards addressing the weaknesses identified in the recommendations.

The auditors will be attending the Audit Committee meeting to present the findings.

**3. OPTIONS**

The Committee has the following options:

- I. Note the communication received from BDO from their interim visit relating to the 2022-23 Annual Financial Statement and Internal Financial Control Audits and the Management Responses to their findings. (Recommended)
- II. Consider alternative courses of action (i.e., requesting additional information and/or actions) (Not Recommended)

**4. APPENDIX**

- (1) *Interim Report on the 2023 External Audit – BDO – 14 June 2023*



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# **Appendix 1**

*Interim Report on the 2023 External Audit – BDO –  
14 June 2023*

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Cr Malcolm Herrmann  
Presiding Member - Audit Committee  
Adelaide Hills Council  
PO Box 44  
WOODSIDE SA 5244

14 June 2023

Dear Cr Herrmann

#### INTERIM REPORT ON THE 2023 EXTERNAL AUDIT

We are pleased to provide the members of the Audit Committee an update on the 2023 External Audit.

We have conducted our interim audit visit as set out in our audit plan. Our work to date has covered:

- Our annual assessment of risk and potential implications for the audit of the financial report.
- Our annual assessment of risk and potential implication for the audit opinion on internal controls.
- A review of internal controls and determination of those which will be relied upon and tested as part of our audit strategy for the audit of the annual financial statements.
- Interim testing of internal controls for the audit opinion on internal controls.
- Interim testing of a sample of transactions in revenue, operating expenditure and payroll functions.
- Review of interim results using data analytics and analytical review to identify any unusual trends or items which might require additional audit attention.
- Review of interim testing to ensure that there are no underlying deficiencies in internal controls or matters which would require additional attention as part of our audit on the financial report.

We have also updated our knowledge in relation to key issues that were identified in our audit planning process and communicated in our audit plan, as follows;

- Revaluation, depreciation, useful lives and residual values of infrastructure, property, plant and equipment.
- Accounting for items captured within capital work-in-progress.
- Management override of internal controls.
- Accounting treatment for grant funding.

Two additional risks have been identified subsequent to the presentation of our annual audit plan, as follows:

- Provision for reinstatement, restoration, and rehabilitation
- Accounting for non-current assets held for sale.

## Status update on key issues

### Revaluation of infrastructure, property, plant and equipment

Council revalue all material asset classes on a regular basis such that carrying values are not materially different from fair value. Revaluations are carried out on a rotational basis by Council's employees in conjunction with independent valuers. This year, we have been briefed by management that there will be a revaluation of Council's land and buildings and by the interim visit, a draft report has been received by management for the building component from the expert for review. Land will be valued internally by Council officers based on Valuer General's site values.

It is expected that the revaluation will be completed as part of the year end reconciliation process, and this will be available to us by our final visit commencing 18 September 2023.

### Accounting treatment of Capital Work In Progress

We have been briefed on the progress in relation to capital work in progress, in particular the capitalisation and/or expensing of items and the handover process of completed capital projects during the year. It is expected that the underlying asset records and associated reconciliations will be updated after year end and completed before the commencement of the year-end visit.

We understand due to the shortage of contractors or internal resources, the ability to effectively delivery capital projects have been affected during this financial year, which might result in higher WIP balance at year-end and projects might be carried over into new financial year.

### Management override of internal controls

Our interim testing has not identified any evidence of management override of internal controls. We will revisit this during our year-end visit, complete our testing and report our findings accordingly.

### Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2023

We have been briefed on management's assessment process to determine whether a grant is of capital or operating nature as well the progress of the projects funded by grants during the year. We have made initial inquiries with management and will revisit this accounting during our year-end visit.

### Provision for reinstatement, restoration, and rehabilitation

As disclosed in the prior year's financial statements, Council made a significant provision for future reinstatement and restoration. There is a risk that the provision, including changes in facts and circumstances during the year are not made in accordance with the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. We held discussion with management during the interim visit and have been briefed on developments in the year to date. We will revisit the matter during the year-end visit to assess the final accounting for the year, as well as disclosures made in the financial statements.

### Accounting for non-current assets held for sale

As disclosed in the prior year's financial statements, the Council in 2018 resolved to sell its Retirement Village portfolio to Clayton Church Homes with subsequent due diligence resulting in the Bridgewater Village being excised from the transaction. Clayton Church Homes then was provided with a first right of refusal to purchase the Bridgewater Village if certain conditions are met. We have made inquiries with management on the status of the transaction during the year and will revisit the matter during our year-end visit.

Update on audit opinion in relation to internal controls

We have commenced planning and testing of internal controls for the purpose of providing an audit opinion on Council's internal controls. Specifically that controls exercised by the Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with legislative requirements.

Our assessment of internal controls is based on the criteria in the *Better Practice Model - Financial Internal Control for South Australian Councils* as issued by the Local Government Association of South Australia.

At the time of this report, we have not completed all testing of core controls as some relate to annual processes and consequently will not occur until the end of the financial year, or others are more closely aligned to testing we would normally conduct after year end.

Based on the work to date, we have not noted any material exceptions that would lead to a qualification to the audit report on internal controls. We have included in Appendix A of this letter, other matters of deficiencies that we have identified during the course of our audit to date to be of sufficient importance to merit being reported to Council.

We will continue our work on internal controls at the year-end visit and will report to Council accordingly.

Please contact me if you have any questions or need any further information.

Yours sincerely

BDO Audit Pty Ltd

A handwritten signature in blue ink, appearing to read 'Linh Dao', written in a cursive style.

Linh Dao  
Director



## APPENDIX 1 - INTERNAL CONTROL

Risk Category/ Business Cycle	Risk assessment	Issues identified	Potential effects	Recommendation	Management comments
1 Expenses - Payroll	Moderate	It was noted from our testing that two Council staff members in the payroll team have access and editing rights to the Creditor Masterfile which is beyond the person's role and responsibility.	Inappropriate logical access may create opportunity for potential override of internal controls that otherwise were operating effectively.	It is recommended that management consider implementing role-based access request as part of the onboarding process and regular review of user access be conducted for relevant GL modules, not just at the IT application level.  If due to practical reasons, access rights to the Creditor Masterfile cannot be changed, additional scrutiny is recommended when senior members of the finance team review the changes made to the Masterfile, and check if any changes were made by the said personnel.	Partly Agree, given that role-based access is already implemented by Information Services as a part of onboarding process with regular reviews of user access on at least a 6 monthly basis  User access permissions have now been amended for one of the users identified whereas the other user is still required for the processing of the payroll creditors in its current configuration.  Action: The System Analyst to create a new specific Payroll Creditors functional group limiting user access to the processing of the payroll to be tested and signed off by Financial Services.  Responsible Officer: - Team Leader, Financial Accounting  Due Date: September 2023
2 Assets - Debtors	Moderate	It was noted from our testing that one Council staff members who works in the Accounts Receivable team can issues and subsequently reconcile receipt of the same invoices.	Lack of segregation of duties might result in fraud or errors remaining undetected.	It is recommended that Council implement segregation of duties (preventative control) or implement specific detective control to ensure that errors, if they occur, are detected and corrected in a timely manner, and to reduce the possibility of fraud.	Agree but consider the risk is low  The Finance team has only a small number of staff, so segregation of duties is difficult. As such Council will look to implement additional specific detective controls including the regular review of monthly debtors reports by the Team Leader Financial Accounting for large and overdue accounts. Consideration of further preventative controls to be investigated.  In addition the following are currently in place: <ul style="list-style-type: none"> <li>No cash is received by the Accounts Receivable officer directly.</li> </ul>

Risk Category/ Business Cycle	Risk assessment	Issues identified	Potential effects	Recommendation	Management comments
					<ul style="list-style-type: none"> <li>Debtors continue to be reported to Audit Committee twice yearly and a report provided detailing action taken to recover overdue balances is tabled</li> <li>Credits are approved by Team Leader Financial Accounting before being applied.</li> </ul> Responsibility: Team Leader Financial Accounting Due Date: Review of monthly debtors balances for large and unusual amounts - Immediate Review of additional preventative controls - September 2023
3 Revenue - Grants	Moderate	It is noted from our testing, that though Council maintains a grant register it does not contain sufficient detail or information to facilitate an efficient review of budget vs funding agreement as well as compliance with the relevant funding conditions.	Lack of a suitably detailed grant register might result in non-compliance issues not identified or actual vs budget variances on a timely manner.	It is recommended that council upgrade the current grant register to help facilitate the ongoing management of grants for both compliance and financial measures.	Agree Council will review and upgrade the current grant register to help facilitate the ongoing management of grants for both compliance and financial measures. In addition, when the Finance Officer Accounts Receivable/Treasury becomes aware of a grant, it is to be immediately added to the Grant Register as well as follow up of the responsible council officer to update the register appropriately Responsibility: Team Leader, Financial Accounting Due Date: September 2023