



Yorke Peninsula Council

NOTICE OF MEETING

Notice is hereby given that the next ordinary meeting of Council's
AUDIT COMMITTEE
will be held on Wednesday 13th September 2017
in the Minlaton Council Chamber,
57 Main Street, Minlaton commencing at 12.30pm

David Harding
DIRECTOR CORPORATE AND
COMMUNITY SERVICES

A G E N D A

ITEM 1 YORKE PENINSULA COUNCIL – AUDIT COMMITTEE

- 1.1 Welcome by Chairperson
- 1.2 Present
- 1.3 Leave of Absence
Cr John Rich
- 1.4 Apologies
- 1.5 Minutes of previous meeting – for confirmation:
Audit Committee meeting held on 7th June 2017.
- 1.6 Questions without Notice

1.1 Conflict of Interest

CONFLICT OF INTEREST

Members are reminded of the requirements for disclosure by Members of direct or indirect pecuniary benefit or detriment and non-pecuniary benefit or detriment in relation to a material conflict of interest in accordance with Section 73, or an actual or perceived conflict of interest in accordance with Section 75 of the Local Government Act in items listed for consideration on the Agenda. Section 74 and 75A of the Local Government Act 1999 requires that Members declare any interest and provide full and accurate details of the relevant interest to the Council. In relation to actual or perceived conflicts of interest a member has an obligation to outline how they propose to deal with the actual or perceived conflict of interest prior to consideration of that item on the Agenda.

This requirement does not apply to Ordinary Business Matters prescribed by regulation 8AAA Local Government Act (General) (Accountability and Governance) Variation Regulations 2016.

Each Member of a Committee has a duty to vote at all meetings unless excepted by legislation.

The major exception being where a Member has a material conflict of interest.

ITEM 2 REPORTS

- | | |
|--|-----------------|
| 1. Audit Committee Work Plan 2017 (Revised) | pages 4 - 8 |
| 2. External Audit Management Report 2016/2017 | pages 9 - 24 |
| 3. Related Party Disclosures | pages 25 - 32 |
| 4. Treasury Management Performance 2016/2017 | pages 33 - 37 |
| 5. Balance Date External Audit Attendance 2016/2017 | pages 38 - 50 |
| 6. PO139 Treasury Management Policy Review | pages 51 - 58 |
| 7. PO060 Rates Relief Policy Review | pages 59 - 69 |
| 8. PO161 Prudential Management Policy | pages 70 - 77 |
| 9. PO084 Corporate Purchase Card Policy Review | pages 78 - 83 |
| 10. Funding Deed – State Local Government Infrastructure Partnership | pages 84 - 85 |
| 11. Long Term Financial Plan (Verbal Update) | |
| 12. Asset Management Update | pages 86 - 88 |
| 13. Water Infrastructures Asset Management Plan – Draft | pages 89 - 81 |
| 14. CWMS Asset Management Plan – Draft | pages 92 - 94 |
| 15. Risk Management Update | pages 95 - 99 |
| 16. Internal Audit Activity Report to August 2017 | pages 100 - 116 |

ITEM 3 GENERAL BUSINESS

ITEM 4 NEXT MEETING

Wednesday, 25th October 2017, 3.00pm
Minlaton Council Chamber

ITEM 5 CLOSURE

DIRECTOR CORPORATE AND COMMUNITY SERVICES

1. AUDIT COMMITTEE 2017 WORK PLAN

INTRODUCTION

To consider the revised 2017 Audit Committee Work Plan.

RECOMMENDATION

That the Audit Committee endorse the revised 2017 Audit Committee Work Plan.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance

Strategy: 5.1 Openness and transparency of reporting Council's performance
5.2 Effective leadership and informed decision making
5.3 Meet all legislative requirements and compliance with Council's internal controls
5.5 Undertake effective risk management
5.8 Continuous improvement of Council processes

BACKGROUND

As stated in clause 2 of the Audit Committee Terms of Reference, 26 October 2016, the objective of the Audit Committee is to assist the Council in the conduct of its responsibilities for the management of risk, corporate and financial governance and legal compliance, related to financial reporting and audit initiatives, the internal control system and the audit functions. The committee acts as a source of advice to Council and the Chief Executive Officer in relation to these matters.

DISCUSSION

The Committee will:

- enhance the communication between the external auditor and the Council;
- assist the management of business risks to ensure the protection of Council assets;
- monitor the effectiveness of audit and corporate and financial governance functions;
- enhance the integrity of the financial reporting of the Council; and
- review the effectiveness of the Council's internal controls and risk management systems.

The Terms of Reference are to be read in conjunction with Chapter 8 of the Local Government Act 1999.

The adoption, and constant review, of an Audit Committee Work Plan assists in ensuring the objectives of the Audit Committee are achieved.

Changes made to content for this meeting to be endorsed:

- Items 2.6 and 2.7 allocated to the December 2017 meeting after being deferred from the June 2017 meeting.
- The postponement of the August meeting due to absence of committee members and inability to achieve a quorum. Meeting moved to September 2017.
- Item 5.4 updated to reflect consideration at the September 2017 meeting, of the Interim Audit report.
- Item 7.3 updated to reflect Asset Management Plans being considered at the September 2017 meeting and proposed to be considered at the October and December 2017 meetings.
- Item 7.4 updated to reflect policies being considered at the September 2017 meeting.

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Chief Executive Officer
- Manager Financial Services
- Business Improvement Officer
- Asset Manager
- Risk Management Officer

In preparing this report, the following External Parties were consulted:

- Nil

POLICY IMPLICATIONS

Audit Committee Terms of Reference

BUDGET AND RESOURCE IMPLICATIONS

The orderly and timely review of Council's major financial timetable and reports, internal audit activities and financial reports by the Audit Committee strengthens the credibility of the completed work and reduces risk to Council.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

A sound control environment will assist in the management of Council's financial risks.

Local Government Act 1999, Chapter 8

ATTACHMENTS

Attachment 1: 2017 Work Plan (Revised)

Yorke Peninsula Council Audit Committee Work Program 2017						
Activity	Timeframe					Notes
	Completed	Current	Deferred			
	Mar-17	Jun-17	Sep-17	Oct-17	Dec-17	
1. Financial Reporting						
1.1 Review General Purpose Financial Statements				X		Following external audit but prior to Council endorsement
1.2 Review asset revaluations				X		Ensure up to date and soundly based, including having particular regard to local conditions:- > whether land values reflect current local market; > whether infrastructure asset values reflect local replacement costs and the condition of existing assets; > whether an infrastructure asset condition audit has been undertaken recently to assist in making this judgement.
1.3 Review methodology and approach to Depreciation				X		
1.4 Quarterly Budget Reviews - information only	X	X			X	For information only after adoption by Council
2. Internal controls and risk management systems						
2.1 Review progress on Council's Internal Financial controls		X	X	X	X	Status report provided on progress made against matters raised by Council's external auditor. Additional update report on internal controls project provided by Internal Auditor.
2.2 Review Council's internal control policies and procedures		X	X	X	X	Presented as part of the regular Internal Audit activity report
2.3 Review Council's annual Risk Management Action Plan (incorporating Risk Profile Review actions)	X	X	X	X	X	Presented as part of the regular Risk Management update report
2.4 Review Council's annual Risk Profile Review (Audit)				X		Presented as part of the regular Risk Management update report
2.5 Review Council's Strategic Risk Management Plan			X			Presented as part of the regular Risk Management update report
2.6 Review Council's Risk Maturity Assessment		X	>>>>>>>>>>>		X	Presented as part of the regular Risk Management update report
2.7 Review Council's Business Continuity Plan (BCP)		X	>>>>>>>>>>>		X	Presented as part of the regular Risk Management update report
2.8 Review Council's Risk Management Framework					X	Presented as part of the regular Risk Management update report
3. Whistle blowing						
Identify whether the Council has in place simple, readily accessible arrangements for employees to confidentially raise concerns of alleged malpractice in accordance with legislative provisions. Examine whether Council's whistleblower arrangements are well known to employees and effective having regard to local circumstances.						
3.1 Review Council's whistleblowers protection policy						Next review due 2019
3.2 Examine the method of informing staff of these policies						Next review due 2019
4. Internal Audit						

Yorke Peninsula Council Audit Committee Work Program 2017

Activity	Timeframe					Notes
	Completed Current Deferred					
	Mar-17	Jun-17	Sep-17	Oct-17	Dec-17	
4.1 Review annual work program and outcomes of past work	X					Presented as part of the regular Internal Audit activity report
4.2 Consider any internal audits conducted	X	X	X	X	X	Presented as part of the regular Internal Audit activity report
5. External Audit						
5.1 Meet with Council's external auditor to:- > invite presentation of their audit methodology and risk assessments within the audit plan; > discuss any qualifications raised in the most recent audit or comments made in the accompanying audit management letter; > assess the appropriateness of the proposed Council response to matters so raised; and > invite comment on the financial systems and affairs of the Council having regard to comparable benchmarks.				X		
5.2 Review effectiveness of external audit				X		
5.3 Review management representation letters before they are signed by management				X		
5.4 Assess the appropriateness of the Council's response to the auditor's findings and recommendations			X	X		
5.5 Oversee action to follow up on matters raised by the external auditor	X					
5.6 Consider appointment/reappointment of auditor in accordance with legislation				X		Contract expires November 2017
6. Reporting						
6.1 Report annually to Council:- > activities of the Committee's work program and the results of a self-assessment of performance for the preceding calendar year including whether it believes any changes to its Terms of Reference are needed; > outlining any training needs; > advising future work program proposals; and > inviting comment from Council on all of the above.					X	

Yorke Peninsula Council Audit Committee Work Program 2017

Activity	Timeframe					Notes
	Completed Current Deferred					
	Mar-17	Jun-17	Sep-17	Oct-17	Dec-17	
7. Strategic, Financial and Management Planning						
7.1 Review Strategic Management Plan						Adopted by Council in July 2016. Next review not due until November 2019.
7.2 Review Long Term Financial Plan	X				X	Updated annually following adoption of Annual Business Plan and Budget
7.3 Review Asset Management Plans/ Strategy			X	X	X	Ongoing as developed and reviewed.
7.4 Review appropriateness of the range and content of Council policies and strategies			X			As per renewal timeframes and legislative requirements
7.5 Review Annual business plan, budget and fees and charges		X				In conjunction with public consultation period
8. Other matters						
8.1 Adopt/review Audit Committee annual workplan	X	X	X	X	X	Updated for each meeting
8.2 Reports on other relevant matters						Ongoing as the need arises
8.3 Appoint Audit Committee Chairperson						Next appointment will be in December 2020

DIRECTOR CORPORATE AND COMMUNITY SERVICES

2. EXTERNAL AUDIT MANAGEMENT REPORT 2016/2017

PURPOSE

For the Audit Committee to review the interim external audit management report and response by management (for the year ending 30 June 2017).

RECOMMENDATION

That the External Audit Management report for 2016/2017 from Dean Newbery and Partners Chartered Accountants be received and the Audit Committee endorse management's response to the issues identified in the report.

LINK TO STRATEGIC PLAN

Goal:	5 Responsible Governance
Strategy:	5.1 Openness and transparency of reporting Council's performance 5.2 Effective leadership and informed decision making 5.3 Meet all legislative requirements and compliance with Council's internal controls 5.5 Undertake effective risk management 5.8 Continuous improvement of Council processes

BACKGROUND

Every year, as part of the annual audit program, Council's external auditors visit Council's offices ahead of the production of the Annual Financial Statements. This visit forms an integral part of the annual audit program and also serves to identify any likely issues prior to the preparation of the Annual Financial Statements and their end of year final audit visit.

DISCUSSION

Dean Newbery and Partners' audit team visited Council in April 2017.

As part of their 2016/2017 Audit Program the audit team undertook reviews in several areas including:

- Asset Management Plans
- Impairment to existing assets due to storm damage
- IT user access review
- Accounts payable internal controls
- IT disaster recovery planning
- Asset registers
- Contract management

Ten (10) issues were raised of which one (1) was for information only, while the remaining nine (9) required action/response from management. These nine (9) issues have been given

a residual risk rating ranging from 'low' to 'high'. The issues, their respective risk ratings and management's responses are detailed in the attached External Audit Management Report (refer Attachment 1).

Also attached to this report (refer Attachment 2) is an indicative timetable for the review and completion of Asset Management Plans in response to the issue raised by Dean Newbery in its letter accompanying the Management Report.

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Corporate Management Team
- Manager Financial Services
- Business Improvement Officer
- Manager Business and Public Relations
- Leader Systems and Technology
- Accountant – Financial Management
- Accountant – Financial Operations
- Asset Manager
- Manager Works
- Manager Operations

In preparing this report, the following External Parties were consulted:

- Dean Newbery and Partners Chartered Accountants

POLICY IMPLICATIONS

Audit Committee Terms of Reference

BUDGET AND RESOURCE IMPLICATIONS

Actions to address issues raised are budgeted for in Council's current operating budget.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Failure to take action on risks identified as 'high' and 'moderate' may result in an internal control framework that is weak and ineffective and could lead to a qualified audit opinion.

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

ATTACHMENTS

Attachment 1: External Audit Management Report 2016/2017

Attachment 2: Asset Management Plan Completion Timelines



Yorke Peninsula Council

External Audit Management Report

April 2017 Audit Attendance

Financial Year Ended 30 June 2017

Dean Newbery & Partners Chartered Accountants

214 Melbourne Street
North Adelaide SA 5006

www.deannewbery.com.au

P 08 8267 4777

E jimkeogh@deannewbery.com.au

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Dean Newbery & Partners
Chartered Accountants
214 Melbourne Street North Adelaide SA 5006

10 August 2017

Mayor Ray Agnew
Yorke Peninsula Council
PO Box 8
MINLATON SA 5575

Dear Mayor Agnew

RE: External Audit Management Report - Financial Year Ended 30 June 2017

Our audit team undertook a site visit in relation to the external audit of your Council.

This report has been prepared to comply with Australian Auditing Standard (ASA) 260 *Communication with Those Charged with Governance* and ASA 265 *Communicating Deficiencies in Internal Controls to Those Charged with Governance and Management* and the requirements of the *Local Government Act 1999* (the Act).

As required under Section 129(6) *Local Government Act 1999*, we are required to notify the Minister for Local Government of breaches of the Act. As Council has not formally reviewed and adopted the Council's Infrastructure and Asset Management Plans (IAMP) in accordance with the requirements of Section 122 of the Act within the statutory timeframes (i.e. required to be reviewed by November 2016), this is a matter we are required to report to the Minister for Local Government (the Minister).

We were advised by the Administration that the Council has not completed the review and/or formal adoption of the Council's Asset Management Plans for the following asset classes;

- | | |
|--|----------------------------------|
| ▪ Buildings | <i>Last adopted January 2013</i> |
| ▪ Community Wastewater Management Systems | <i>Last adopted August 2012</i> |
| ▪ Parks & Gardens | <i>Last adopted August 2012</i> |
| ▪ Stormwater Drainage | <i>Not previously adopted</i> |
| ▪ Water Scheme Infrastructure | <i>Not previously adopted</i> |

A copy of our letter to the Minister advising of this breach will be shortly provided to yourself and the Chief Executive Officer.

Our commentary and audit recommendations arising from our audit are outlined in this report. Please note that all matters raised in this report have been discussed with the Administration prior to being issued and responses provided by the Administration to audit matters raised have been included.

Please contact me on 8267 4777 or jimkeogh@deannewbery.com.au if you require any additional information on matters raised above.

Yours sincerely

DEAN NEWBERY & PARTNERS

A handwritten signature in black ink, appearing to be 'J. Keogh', written in a cursive style.

JIM KEOGH
Partner

C. Chief Executive Officer

C. Audit Committee

External Audit Management Report – April 2017 Attendance

Item 1 Storm Damage to Council Infrastructure Asset Network	
Residual Risk Rating	High
Comment and Audit Recommendations	<p>At the time of our attendance, Council had not completed a formal financial assessment of the estimated damage caused to its Infrastructure network as a result of the Storm damage that occurred during the financial year.</p> <p>During the Balance Date audit visit we request evidence be provided of the work undertaken to detail and estimate the financial impact of the damage to Council's infrastructure asset network as a result of the 2016 storms.</p> <p>The Administration need to consider the requirement of measuring and recording an asset impairment expense where deemed necessary in the 2016/17 financial year to recognise the financial impact of this event.</p>
Management's Responses	<p>Formal assessment of the estimated damage caused to Council's Infrastructure asset network as a result of the Storm damage, was in progress at the time of audit attendance and is now close to being finalised. It will be completed and provided to you at your Balance Date audit visit.</p> <p>As part of the 2016/17 financial statement process, impairment testing is being undertaken and where appropriate an impairment expense(s) will be reported. All documentation regarding this will be provided to you at your Balance Date audit visit.</p> <p>As discussed, we intend to implement early adoption of the changes to AASB 136 Impairment of Assets brought about by AASB 2016-4 Recoverable Amount of Non Cash-Generating Specialised Assets of Not-for-Profit Entities in the 2016-2017 Financial Statements (as recommended by the Model Financial Statements). This will remove the requirement for impairment testing of non-cash-generating specialised assets that are carried at fair value.</p> <p>However, this change will have little impact on the impairment testing of assets damaged due to the storms in 2016-2017. The bulk of these 'storm-damaged' assets sit within our 'other assets' class which is not required to be regularly revalued. As such we anticipate an impairment expense to be reported in 2016-2017.</p>

External Audit Management Report – April 2017 Attendance

Item 2 IT User Access Level Review	
Residual Risk Rating	High
Comment and Audit Recommendations	<p>A formal review/update of the Council's IT employee user access levels was being undertaken at the time of our audit. The expected completion date of this formal review is 30 June 2017.</p> <p>We will review the work undertaken by the Council Administration on this matter during the Balance Date audit visit.</p>
Management's Responses	<p>The review is continuing and will be completed by your Balance Date audit visit.</p> <p>External consultants have been engaged to conduct a security review with a key deliverable being transparent and meaningful access level reports that will be role based and will simplify security controls from 120,000 lines to approximately 30 roles. Each role will have a defined level of access.</p>

Item 3 Review of Duplicate Supplier Invoice Numbers	
Residual Risk Rating	Moderate
Comment and Audit Recommendations	<p>In our External Audit Management Report issued 25 May 2016, we provided the following comments;</p> <p><i>Recommend a formal review is undertaken in which testing is performed internally by Council to determine if any invoices have been paid multiple times.</i></p> <p>Council's IT departments is currently developing a process that will assist in the review of the payment of invoices that contain duplicate supplier invoice numbers and therefore further strengthen internal controls. We will review the progress made by the Administration in this regard, during future audit site visits.</p>
Management's Responses	<p>A formal review of invoices is currently undertaken monthly.</p> <p>This review is undertaken by extracting all data from the system and manually sorting and analysing the data. All data added since the last report was verified and signed off, is extracted and checked for duplicate payments.</p> <p>Whilst the creation of an IT generated auto populated report will automate this process, only one component will be analysed, which is the duplicate supplier invoice number.</p> <p>We believe, however, there is also risk in other areas. Whilst the duplicate invoice number check would determine if an invoice has in fact been paid twice, it does not look for the similarities in invoice amounts, or slight alterations to invoice numbers which can easily be undertaken.</p> <p>The way that we currently review the data, whilst being time consuming and manual, allows it to be analysed at a higher level and also across multiple levels, which an automated report may not be able to do.</p> <p>The current method decreases the risk at multiple levels that an automated process may not do. To ensure the manual process is accurate screen shots of the GL can be taken prior to the data being extracted and the data being analysed can be compared to that.</p>

External Audit Management Report – April 2017 Attendance

	<p>IT staff are still looking at an automatic reporting process, however, to cover all the risks identified above the report will need the ability to be able to run at various levels to cross check various levels of data. A draft system generated automatic report will be made available when you are on site for the Balance Date audit.</p> <p>Given that users have the ability to edit PDFs, and other gaps in the process we believe that a duplicate invoice report will never completely identify fraudulent activities.</p> <p>Council has, however, engaged a consultant to develop a standard report that will identify any duplicates based on supplier name, invoice number and invoice amount to detect any instances of data entry errors.</p>
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Item 4 IT Disaster Recovery Plan – Formal Testing	
Residual Risk Rating	Moderate
Comment and Audit Recommendations	<p>At the time of our audit attendance the Administration was in the process of undertaking formal testing of the Council IT Disaster Recovery Plan.</p> <p>We commend Council on undertaking this testing and highlight the importance of ensuring that appropriate testing of key infrastructure and of simulated events is formally undertaken to ensure the documented procedures are reliable in the event a disaster.</p> <p>We request to be informed of the findings of the Council Administration's testing of the Council IT disaster recovery plan.</p>
Management's Responses	<p>Council has created an organisational test environment and Council has successfully conducted a restore from offsite tapes of key infrastructure and databases and tested correct function of the systems, demonstrating the integrity of the data and the correct function of the disaster recovery process.</p>

Item 5 Documented Procedures Over Changes to Supplier Details	
Residual Risk Rating	Moderate
Comment and Audit Recommendations	<p>During the audit visit a review of the Council processes for changing supplier bank details were discussed and reviewed. We note that there are currently minimal documented procedures relating to the processes for changes to Supplier Masterfile details.</p> <p>We recommend that the process in which changes to Supplier bank details is formally documented to ensure a consistency approach is applied by all applicable Accounts Payable staff going forward and to minimise the risk of fraud in this area.</p>
Management's Responses	Draft procedure has been drafted. Final procedure will be ready for examination during your Balance Date audit visit.

Item 6 Contract Management	
Residual Risk Rating	Moderate
Comment and Audit Recommendations	<p>Periodically, all contracts in place should be subjected to formal independent review, to ensure that terms, conditions, entitlements and responsibilities are appropriately addressed.</p> <p>We recommend additional procedures are implemented that ensure this independent review is performed.</p> <p>It would be appreciated if we were advised as to the policies/processes that are in place to formally independently review contracts throughout the organisation.</p>
Management's Responses	<p>Generally contracts are reviewed when they are due for renewal and sometimes during the life of the contract by the person responsible for managing that contract.</p> <p>One example of an independent review was the recent review of Council's cleaning contract for public amenities and other facilities. This contract is managed in our Assets & Infrastructure team but was reviewed by Council's Manager Financial Services. Council's current list of proposed service level reviews compiled by the Director Corporate & Community Services and endorsed by CMT includes a review of all contracts Council has in place. This list will be presented to Council at its workshop in August 2017 for discussion.</p>

External Audit Management Report – April 2017 Attendance

Item 7 Data Review of 'Other Assets' Asset Class	
Residual Risk Rating	Low
Comment and Audit Recommendations	<p>We were advised that the Administration intend on completing a review of data held in the 'Other Assets' asset class and removed any assets that are identified as being duplicated. This has come as a result of the Administration identifying a number of assets in this asset class that have been recorded already in other asset classes and therefore been recognised twice.</p> <p>At the time of our audit It was discussed with the Administration that this would result in an immaterial adjustment. We request to be provided with documentation of the findings of this review and the results during the Balance Date audit visit.</p>
Management's Responses	<p>The 'Other Assets' asset class has been reviewed against the 'Land, Buildings and Other Structures' asset class with a number of duplicate assets being identified. Where duplicate assets have been identified notes have been made against that asset. Duplicate assets will be written off as at 1 July 2016.</p> <p>All documentation regarding findings of this review and the results will be provided to you during your Balance Date audit visit.</p>

External Audit Management Report – April 2017 Attendance

Item 8 Employee Back Pay – Disclosure in the Financial Statements	
Residual Risk Rating	Low
Comment and Audit Recommendations	<p>During the audit visit it was brought to our attention that the Enterprise Bargaining Agreement for the Council's outside workforce was in the process of being negotiated. At the time our audit it was unknown to the Administration what the total impact of final EB Agreement would have with regards to Back Pay to be paid as a result of changes in Employee Pay Rates.</p> <p>We recommend adequate disclosures are made in the 30 June 2017 Financial Statements in relation to this matter. If the total amount to be paid to these employee via a back-pay cannot be reliably estimated by the Administration at the time of the financial statements formulation, this will need to be disclosed in the financial statements.</p> <p>We will review the disclosures made in the 30 June 2017 Financial Statements, during the Balance Date audit visit.</p>
Management's Responses	The EBA was finalised in May 2017 and the Back Pay was processed in early June 2017. As a result no disclosures are required in the 30 June 2017 Financial Statements.

Item 9 Asset data migration into Conquest Asset Management Database – Major Plant	
Residual Risk Rating	Low
Comment and Audit Recommendations	<p>During the current financial year, the Major Plant asset class data will be migrated into the Council's Conquest Asset Management Database. It is important that Council's Administration undertake the appropriate level of data migration testing to ensure the complete and accurate information is transferred between the existing and new asset database systems.</p> <p>We will monitor the work done by the Administration, in this regard, during future audit visits.</p>
Management's Responses	The 'Major Plant' asset class has been migrated into the Conquest Asset Management Database as at 1 July 2016. Reports have been generated from Conquest and reconciled to show that the data migrated matches the 30 June 2016 audited 'Major Plant' closing balances, which were previously in Excel. All documentation and reconciliations will be provided during your Balance Date audit visit.

Item 10 New Accounting Standard - Related Party Disclosures	
Residual Risk Rating	-
Comment and Audit Recommendations	<p>At the conclusion of the 2015/16 financial year audit, we communicated to all of our Local Government Council clients the need to ensure Council's undertake an appropriate review and planning for the introduction of the new requirements under Australian Accounting Standard (AASB) 124 <i>Related Party Disclosures</i>. The new requirements under this standard are in effect as from 1 July 2016 (i.e. as from the commencement of the 2016/17 financial year).</p> <p>It is important all related party disclosures are correctly assessed and recorded by Council (to ensure conformity with the new requirements under the new Standard) so that proper disclosures can be made as required in Council's 2016/17 Financial Statements.</p> <p>To assist Council's Administration in complying with the new requirements, we recommend a specific form is developed and provided to all Elected Members and Council employees who are deemed Key Management Personnel (KMP). The form should record all transactions and arrangements in which any related party transactions (as per the AASB standard requirements) have occurred.</p> <p>Adequate training and information should be provided to all applicable persons to ensure they are aware of these new requirements and how to appropriately complete these forms.</p> <p>It should be noted that a similar process will need to be undertaken for all of Council's Subsidiary entities.</p> <p>By way of example, consideration as to who are deemed KMP and what information required to be disclosed on the proposed form is as follows:</p> <ol style="list-style-type: none"> 1. Determining which employees/elected members are deemed KMP. 2. The methods in which the KMP are compensated. 3. The KMPs total annual remuneration. 4. Have KMP been involved in any deemed related party transactions? 5. Have the terms and conditions of the related party transactions been in the normal terms to which are offered to the general public?

External Audit Management Report – April 2017 Attendance

	<p>6. Have any related party transactions occurred with a close family member of KMP? (Close members of the family are defined in AASB 124)?</p> <p>We advise that recent updates to the Model Financial Statements has provided for a recommended disclosures notes relating to AASB 124 and we recommend the Council Administration consider the guidance provided within the Model Financial Statements when preparing the 2016/17 Financial Statements.</p>
Management's Responses	<p>The following process is in place:-</p> <ol style="list-style-type: none"> 1. Research undertaken by Council officer to understand the requirements of AASB 124 and Model Financial Statements. 2. Presentation prepared (including form template for collecting information from KMP's) and presented & training provided to Council's Management Team (deemed KMP's) 3. Presentation & training to Elected Members on 26 July 2017 4. Forms distributed to KMP's on 27 July 2017 for data collection 5. Ongoing assistance available to KMP's in understanding requirements and how to fill out the form 6. Forms collected and information received analysed to determine what transactions need to be investigated and disclosed in the financial statements 7. Clarifications sought from auditors &/or subject matter experts 8. Final information prepared for Audit <p>Please note that the form, contents of the presentation and guidance on what to include in the notes are based on the requirements as stated in the Model Financial Statements.</p> <p>All completed forms, associated paperwork and other documents will be provided at your Balance Date audit visit.</p>

AMP NAME	COMMENCE	CMT/WORKSHOP	AUDIT COMMITTEE	COUNCIL – PUBLIC CONSULTATION	COUNCIL – ADOPTION
CWMS			Aug-17	Jul-17	Sep-17
WATER			Aug-17	Aug-17	Sep-17
STORMWATER	Draft plan has been developed and am now waiting on amended financial figures to finalise plan.		August or October 2017 – depending on when financial figures are received and plan is sent out to various staff for final review.	Sep-17	Oct-17
PLANT & MACHINERY (including Minor Plant and Furniture & Fittings)	Sep-17		October or December 2017 – depending on the date the plan is finalised by staff.	Nov-17	Dec-17
Land, Buildings & Other Structures (including Other Assets)	Sep-17	November 2017 – if required	Dec-17	Dec-17	Jan-18

DIRECTOR CORPORATE AND COMMUNITY SERVICES

3. RELATED PARTY DISCLOSURES

PURPOSE

To provide an update on preparation for the collection of information required to complete the Related Party Disclosures note in the 2016/2017 Annual Financial Statements.

RECOMMENDATION

That the report be received and contents noted.

LINK TO STRATEGIC PLAN

Goal:	5 Responsible Governance
Strategy:	5.1 Openness and transparency of reporting Council's performance 5.2 Effective leadership and informed decision making 5.3 Meet all legislative requirements and compliance with Council's internal controls 5.5 Undertake effective risk management 5.8 Continuous improvement of Council processes

BACKGROUND

Effective 1 July 2016, AASB 124 Related Party Disclosures was expanded to cover not-for-profit public sector entities, which meant that Council is now required to report this information in its 2016/2017 Annual Financial Statements.

DISCUSSION

The purpose of these disclosures is to inform users of the financial statements about transactions between the Council and related parties. Any transactions, compensation and payments between the related parties and Council will be included, subject to materiality thresholds. Only Key Management Personnel (KMP) will be required to provide related party information. KMP have been limited to all Elected Members, CEO and Directors as recommended in the Model Financial Statements and in consultation with Council's External Auditors.

This is the first time Council will apply AASB 124 and, in order to prepare KMP for what is required, a presentation (refer Attachment 1) was given. Also attached is the Related Party Disclosure Statement for KMP which was used to collect relevant information for disclosure purposes.

In future a policy will be developed to outline the requirements of KMP annually, how information will be collected, by whom, for what purpose and how it will be used etc.

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Corporate Management Team
- Manager Financial Services
- Accountant – Financial Operations

In preparing this report, the following External Parties were consulted:

- Elected Members
- Dean Newbery and Partners Chartered Accountants

POLICY IMPLICATIONS

Not applicable

BUDGET AND RESOURCE IMPLICATIONS

Not applicable

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Failure by KMP to provide information may result in non-disclosure or incorrect disclosure in the Annual Financial Statements leading to possible Audit qualification.

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

AASB 124

ATTACHMENTS

Attachment 1: KMP Related Party Disclosure Statement

Under Separate Cover: KMP Related Party Presentation



RELATED PARTY DISCLOSURE
FOR KEY MANAGEMENT PERSONNEL

1. Please respond with N/A or Nil for any sections which are non-applicable.

SURNAME:	GIVEN NAMES:
POSITION/ROLE:	
REGISTERABLE INTEREST	DETAILS
TRANSACTIONS BETWEEN YOU AND COUNCIL AS AN INDIVIDUAL	
<p>1 Provide details of any amounts you paid to Council other than amounts you paid in your capacity as a ratepayer or resident (e.g. rates, dog registration, etc.) during the return period or any amounts you owe to Council as at the end of the financial year.</p> <p>Examples include contributions for fringe benefit tax purposes, planning & building application fees, rentals for Council property.</p>	
<p>2 Provide details (description and value) of any amounts you received from Council, other than 'Compensation' as defined below (see 'definitions').</p>	
<p>3 Provide details of any community (e.g. sporting, progress association) and other not-for-profit organisations of which you are a member of the management or a committee.</p> <p>Provide details (description and value) of any amounts the organization received from Council during the reporting period.</p>	

RELATED PARTY DISCLOSURE
FOR KEY MANAGEMENT PERSONNEL



TRANSACTIONS BETWEEN COUNCIL AND RELATED PARTIES IN WHICH YOU OR A FAMILY MEMBER HAS AN INTERST	
4	<p>State the name of any company or other body in which you held, or a member of your family held any office during the return period that entered into financial transactions with Council or Council-owned entities or subsidiaries during the return period. Provide details of:</p> <ul style="list-style-type: none"> amounts received, receivable or committed from Council to the related party and the nature of each transaction; and amounts paid, payable or committed from the related party to Council and the nature of each transaction.
5	<p>Provide the number of close members of your family employed by Council during the return period.</p>
6	<p>Provide the number of planning and building applications made to Council during the return period by you, members of your close family or related parties in which you or a family member has an interest in. Provide the amount of fees paid for these applications.</p>
<div style="display: flex; justify-content: space-between;"> <div style="width: 35%;">SIGNATURE:</div> <div style="width: 35%;">DATE:</div> </div>	

RELATED PARTY DISCLOSURE

FOR KEY MANAGEMENT PERSONNEL

DEFINITIONS

Compensation includes all employee benefits (as defined in AASB 119 Employee Benefits) including employee benefits to which AASB 2 Share-based Payment applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:

1. short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
2. post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care; Federal Register of Legislative Instruments F2015L01621
3. other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long- service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
4. termination benefits; and
5. share-based payment.

Council refers to the Yorke Peninsula Council.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

For Council, KMPs include the:

- Mayor;
- Councillors;
- Chief Executive Officer;
- Directors.

A **related party** is a 1) person or 2) entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

1. A person or a close member of that person's family is related to a reporting entity if that person:
 - a) has control or joint control of the reporting entity;
 - b) has significant influence over the reporting entity; or
 - c) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Who are close family members of a KMP Person?

Close family members, or close members of the family, of a KMP are family members who may be expected to influence, or be influenced by, that person in their dealings with Council and include:

- a) that person's children and spouse or domestic partner;
- b) children of that person's spouse or domestic partner; and
- c) dependants of that person or that person's spouse or domestic partner.

RELATED PARTY DISCLOSURE

FOR KEY MANAGEMENT PERSONNEL

Under AASB 124, close family members could include extended members of a family (such as, without limitation, a parent, grandparent, siblings, etc.) if they could be expected to influence, or be influenced by, the KMP in their dealings with Council.

The following table may assist you in identifying your close family members:

Definitely a close family member	Maybe a close family member
Your spouse/domestic partner	Your brothers and sisters, if they could be expected to influence, or be influenced by you in their dealing with Council
Your children	Your aunts, uncles and cousins, if they could be expected to influence, or be influenced by you in their dealing with Council
Your dependents	Your parents and grandparents, if they could be expected to influence, or be influenced by you in their dealing with Council
Children of your spouse/domestic partner	Your nieces and nephews, if they could be expected to influence, or be influenced by you in their dealing with Council
Dependents of your spouse/domestic partner	Any other member of your family if they could be expected to influence, or be influenced by you in their dealing with Council

2. An entity is related to a reporting entity if any of the following conditions applies:

- a) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- c) Both entities are joint ventures of the same third party.
- d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- e) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- f) The entity is controlled or jointly controlled by a person identified in (a).
- g) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- h) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

RELATED PARTY DISCLOSURE

FOR KEY MANAGEMENT PERSONNEL

What is an entity that I, or my close family member, control or jointly control?

Entities include companies, trusts, incorporated and unincorporated associations such as clubs and charities, joint ventures and partnerships.

Control

You control an entity if you have:

- a) power over the entity;
- b) exposure, or rights, to variable returns from your involvement with the entity; and
- c) the ability to use your power over the entity to affect the amount of your returns.

Example of control

Fred is the Mayor of Sunny Shire Council and owns 100% of the ordinary shares in Sunny Development Company Pty Ltd (the company). The ordinary shares are the only shares in the company that have voting rights. Fred controls the company because he has the power to affect the company's decisions and the return that he will get from the company. Fred will need to include the company on his related party disclosure.

Joint control

To jointly control an entity there must be contractually agreed sharing of control of the entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Example of joint control

Fred is the Mayor of Sunny Shire Council and owns 50% of the ordinary shares in Sunny Development Company Pty Ltd (the company). Fred's brother Stan owns the other 50% of the ordinary shares. Fred and Stan are the only Directors of the company and have equal voting rights on the board. Fred and Stan have joint control of the company because any decisions require the unanimous consent of them both. Fred will need to include the company on his related party disclosure and the entity's related party relationship with Fred and Stan.

In some cases, it will be obvious that you or a family member control or have joint control over an entity. In other cases it will be less clear.

If you are unsure whether you, or a close family member, has control or joint control of an entity then you should contact the Finance staff for a confidential discussion.

RELATED PARTY DISCLOSURE

FOR KEY MANAGEMENT PERSONNEL

Privacy Collection Notice

Purpose of Collection, Use and Disclosure

Effective for annual periods beginning on or after 1 July 2016, Council must disclose certain related party relationships and related party transactions together with information associated with those transactions in its annual financial statements, in order to comply with *Australian Accounting Standard AASB 124 Related Party Disclosures July 2015 (AASB 124)*.

Related parties include Council's key management personnel (KMP), their close family members, and any entities that they or any of their close family members control or jointly control.

A related party transaction is any transaction (whether a transfer of resources, services or obligations) between the reporting local government and any of the related parties, whether monetary or not.

If there is a related party transaction with Council applicable to a reporting financial year, AASB 124 requires Council to disclose in the financial statements the nature of the related party relationship and information about the transaction, including outstanding balances and commitments associated with the transaction. Disclosure in the financial statements may be in the aggregate and/or made separately, depending on the materiality of the transaction.

Notifications by Key Management Personnel

In order to comply with AASB 124, all members of Council's KMP are required to periodically provide notifications of any existing or potential related party transactions between Council and any of their related parties during a financial year, and any changes to previously notified related party relationships and transactions relevant to the subject financial year. To this end, each KMP must provide a Related Party Disclosure, in the approved form, notifying any existing or potential related party transactions between Council and any related parties of the KMP, by no later than 30 June (each year).

These related party disclosure requirements are in addition to the notifications KMPs are required to make to comply with other registers of interest required to be maintained under the Local Government Act 1999. This includes disclosures relating to Conflicts of Interest, material, Actual or perceived and Gifts and Benefits. Council's Auditors may audit related party information as part of the annual external audit.

The **return period** for the purposes of this return is the period of 12 months from 1 July to 30 June.

DIRECTOR CORPORATE AND COMMUNITY SERVICES

4. TREASURY MANAGEMENT PERFORMANCE 2016/2017

PURPOSE

Review of Council's treasury management (investments and borrowings) activities and performance for 2016/2017 in accordance with legislation and PO139 Treasury Management Policy.

RECOMMENDATION

That the report be received and contents noted.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance

Strategy: 5.1 Openness and transparency of reporting Council's performance

BACKGROUND

The Local Government Act 1999 section 140 requires that Council undertake a review of its investments at least once each year. Further, section 4(d) of Council's Treasury Management Policy requires Council to consider a report on treasury management performance relative to the policy at least annually.

DISCUSSION

Investments

Sections 139 and 140 of the Act provide the framework for how Council can invest surplus funds and states the investments be reviewed annually. Council's Treasury Management Policy builds on the legislative framework to ensure financial and other risks are managed when investing public funds, sets parameters and limits, details investment types permitted, determines who are authorised officers and what strategy and process should be followed.

Council currently invests surplus funds in 24 hour "at call" accounts and fixed term deposits with the Local Government Finance Authority (LGFA) at market competitive interest rates. Working funds for day to day operations are held with ANZ Bank (being Council's 'transaction account') and are kept to the minimum required for day to day activity at all times. Surplus funds are transferred to the 24 hour at call account in the short term in accordance with policy.

This report provides a summary of investments for the 2016/2017 financial year to enable Council to review the performance of its investments in accordance with the Act and policy.

The following table shows the investments and cash held with the LGFA and ANZ Bank at the end of each quarter during the 2016/2017 financial year.

Type	Sep 16 (\$)	Dec 16 (\$)	Mar 17 (\$)	Jun 17 (\$)
LGFA				
24 Hour at Call	6,660,417	2,876,638	2,563,322	2,423,376
Term Deposits	2,000,000	7,000,000	7,000,000	4,000,000
Minlaton Library Equipment	11,984	12,030	12,075	12,120
Yorke town Library Equipment	18,268	18,346	18,416	18,484
Maitland Community Library Equipment	8,252	8,306	8,337	8,368
Ardrossan Library Equipment	13,931	13,992	14,046	14,098
Erichsen Heritage Trust	10,553	10,598	10,638	10,677
Minlaton RSL Trust	1,968	1,976	1,983	1,990
Warooka RSL Trust	5,567	5,590	5,611	5,631
Curramulka RSL Trust	1,891	1,898	1,906	1,913
Open Space & Recreation	140,278	140,278	140,278	140,278
ANZ				
YPC Operating Account	606,336	148,739	208,359	274,947
Rates Account	51,455	135,004	11,022	14,273
Point Turton Caravan Park Operating Account	6,814	38,519	4,645	5,272
Marion Bay Caravan Park Operating Account	5,963	29,818	7,005	2,753
Port Vincent Caravan Park Operating Account	3,519	62,165	6,174	4,314
Yorke town Caravan Park Operating Account	685	2,467	893	1,749
	\$9,547,881	\$10,506,364	\$10,014,710	\$6,940,243

Performance

Total interest income earned from working capital held (ANZ) and investments (LGFA) for the period 1 July 2016 to 30 June 2017 was \$187,832 (2015/2016:\$212,520). \$175,072 of the total interest (including bonus interest of \$34,498) was from LGFA with the balance of \$12,760 from ANZ. Varying levels of cash held during the year compared to 2015/2016 and falling interest rates from 2015/2016 to 2016/2017 have resulted in 2016/2017 total interest being lower than the previous year.

Interest rates on investments, in particular the 24 hour at call rate, are heavily influenced by the Reserve Bank of Australia (RBA) cash rate which last changed on 3 August 2016 from 1.75% to 1.5%. It has remained unchanged since.

Interest rates from other authorised deposit-taking institutions (ADI's) are regularly tracked to ensure that these rates remain competitive to those provided by LGFA. Interest rates offered by LGFA are comparable to rates offered by other ADI's for similar investment products. It should be noted that while these rates are the base rates for the various investment products, LGFA also provide bonus interest depending on the total quantum of funds invested with them throughout the year. In 2016/2017 Council received \$34,498 in bonus interest.

The table below shows the quarterly change in LGFA's interest rates throughout 2016/2017.

Interest Rates	Sep 16	Dec 16	Mar 17	Jun 17
24 Hour at Call	1.59%	1.5%	1.5%	1.5%
Term Deposits (average of terms)	2.04%	1.89%	1.90%	1.92%

In addition to investing funds in the 24 hour at call account, Council also invested funds surplus to immediate working capital requirements, in term deposits. Term deposits were generally for periods of 30, 60 or 90 days, however terms in excess of this are also available if required.

Interest rates offered by LGFA on term deposits at any point in time are determined by the financial market and driven by prevailing economic conditions. That is, the interest rate can change on a daily basis as the financial market responds to current, and speculates on future, economic conditions. As a result, the differential between the 24 hour at call rate and the term deposit rate can fluctuate on an ad hoc basis.

The use of fixed term deposits is a risk management strategy to maximise interest rate returns. Given fixed term deposits have a higher interest rate than the 24 hour at call, surplus cash requirements are constantly monitored in order to maximise investment returns.

It should be noted that the end of financial year 24 hour at call account balance was further inflated by the advance payment of \$1,143,746 on 9 June 2017, being a proportion of Council's 2017/2018 Financial Assistance Grant.

Borrowings

As at 30 June 2017 Council's outstanding loan principal was \$8,188,809 compared to \$8,622,113 as at 30 June 2016. The table below details the movement against each type of loan and the closing balance of Council's loan portfolio.

Loan Type	2015/2016 Principal Remaining	2016/2017 Interest Paid	2016/2017 Principal Repaid	2016/2017 Principal Remaining
Council Loans	\$7,739,459	\$358,892	\$543,026	\$7,196,433
Community Loans	\$882,653	\$43,119	99,458	\$ 783,195
Special Rates Loans	-	-	-	\$ 209,179
Total	\$8,622,112	\$402,011	\$642,484	\$8,188,807

The movements in the table above can be explained as follows:

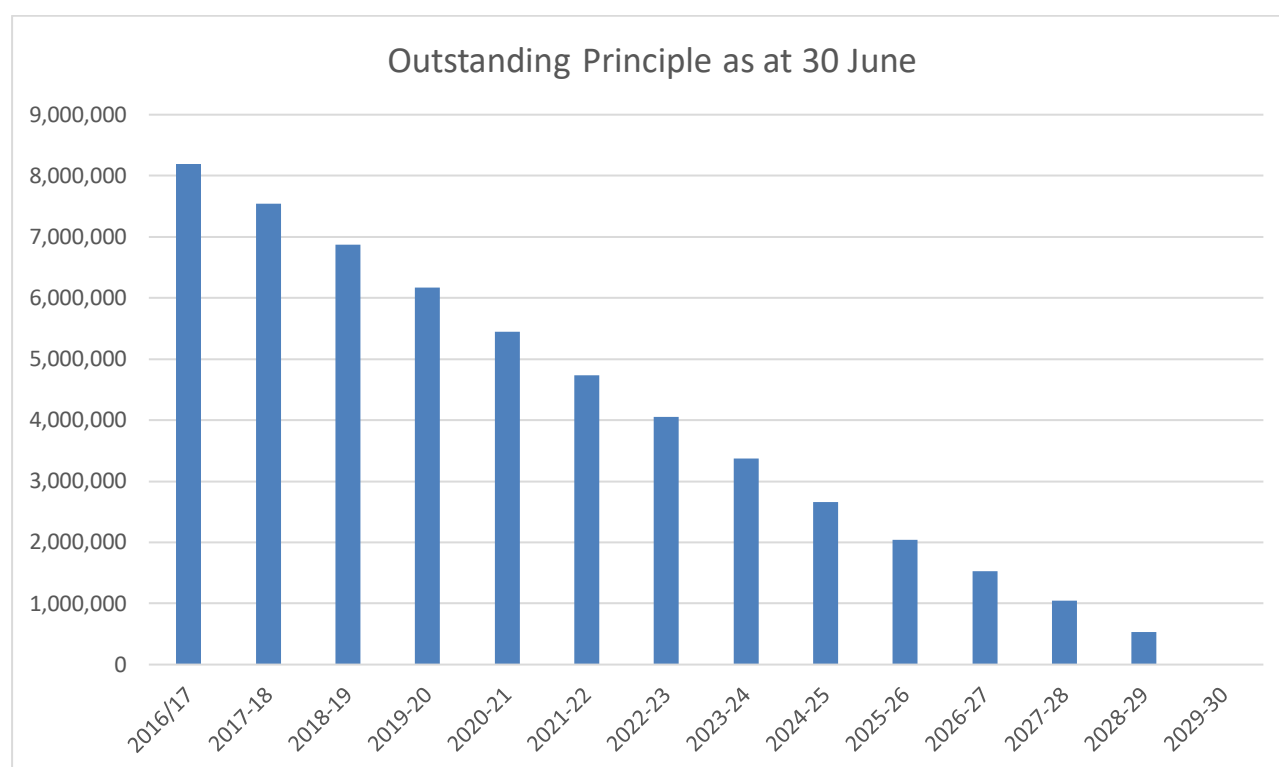
- \$209,179 borrowed for Chinaman Wells Seawall construction in 2016/2017 in accordance with Council decision. All repayments over the life of the loan (10 years) will be recovered

through annual separate rates raised against the impacted properties, effective 2017/2018.

- Debentures 74 and 75 being Community Loans for Stansbury Bowling Club and Warooka Bowling Club respectively, were taken out just prior to the completion of the 2015/2016 financial year thus had no principal repaid in 2015/2016.
- Loan 68 for the Office Building and Road Acceleration Programme (\$6m) will be the last existing loan to expire in 2029/2030.
- Three (3) Community Loans (65 – Arthurton War Memorial Sports Club - Bowling Club, 66- Minlaton Bowling Club and 46- Arthurton War Memorial Sports Clubrooms Upgrade) were finalised in 2016/2017.
- Council's Community Loan threshold as per the policy still has capacity as at 30 June 2017 for a further \$318,807 to be borrowed.
- All existing Community Loans will be paid out by 2024/2025.
- \$1.2m is budgeted to be borrowed in 2017/2018 to fund the main township footpath replacement capital project (\$300k state government grant funding also approved).

All funds borrowed during the 2016/2017 financial year were from LGFA and were credit foncier loans i.e. for a fixed period with regular repayments where each repayment includes both principal and interest components, such that at the end of the period the principal will have been entirely repaid. The maximum term for any loans in Council's portfolio currently is ten (10) years.

Council's entire portfolio consists of fixed interest rate borrowings which complies with current policy requirements. The policy sets a minimum of 80% of loans to be of this category. Council has spread its exposure to interest rate movement by ensuring a variety of maturity dates for its loans. This is demonstrated by the graph below which shows when Council's current loans expire.



COMMUNITY ENGAGEMENT PLAN

Not Applicable

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Manager Financial Services
- Accountant – Financial Management

In preparing this report, the following External Parties were consulted:

- Nil

POLICY IMPLICATIONS

PO139 Treasury Management Policy – *it should be noted that this policy is currently undergoing its annual review and the revised policy is listed for consideration by the Committee at this meeting.*

BUDGET AND RESOURCE IMPLICATIONS

Efficient cash flow reporting and treasury management practices ensure financial resources are available in support of and as per Council's Budget and return on public funds is maximised.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

ATTACHMENTS

Nil

DIRECTOR CORPORATE AND COMMUNITY SERVICES

5. BALANCE DATE EXTERNAL AUDIT ATTENDANCE 2016/2017

INTRODUCTION

To bring to the Committee's attention the balance date external audit attendance and information requirements for 2016/2017.

RECOMMENDATION

That the report be received and contents noted.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance

Strategy: 5.2 Effective leadership and informed decision making
5.3 Meet all legislative requirements and compliance with Council's internal controls
5.5 Undertake effective risk management

BACKGROUND

External audit of Council's 2016/2017 Annual Financial Statements by Dean Newbery and Partners Chartered Accountants is scheduled for 19 and 20 September 2017. The Annual Financial Statements are currently being prepared and will be forwarded to Dean Newbery before Friday, 8 September 2017 in accordance with legislation.

DISCUSSION

The attached letter (refer Attachment 1) from Dean Newbery confirms the days for the balance date audit and also lists in detail all the information and documents they will require to conduct the audit.

As required the Management Representation letter will be completed and supplied to the Auditors once the Statements have been audited. A copy will be provided to the Committee at its October 2017 meeting. Solicitor representation letters and bank confirmation letters have already been prepared and forwarded onto Council's solicitors and bank. Copies of both are attached (refer Attachments 2 and 3) for the Committee's information.

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Manager Financial Services
- Accountant – Financial Operations

- Accountant – Financial Management

In preparing this report, the following External Parties were consulted:

- Dean Newbery and Partners Chartered Accountants

POLICY IMPLICATIONS

Audit Committee Terms of Reference and Annual Workplan

BUDGET AND RESOURCE IMPLICATIONS

Not applicable

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Not having adequate documentation as requested by the Auditors to undertake the audit may result in a delay in finalisation of the Statements.

Local Government Act 1999

ATTACHMENTS

Attachment 1: Balance Date External Audit Attendance 2016/2017

Attachment 2: Solicitor Representation Letters 2016/2017

Attachment 3: Bank Confirmation Letter 2016/2017

Mr Andrew Cameron
Chief Executive Officer
Yorke Peninsula Council
PO Box 57
MAITLAND SA 5573

Dear Andrew

RE: CONFIRMATION OF 2017 FINANCIAL YEAR BALANCE DATE EXTERNAL AUDIT ATTENDANCE

Our records show that your Council is scheduled to have the 2017 Balance Date audit attendance conducted on **19 - 20 September 2017**. It is important that this agreed timetable is adhered to as far as possible and if these agreed dates do change, we be given adequate advanced notice to ensure our travel arrangements can be amended if required.

Under S.127 of the *Local Government Act 1999*, by Friday 8 September 2017, Council must prepare:

- financial statements and notes in accordance with standards prescribed by the regulations; and,
- other statements or documentation relating to the financial affairs of the Council required by the Regulations.

In preparation for our upcoming Balance Date audit attendance, our expectation is that the following information be made available us at the commencement of our scheduled audit attendance:

Reports & Schedules Required for Audit Purposes

Financial Statements and Reports

- Draft Financial Statements for the Financial Year Ended 30 June 2017 – including all accompanying Notes fully completed in the correct format of the SA Model Financial Statements and applicable Australian Accounting Standards
- Final Trial Balance as at 30 June 2017 mapped to amounts presented in the Notes to the draft Financial Statements
- Copy of final adopted Council Budget for 2017/18 Financial Year
- Statement of Cash Flows Worksheet

Cash At Bank and Bank Balances

- Access to Bank Reconciliation reports and appropriate supporting documentation for all bank accounts held as at 30 June 2017

Office:
214 Melbourne Street
North Adelaide SA 5006

All Correspondence:
PO Box 755
North Adelaide SA 5006

T: (08) 8267 4777
F: (08) 8239 0895
E: admin@deannewbery.com.au

Liability limited by a scheme approved under Professional Standards Legislation

Receivables
<ul style="list-style-type: none"> ▪ Supporting working papers verifying debtor balances recorded as at 30 June 2017 for all debtors categories (i.e. Debtor's Trial Balance reports) ▪ List of all prepayments recorded as at 30 June 2017 including comparative amounts from 30 June 2016 ▪ List of all doubtful debts assessed as at 30 June 2017 and details of any debtors written-off. Please include supporting documentation showing authorisation of debtor write-offs ▪ List of all accrued revenue recorded as at 30 June 2017 including comparative amounts from 30 June 2016
Inventories
<ul style="list-style-type: none"> ▪ Provide the latest stock-take reports for all inventories accounted for as at 30 June 2017
Financial Assets
<ul style="list-style-type: none"> ▪ Provide all schedules supporting balances recorded and any repayment schedules for loans to all Community Organisations that exist as at 30 June 2017
Equity Accounted Investments in Council Business
<ul style="list-style-type: none"> ▪ Provide audited Financial Statements for all Subsidiary entities for the financial year ended 30 June 2017
Infrastructure, Property, Plant and Equipment
<ul style="list-style-type: none"> ▪ Provide fixed asset register for all reportable asset classes as at 30 June 2017 ▪ Provide a reconciliation movement schedule for each reportable asset class reconciling the following (in Excel if available): <ul style="list-style-type: none"> ○ Opening balances matching to closing balances from the previous financial year ○ All additions and disposals matching to disclosures in the Statement of Comprehensive Income and the Statement of Cash Flows as well as to the General Ledger ○ The depreciation expense to the General Ledger expense figure recorded ○ All movements in the asset's value as a result of valuations undertaken should match to movements recorded in the Asset Revaluation Reserve figure in the General Ledger ○ The closing asset class value should reconcile to the figures recorded in the General Ledger ▪ A schedule to be provided detailing all additions and disposals recorded for the financial year (to be provided in Excel if available) ▪ Copies of independent valuation reports provided as part of asset valuations undertaken during the financial year (if undertaken) ▪ Reconciliation movement schedule of all Work in Progress projects undertaken during the financial year

Trade & Other Payables
<ul style="list-style-type: none"> ▪ Aged Accounts Payable listing as at 30 June 2017 which reconciles to the General Ledger ▪ List of all accruals recorded as at 30 June 2017 which includes comparative amounts to 30 June 2016 ▪ Provide calculations, list of assumptions and estimates contained in calculating any accruals recorded where appropriate ▪ Reconciliation of final June 2017 BAS to General Ledger
Provisions
<ul style="list-style-type: none"> ▪ Provide schedule of all Annual Leave and Long Service Leave liabilities as at 30 June 2017 ▪ Details of any on-costs applied in calculations ▪ Provide schedules and reconciliation of calculations undertaken for any other Provisions calculated as at 30 June 2017
Borrowings
<ul style="list-style-type: none"> ▪ Loan repayment schedule for all loans outstanding as at 30 June 2017
Commitments and Contingencies
<ul style="list-style-type: none"> ▪ List of all Capital and Other Expenditure Commitments as at 30 June 2017 ▪ Details of all financing lease facilities available as at 30 June 2017 ▪ List of all contingent liabilities known to the Council and/or Administration up to the date of audit sign-off on the Financial Statements.
Related Party Disclosures
<ul style="list-style-type: none"> ▪ All documentation relating to the capture of Related Party Disclosures and Transactions (AASB 124 Related Party Disclosures) provided by the deemed Key Management Personnel ▪ Evidence of review of total related party transactions processed during the financial year by the Council e.g. Transaction reports of payments made by Council to related parties during the 30 June 2017 financial year ▪ Working papers of calculation methodologies for the disclosures in the financial statements

In addition to the above, please provide all financial acquittals requiring external audit signoff to be completed and provided with supporting evidence and working papers.

Should all of the above information not be available at the commencement of our attendance, this may result in a delay in finalising the audit in the agreed timeframes.

The following documents will be supplied electronically by us to the senior finance officer. These letters are an important audit requirement and form part of the audit evidence we require to enable an Audit Opinions to be formed:

1. Management Representation Letter Template
2. Solicitor's Representation Letter
3. External Bank Confirmation Letter

We would be pleased if you could prepare the Management Representation Letter and provide us with the original copy once your 2017 Financial Statements have been audited as well as providing your Council's Audit Committee a copy of this representation to us.

We will require the completed Management Representation Letter be provided to us before we are able to issue the annual Audit Opinion.

We ask that you prepare the Solicitor's Representation Letter and issue it direct to all of your legal representatives, with a copy provided to your Council's Audit Committee and us.


Please forward a copy of this letter to:

- Council's Audit Committee
- Council's Chief Financial Officer

Please feel free to contact me to discuss the above on 8267 4777 (jimkeogh@deannewbery.com.au).

Yours sincerely

DEAN NEWBERY & PARTNERS



Jim Keogh
Partner

PRINCIPAL OFFICE:
8 Elizabeth Street, Maitland
Telephone (08) 8832 0000
ALL CORRESPONDENCE TO:
P.O. Box 88, MINLATON, SA 5575
Fax (08) 8853 2494
Email: admin@yorke.sa.gov.au
Website: www.yorke.sa.gov.au



Attachment 2

1 July 2017

Wallmans Lawyers
GPO Box 1018
Adelaide SA 5001

Dear Sir/ Madam

Solicitor's Representation Letter

In connection with the preparation of the accounts of the Yorke Peninsula Council for the financial year ending 30/6/17, we request that you provide to us, at our cost, the following information:-

1. Details of any litigation or lawsuits in which you have acted or are acting and which, in your opinion, has resulted, or if successful, may result in the Yorke Peninsula Council incurring a liability of a material amount.
2. The approximate amount of any liability to yourselves for fees and disbursements either not rendered or unpaid of a material amount.

It is understood that:

1. The Yorke Peninsula Council may have used other lawyers in certain matters.
2. The information sought relates only to information which is recorded in files of your firm, which were current at any time during the abovementioned financial period and which are indexed under the names of the Yorke Peninsula Council.
3. Unless separately requested in writing, you are not responsible for keeping us advised of any changes after the date of your certificate.
4. Your reply is sought solely for the information of, and assistance to, the audit of, and report with respect to, the financial condition of the Yorke Peninsula Council, and will not be quoted or otherwise referred to in any financial statements or related documents of the Council, nor will it be filed with or furnished to any government agency, organisation, or other person, without the prior written consent of your firm.
5. No responsibility to the Yorke Peninsula Council or any other party will be accepted by you for any error or omissions in relation to such answer, information or admission.

BRANCH OFFICES

MINLATON: Phone 08 8853 3800
YORKETOWN: Phone 08 8852 0200
WAROOKA: Phone 08 8854 5055

PRINCIPAL OFFICE:

8 Elizabeth Street, Maitland
Telephone (08) 8832 0000

ALL CORRESPONDENCE TO:

P.O. Box 88, MINLATON, SA 5575
Fax (08) 8853 2494
Email: admin@yorke.sa.gov.au
Website: www.yorke.sa.gov.au



Would you please advise the relevant information direct to:

Jim Keogh
Partner
Dean Newbery & Partners Chartered Accountants
PO Box 755
NORTH ADELAIDE SA 5006

Your prompt assistance in this matter will be appreciated.

Yours Faithfully

Sid Jain
MANAGER FINANCIAL SERVICES

BRANCH OFFICES

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1 July 2017

Norman Waterhouse Laywers
GPO Box 639
Adelaide SA 5001

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Solicitor's Representation Letter

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1st July 2017

Kelley Jones Lawyers
GPO Box 2024
Adelaide SA 5001

Dear Sir/ Madam

Solicitor's Representation Letter

In connection with the preparation of the accounts of the Yorke Peninsula Council for the financial year ending 30/6/17, we request that you provide to us, at our cost, the following information:-

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Partner
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Yours Faithfully



Sid Jain
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Attachment 3

11 July 2017

ANZ Banking
44 Main Street
Minlaton SA, 5575

Dear Sir/ Madam

Re: Bank Confirmation Request as at 30 June 2017 - Yorke Peninsula Council

We have been requested from our auditors for the abovenamed Entity to have audit confirmation of balances of all accounts held with the Bank by us as at 30 June 2017.

In addition to the items specified would you also please advise:

1. Particulars of any alterations which have occurred in authorised signatories during the year.
2. Whether any Bank Accounts have been opened or closed during the year.

To facilitate the timely completion of the audit, it would be appreciated if this information were completed and returned as soon as possible, directly to our external auditors, Dean Newbery & Partners Chartered Accountants, via post or email to reception@deannewbery.com.au.

Jim Keogh
Partner
Dean Newbery & Partners Chartered Accountants
PO Box 755
NORTH ADELAIDE SA 5006

Any charge for providing this information is to be debited to our working account
Yorke Peninsula Council Operating BSB 015-642 Account 223073493

Yours sincerely

Sid Jain
MANAGER FINANCIAL SERVICES

BRANCH OFFICES

MINLATON: Phone 08 8853 3800
YORKETOWN: Phone 08 8852 0200
WAROOKA: Phone 08 8854 5055

DIRECTOR CORPORATE AND COMMUNITY SERVICES

6. PO139 TREASURY MANAGEMENT POLICY REVIEW

PURPOSE

For the Committee to consider and endorse the PO139 Treasury Management Policy which has been recently reviewed and updated.

RECOMMENDATION

That the Committee endorse the changes to the PO139 Treasury Management Policy and recommend to Council that the changes be adopted.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance

Strategy: 5.3 Meet all legislative requirements and compliance with Council's internal controls
5.5 Undertake effective risk management
5.8 Continuous improvement of Council processes

BACKGROUND

As part of the review of Council's suite of policies, the Treasury Management Policy has been reviewed and updated for any changes in legislation. This policy was last reviewed in 2014.

DISCUSSION

Management of Council funds is governed by the Act and this policy provides the framework to ensure that funds are invested, borrowed and used to maximise returns, mitigate risks and minimise costs.

The updated policy is attached (refer Attachment 1) and the major changes are as follows:

- Expansion of the definition section to include Authorised Deposit-Taking Institutions (ADI's) and the ability to invest with ADI's
- Clarity around the maximum splits for fixed vs variable interest rate borrowings
- Ability for Council to use variable interest rate borrowings

The Local Government Association's Financial Sustainability Information Paper 15 Treasury Management (and Model Treasury Management Policy) was used as a base when reviewing Council's policy.

If endorsed by the Committee this policy will be considered by Council for endorsement at the September 2017 Council meeting.

COMMUNITY ENGAGEMENT PLAN

Level 1, Inform.

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Manager Financial Services
- Accountant – Financial Management

In preparing this report, the following External Parties were consulted:

- Nil

POLICY IMPLICATIONS

PO139 Treasury Management Policy

BUDGET AND RESOURCE IMPLICATIONS

Not applicable

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Without appropriate policies, procedures and delegations in place, Council is placed at risk of non-compliance with legislation and guidelines.

Local Government Act 1999

ATTACHMENTS

Attachment 1: PO139 Treasury Management Policy - Updated



COUNCIL POLICY

Treasury Management Policy

Policy Number:	PO139		
Strategic Plan Objective	Financially Sustainable Organisation <u>Responsible Governance</u>		
Policy Owner:	Director Corporate and Community Services	<u>File Container Number:</u>	7.63.1
Responsible Officer:	Manager Financial Services	<u>Minute Reference:</u>	047/2014 (12/03/2014)
Date Adopted:	12/03/2014	<u>Next Review Date:</u>	March 2017 <u>August 2018</u>

1. POLICY OBJECTIVES

This Treasury Management Policy establishes a ~~policy~~ framework to ensure that:

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

2. SCOPE

This policy provides a clear direction to management, staff and Council in relation to the treasury function. It underpins Council's decision-making regarding the financing of its operations as documented in its annual budget and long-term financial plan and associated projected and actual cash flow receipts and outlays.

Council is committed to adopting and maintaining a Long-term Financial Plan and operating in a financially sustainable manner.

3. DEFINITIONS

Fixed Interest	A Loan where the interest is fixed for the term of the loan
Variable interest	A loan where the interest rate fluctuates over the life of the loan-
<u>Authorised Deposit-Taking Institution (ADI)</u>	<u>An Australian government term for a corporation which is authorised under the Banking Act 1959 to take deposits from customers. ADIs include banks, building societies and credit unions.</u>

4. POLICY STATEMENT

4 (a) Treasury Management Strategy

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

- identified community need and benefit relative to other expenditure options;
- cost effectiveness of the proposed means of service delivery; and,
- affordability of proposals having regard to Council's long term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council's Net Financial Liabilities ~~and Interest cover ratios~~¹.)

Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:

- maintain target ranges for both its Net Financial Liabilities and Interest Cover ratios;
- not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties;
- borrow funds in accordance with the requirements set out in ~~it's~~its Long-term Financial Plan or review its Long Term Financial Plan to reflect any other borrowings determined by Council;
- apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

4 (b) Borrowing & Interest Risk Exposure

Council has set range limits for both fixed and variable interest rate borrowings in order to minimise net interest costs on average over the longer term and at the same time manage interest rate movement risks within acceptable limits.

4(b) (1) Fixed Interest Rate Borrowings

To ensure an adequate mix of interest rate exposures, Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve and therein maintain on average in any one year not less than ~~85~~50% of its gross debt in the form of fixed interest rate borrowings.

In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity spectrum.

In circumstances where Council needs to raise new fixed interest rate borrowings it will consider using medium to long-term borrowings (3 or more years duration) that:

- have a fixed interest rate;
—require interest payments only; and
- —allow the full amount of principal to be repaid (or rolled over) at maturity.

~~Council will also ensure that no more than 25% of its fixed interest rate borrowings mature in any year.~~

4(b) (2) Variable Interest Rate Borrowings

¹ The LGA's Financial Sustainability Information Papers 9 and 12 provide further information on these (and other) financial sustainability indicators and associated targets.

Council will restructure its portfolio of borrowings, as borrowings mature and new ones are raised, to progressively achieve, and then maintain, not ~~less-more~~ than 20% of its gross debt on average in any year in the form of variable interest rate borrowings. Typically variable interest rate borrowings should only be for a particular purpose, no more than a three (3) year term and facilitated through the LGFA's Cash Advance Debenture (CAD) facility. Excess funds should be used to pay down any CAD facilities to reduce interest expense, in the first instance before funds are invested in interest bearing deposits.

After Council's cash reserves are reduced, Council will establish, and make use of, the Local Government Finance Authority (LGFA) Cash ~~Flow~~ Advance Debenture (or similar product) that requires interest payments only and that enables any amount of principal to be repaid or redrawn at call. The redraw facility will provide Council with access to liquidity when needed.

4 (c) Investments

Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings will be invested. The balance of funds held in any operating bank account that does not provide investment returns at least consistent with 'at call' market rates shall be kept at a level that is no greater than is required to meet immediate working capital requirements.

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

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

~~All fixed term investments must be approved by two signatories currently listed in the Delegations Register, in any written form (being email or letter).~~

Council management may from time to time invest surplus funds in:

- deposits with the LGFA; and/or
- ~~bank interest bearing deposits with Authorised Deposit-Taking Institutions (ADIs)~~ interest bearing deposits,

All investments with the LGFA must be communicated to two signatories currently listed in the Delegations Register, in any written form (being email or letter).

Any investments proposed to be made with any organisation other than the LGFA must be approved by two signatories currently listed in the Delegations Register, in any -written form (~~being either~~ email or ~~a~~ letter). These proposed investments must be reviewed by both signatories for conflict of interest prior to finalisation of the investment. Investments with a perceived conflict of interest must be approved by the Elected Body prior to any such investment being made.

Conflict of interest is determined to be applicable where either of the individuals approving the investment have an interest (financial or otherwise) in the investment institution in which the investment is to be made.

Conflict of interest should be determined by applying the following steps:

- Are you deciding where council funds are to be invested other than with the LGFA?
- If yes, do you have any interest (financial or not) in the proposed investment institution, or have you had any prior involvement with the institution that could be construed as generating a conflict of interest?
- If not, general investment rules apply.
- If yes, you must disclose this interest in writing to your immediate supervisor, and the investment decision must be approved by the Elected Body prior to any investment being made.

4 (d) Reporting

At least once a year Council shall receive a specific report regarding treasury management performance relative to this policy. The report shall highlight:

- for each Council borrowing and investment – the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report; and,
- the proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period and an estimate of the average of these proportions across the period along with key reasons for significant variances compared with the targets specified in this policy.

5. COMPLAINTS

Complaints in relation to this policy can be directed to the Director Corporate and Community Services and will be managed in accordance with Council's PO147 Complaints Policy.

6. REVIEW

Annually.

7. TRAINING

Council is committed to supporting employees in complying with this policy.

Training needs will be reviewed annually, during individual performance reviews and as necessary in consideration of any changes to legislation and relevant standards, codes and guidelines.

8. RELATED COUNCIL POLICIES AND DOCUMENTS

- Council's Delegations Register

9. REFERENCES AND LEGISLATION

For Borrowings

- a) Local Government Act, 1999
 - i) Section 44
 - ii) Section 133
 - iii) Section 134
 - iv) Section 122
- b) Regulations 5 and 5B of the Financial Management Regulations under the Act.

For Investments

- c) Local Government Act, 1999
 - i) Section 44
 - ii) Section 47
 - iii) Section 139
 - iv) Section 140

10. COUNCIL DELEGATION

Details of Delegation:	NI <u>Investments</u>
Delegate:	NI <u>Signatories as listed in delegations register</u>

11. VERSION HISTORY

Archived Policy Name	Policy Number	Date Adopted	Last Reviewed
Treasury Management Policy	PO139	10/3/2009	8/6/2010
<u>Treasury Management Policy</u>	- <u>PO139</u>	<u>12/3/2014</u>	<u>12/3/2014</u>
-	-	-	

DIRECTOR CORPORATE AND COMMUNITY SERVICES

7. PO060 RATES RELIEF POLICY REVIEW

PURPOSE

To bring to the Committee's attention the PO060 Rates Relief Policy which was recently reviewed and endorsed by Council.

RECOMMENDATION

That the report be received and contents noted.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance

Strategy: 5.3 Meet all legislative requirements and compliance with Council's internal controls
5.5 Undertake effective risk management
5.8 Continuous improvement of Council processes

BACKGROUND

As part of the review of Council's suite of policies, the Rates Relief Policy is reviewed annually and updated for any changes in legislation. The most recent review of this policy was considered and endorsed by Council at its meeting on Wednesday, 9 August 2017. Due to the timing of Audit Committee meetings this policy was unable to be considered by the Committee prior to being adopted by Council. The updated policy is now provided for the Committee's information.

DISCUSSION

The Local Government Act 1999 (Section 159 to 166) sets out those provisions applicable to Council for the granting of a rebate of rates to ratepayers. The provisions of the Act detail the types of mandatory rebates of rates that Council must provide in specific cases, and the amount of the mandatory rebate to be granted. It also includes provisions for the granting of discretionary rebates in certain cases, with discretionary rebates being considered by Council based on the merits of each application.

The Rates Relief Policy ensures all applications for rates relief are considered in an equal and fair manner pursuant to the provisions set out under the Local Government Act and this Policy.

With no legislative changes in the past 12 months, and with relatively stable property valuations throughout the district, the major update to this policy relates to Council's annual decision in regard to rate caps.

The Local Government Act Section 153(3) provides for Council to decide each year whether to apply a maximum rate increase (or rates cap) to a ratepayers principal place of residence, to provide relief against a substantial change in rates payable incurred due to rapid changes

in valuations. Council's decision to apply this cap is made annually in conjunction with the adoption of its Annual Business Plan and setting of rates. In 2017/18 Council has determined not to apply a maximum increase (rates cap) to the general rate to be charged on rateable land. The policy has been amended to reflect this.

COMMUNITY ENGAGEMENT PLAN

Level 1, Inform. Decisions made in relation to rates relief are considered pursuant to legislative requirements, and there is no opportunity for the public to influence the decision of Council.

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Manager Financial Services
- Senior Rates Officer

In preparing this report, the following External Parties were consulted:

- Nil

POLICY IMPLICATIONS

PO060 – Rates Relief Policy

PO142 – Budget Reporting and Amendment Policy

BUDGET AND RESOURCE IMPLICATIONS

Council's annual operating budget includes an amount to cover mandatory and discretionary rebates. Rebates were endorsed and adopted by Council at the time of the 2017/2018 annual Rates declaration in June 2017.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Without appropriate policies, procedures and delegations in place, Council is placed at risk of non-compliance with legislation and guidelines.

Local Government Act 1999

ATTACHMENTS

Attachment 1: PO060 Rates Relief Policy - Updated



COUNCIL POLICY

Rates Relief ~~Policy~~ (includes rebates, remissions, hardship & postponement of rates)

Policy Number:	PO060		
Strategic Plan Objective	Responsible Governance		
Policy Owner:	Corporate & Community Services	Container File Number:	7.63.1
Responsible Officer:	Manager Financial Services	Minute Reference:	458/2016 (10/08/16)
Date Adopted:	10/08/2016	Next Review Date:	July/August 2018

1. POLICY OBJECTIVES

The objective of this Policy is to ensure that all applications for rate relief are considered in an equal and fair manner in line with the provisions set out under the Local Government Act and this Policy.

2. DEFINITIONS

Rebates	The refund of a portion of rates paid or payable. The full amount of annual rates are raised and billed to the ratepayer. A specified amount is then refunded back to the ratepayer.
Remission	The reduction of the amount of rates payable. The amount of annual rates raised is reduced by a calculated amount and the reduced amount of annual rates is billed to the ratepayer.
Postponement	The delay of payment of rates until a future date. Subject to any interest charges, the annual rates payable are delayed and do not become payable until a future date.

3. POLICY STATEMENT

Rates are a form of taxation and provide the main revenue stream for Council to deliver services to the community.

The Local Government Act 1999 ("the Act") sets out at Chapter 10, Division 5 (Sections 159 to 166) those provisions applicable to the Council granting a rebate of rates to persons or bodies.

Section 159(3) of the Act provides that the Council may grant a rebate of rates under the Act if it is satisfied that it is appropriate to do so.

The Act provides for a mandatory rebate of rates in specified cases and the amount of that mandatory rebate.

The Act also provides that where the Council must grant a rebate of rates under the Act, and the amount of that rebate is fixed by the Act at less than 100%, the Council may increase the amount of the rebate.

Pursuant to Section 166 of The Act, Council may provide a discretionary rebate of rates in the cases set out in that Section.

Rate Relief will only be considered in accordance with this Policy.

4. PROCEDURES

4.1 REBATES

Mandatory Rebates

Council must under Sections 160-165 of the Local Government Act 1999 (as amended) provide mandatory rebates in the following cases.

A Mandatory rebate of 100% is applicable to:

- Land predominantly used for service delivery or administration by a hospital or health centre incorporated under the South Australian Public Health Act 2011
- Land containing a church or other building used for public worship, or land used solely for religious purposes.
- Land being used for the purposes of a public cemetery.
- Land (other than land used as domestic premises) owned by, or under the care, control and management of, the Royal Zoological Society of South Australia Inc.

A Mandatory rebate of 75% is applicable to:

- Land occupied by a government school under a lease or licence and being used for educational purposes.
- Land occupied by a non-government school registered under Part 5 of the Education Act 1972 and being used for educational purposes.
- Land being used by a University or University college to provide accommodation and other forms of support for students on a not-for-profit basis
- Land predominantly used for service delivery or administration by a community service organisation as defined under Sections 161(3) & 161(4) of the Local Government Act 1999 (as amended).
- Land being predominantly used for supported accommodation that consists of accommodation for persons provided by housing associations registered under the South Australian Co-operative and Community Housing Act 1991.

Discretionary Rebates

Council has the power under Section 166 of the Local Government Act 1999 (as amended) to grant discretionary rebates in the following cases.

- The rebate is desirable for the purpose of securing the proper development of the Council area (or part thereof).
- The rebate is desirable for the purpose of assisting or supporting business within the Council area.
- The rebate will conduce to the preservation of buildings or places of historic significance.
- The land being used for educational purposes.
- The land being used for agricultural, horticultural or floricultural exhibitions.
- The land is being used for a hospital or health centre.
- The land is being used to provide facilities or services for children or young persons.

- The land is being used to provide accommodation for the aged or disabled.
- The land is being used for a residential aged care facility that is approved for Commonwealth funding under the Aged Care Act 1997 (Cwlth) or a day therapy centre.
- The land is being used by an organisation which, in the opinion of Council, provides a benefit to the local community.
- The rebate relates to common property or land vested in a community corporation under the Community Titles Act 1996 over which the public has free and unrestricted access and enjoyment.
- The rebate is considered by Council to provide relief against what would otherwise amount to substantial changes in rates payable by a ratepayer due to changes in the basis or structure of the Council's rates, or a change in the basis of valuation, rapid changes in valuation or anomalies in valuations.

Section 166 (1a) outlines the issues that Council must consider in deciding whether to grant a rebate. All applications for rebates will be considered on their merits.

Applications for a rebate of rates are to be made in writing and are to be accompanied by the appropriate supporting documentation.

4.2 RATE CAPPING REBATE

The Act (S153(3)) provides for Council to decide each year whether to apply a maximum rate increase (or rates cap) to a ratepayers principal place of residence, to provide relief against a substantial change in rates payable incurred due to rapid changes in valuations.

Council's decision to apply this cap is made annually in conjunction with the adoption of its Annual Business Plan. In 2017/18 Given the static nature of valuations in the residential land use code, and minimal fluctuations to general rates payable for residential, Council has determined not to apply a maximum increase (rates cap) to the general rate to be charged on rateable land constituting the principal place of residence of a principal ratepayer.

In recognition of the Discretionary rebates of rates provisions in the Act, Council has decided to provide a "Rates Capping Rebate" pursuant to Section 166(1)(1)(ii) to provide relief against what would otherwise amount to a substantial change in rates payable by a ratepayer due to rapid changes in valuations.

Council recognizes that fluctuations in the property market on Yorke Peninsula have continued and that some properties may experience rapid increases in valuations, therefore potentially resulting in rapid increases in rates payable.

Council has also given consideration to the number of ratepayers eligible for differing forms of concessional relief in this region, in comparison with the State average, and the potential effect of rapid changes in valuations on these ratepayers and their capacity to pay.

In recognition of these factors, Council has implemented a rebate to seek to provide relief to ratepayers that experience a substantial change in rates due to a substantial change in valuation.

Pursuant to section 166 (1)(1)(ii) of the Local Government Act, Council has adopted the following rebate, conditional upon meeting the requirements listed below:

4.2.1 To provide relief against what would otherwise amount to a substantial change in rates payable by a ratepayer due to rapid changes in valuation, a

~~rebate of general rates for the 2016/2017 financial year to be granted to the Principal Ratepayer of an Assessment under Section 166 (1) (l) of the Act, on application to Council, where the amount of any increase in rates in respect of that Assessment in monetary terms between the amount of general rates payable for the 2015/2016 financial year (after any rebate was applied) and the amount of general rates imposed for the 2016/2017 financial year is greater than 17.5%.~~

~~4.2.2 The amount of the rebate to be the amount of the increase in general rates in monetary terms imposed for the 2016/2017 financial year over and above 17.5% of the general rates charged in monetary terms for the 2015/2016 financial year (after any rebate was applied but prior to deducting any pensioner or other concessions)~~

~~4.2.3 The rebate shall not apply where:~~

- ~~• any such increase is due in whole or part to an increase in valuation of the land in the Assessment because of improvements made to it worth more than \$15,000 as determined by the State Valuation Office, or~~
- ~~• any such increase is due in whole or part to an increase in valuation of the land in the Assessment because of a rectification within the current and/or previous year of an "error of fact" by the State Valuation Office, or~~
- ~~• any such increase is due in full or part to the use of the land being different for rating purposes on the date the Council declared its general rates for the 2016/2017 financial year than on the date the Council declared its general rates for the 2015/2016 financial year, or~~
- ~~• the land use attributed to the Assessment for the 2016/2017 financial year is Commercial Use, Industry Use, Vacant Land Use or Other Use, or~~
- ~~• the ownership of the rateable property has changed since 1 July 2014, as this is based upon advice from the Valuer General that sales evidence up to 24 months prior to the current valuation is considered.~~

~~Applications for the rate capping rebate are to be made on Council's Rate Capping Rebate Application Form (IS089).~~

4.3 POSTPONEMENT OF RATES – Hardship

Council recognises that at various times of the year, and due to personal circumstances, some ratepayers may find themselves in situations that make it difficult to make payment of rates by the relevant due dates.

Council has adopted a Rates Postponement Scheme to provide relief to ratepayers for whom the payment of ordinary rates on the principal residence would cause hardship.

Where a ratepayer is suffering hardship in paying rates he/she is invited to contact the Senior Rates and Assessment Officer to discuss the matter.

Applications for the relief of rates due to hardship or extenuating circumstances are to be made in writing and accompanied by the appropriate supporting documentation.

Such inquiries are treated confidentially by the Council.

4.4 POSTPONEMENT OF RATES – Seniors (Section 182A of Local Government Act)

A ratepayer who holds or is in the process of applying for a State Seniors Card may apply for postponement of the Council rates payable on property they own or are buying if it is their principal place of residence (that is, the place lived in most of the time) and if no other person other than their spouse has an interest as owner of the property.

If there is a current mortgage over the property which was registered prior to 25 January 2007 the applicant is required to have at least 50% equity in your property.

If you have a mortgage that was registered after 25 January 2007 there is no restriction on the level of equity held.

The postponement of rates option does not affect any existing entitlement to a State Seniors Card or Pensioner concession, and/or Council remission on your Council rates. At least \$500 of the total of the rates bill must be paid, but an application can be made for any amount in excess of \$500 to be postponed. The minimum amount of \$500 will be reduced by State Seniors Card concession and/or Council remissions if applicable, unless agreed otherwise.

Interest payable

If a postponement of rates occurs under this section, interest will accrue on the amount postponed at the prescribed interest rate compounded on a monthly basis. The prescribed interest rate is $P = \frac{\text{CADR} + 1\%}{12}$ where:

P = Prescribed Interest Rate

CADR = Cash Advance Debenture Rate for the relevant financial year

Penalties

Reference is also made to Sections 182A (8) and 182A (9) of the Local Government Act 1999 (as amended) which outlines that if a person has applied for the benefit of a seniors postponement of rates and entitlement to that postponement ceases to exist, the owner of the land must inform the Council in writing of that fact (unless the liability to the relevant rates has been extinguished).

If a person fails to comply with the above requirement to inform Council of a change in circumstances, that person is guilty of an offence under the Local Government Act 1999 (as amended) with a maximum penalty of \$5,000. Any rates applicable on the grounds that the rebate was no longer applicable become due and payable immediately.

A person must not make a false or misleading statement or representation in an application made for seniors postponement of rates. Maximum penalty \$10,000.

Applications for the postponement of rates under section 182A are to be made on Council's Application for Postponement of Rates for Seniors (SF204) and accompanied by the appropriate supporting documentation.

4.5 REMISSION OF FINES AND INTEREST

Council has adopted various policies relating to the remission of fines and interest raised for late payment of rates and service charges, according to the different circumstances involved, these being:

4.5.1 Fines and interest raised that are the subject of a letter receiving Council consideration:-

- Where fines and/or interest are raised on rates that are the subject of a letter before Council, fines and/or interest raised on outstanding amounts

between the time of receipt of the letter and the time that the letter is replied to by Council, shall be remitted in full.

This policy shall not apply to those letters raising an objection, review or appeal in respect to a valuation, or an objection or appeal in respect of the attribution of a particular land use code.

4.5.2 Fines and interest raised due to delay of postal service in forwarding the rate payment:-

- Where a request is received by Council to waive fines and/or interest for the reason of delay between postage of payment of rates and receipt by Council of same, Council's policy is that fines and/or interest will only be waived where it can be demonstrated that the payment was posted, by way of Australia Post-date stamp or other conclusive evidence, to Council no less than three (3) working days prior to the last day to pay the instalment.

4.5.3 Fines and interest raised for the reason of non-receipt of the rate notice by the ratepayer:-

- Where a request is received by Council to waive fines and interest for the reason of non-receipt of rates notices only where it can be demonstrated that the rates notice has been returned to Council as undeliverable, due to a clerical error on Council's behalf.

4.5.4 Fines and interest raised due to clerical error on Council's part:-

- Council will remit fines and interest raised as a result of a clerical error on the part of Council.

4.5.5 Fines and interest raised due to illness, death or other extenuating circumstances that all requests made for waiving of fines and/or interest due to illness, death or extenuating circumstances be assessed by the CEO and appropriate action be taken.

5. APPLICATIONS

5.1 Council will inform the community of the provisions for rate rebates under the Local Government Act by the inclusion of suitable details in the brochures distributed with the annual rates notices.

5.2 Persons or bodies who seek a rebate of rates in accordance with Division 5 of the Act must make written application to the Council pursuant to Section 159(1) of the Act in the manner and form determined by the Council and supplying such information as the Council may reasonably require.

5.3 The Council may take into account other matters considered relevant by the Council including, but not limited to, the following –

- a) why there is a need for financial assistance through a rebate;
- b) the level of rebate (percentage and dollar amount) being sought and why it is appropriate;
- c) the extent of financial assistance, if any, being provided to the applicant and/or in respect of the land by Commonwealth or State agencies;
- d) whether the applicant has made/intends to make applications to another Council;
- e) whether, and if so to what extent, the applicant is or will be providing a service within the Council area;
- f) whether the applicant is a public sector body, a private not for profit body or a private for profit body;

- g) whether there are any relevant historical considerations that may be relevant for all or any part of the current Council term;
- h) the desirability of granting a rebate for more than one year where permitted by the Act;
- i) consideration of the full financial consequences of the rebate for the Council;
- j) the time the application is received;
- k) the availability of any community grant to the person or body making the application;
- l) whether the applicant is in receipt of a community grant; and
- m) any other matters, and policies of the Council, which the Council considers relevant.
- n) All persons who or bodies which wish to apply to the Council for a rebate of rates or service charges may do so at any time. Applicants which satisfy the criteria for a mandatory 100% rebate will be granted the rebate at any time.
- o) The Act provides that the Council may grant a rebate of rates or service charges on such conditions as the Council thinks fit.
- p) The Council may, for proper cause, determine that an entitlement to a rebate of rates or service charges under the Act no longer applies.
- q) Where an entitlement to a rebate of rates or service charges ceases or no longer applies during the course of a financial year, the Council is entitled to recover rates, or rates at the increased level (as the case may be), proportionate to the remaining part of the financial year.
- r) It is an offence for a person or body to make a false or misleading statement or representation in an application or to provide false or misleading information or evidence in support of an application made (or purporting to be made) under the Act.
- s) The maximum penalty for this offence is \$5,000.
- t) If a person or body has the benefit of a rebate of rates or service charges and the grounds on which the rebate has been granted cease to exist, the person or body must immediately inform the Council of that fact and (whether or not the Council is so informed) the entitlement to a rebate ceases. If a person or body fails to do so that person or body is guilty of an offence.
- u) The maximum penalty for this offence is \$5,000.
- v) The Council will, in writing, advise an applicant for a rebate of its determination of that application. The advice will state –
 - w) if the application has been granted, the amount of the rebate; or
 - x) if the application has not been granted, the reasons why.

6. COMPLAINTS

Complaints in relation to this policy can be directed to the Director Corporate and Community Services and will be managed in accordance with Council's PO147 Complaints Policy.

7. REVIEW

This policy will be reviewed every 12 months and in accordance with changes to legislation.

8. TRAINING

Council is committed to supporting employees in complying with this policy.

Training needs will be reviewed annually, during individual performance reviews and as necessary in consideration of any changes to legislation and relevant standards, codes and guidelines.

9. RELATED COUNCIL POLICIES AND DOCUMENTS

Delegation Register

10. REFERENCES AND LEGISLATION

Local Government Act 1999. Chapter 10, Division 5

11. COUNCIL DELEGATION

Delegate:	Chief Executive Officer
Sub Delegate:	Director Corporate & Community Services

12. VERSION HISTORY

Archived Policy Name	Policy Number	Date Adopted	Last Reviewed
Remission and Postponement of Rates	PO121	10/07/2007	08/06/2010
Rates Relief Policy	PO060	14/08/2013	August 2014
Rates Relief Policy	PO060	14/10/2015	October 2015
Rates Relief Policy	PO0060	10/8/2016	August 2016

DIRECTOR CORPORATE AND COMMUNITY SERVICES

8. PO161 PRUDENTIAL MANAGEMENT POLICY REVIEW

PURPOSE

For the Committee to consider and endorse, the newly developed PO161 Prudential Management Policy.

RECOMMENDATION

That the Committee endorse the PO161 Prudential Management Policy and recommend to Council that the policy be adopted.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance

Strategy: 5.3 Meet all legislative requirements and compliance with Council's internal controls
5.5 Undertake effective risk management
5.8 Continuous improvement of Council processes

BACKGROUND

Section 48 of the Local Government Act 1999 requires that Council develop and maintain Prudential Management policies, practices and procedures for the assessment of projects to ensure that Council:

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

Further, a Local Government Risk Services Annual Risk Profile Review conducted in May 2016 identified that this policy needed to be developed and endorsed by Council.

DISCUSSION

A policy has been developed using the Local Government Association (LGA) SA Financial Sustainability Information Paper 27 Prudential Management (and attached model policy) as a base.

If endorsed by the Committees the policy will be considered for endorsement by Council at its September 2017 meeting.

COMMUNITY ENGAGEMENT PLAN

Level 1, Inform.

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Manager Financial Services

In preparing this report, the following External Parties were consulted:

- Nil

POLICY IMPLICATIONS

Not applicable

BUDGET AND RESOURCE IMPLICATIONS

Capital project requests for inclusion in future budgets will be required to comply with the requirement of this policy where applicable.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Without appropriate policies, procedures and delegations in place, Council is placed at risk of non-compliance with legislation and guidelines.

Local Government Act 1999

ATTACHMENTS

Attachment 1: PO161 Prudential Management Policy



Agriculturally rich~Naturally beautiful

COUNCIL POLICY

Prudential Management

Policy Number:	PO161		
Strategic Plan Objective	Goal 5 – Responsible Governance		
Policy Owner:	Chief Executive Officer	Record Number:	
Responsible Officer:	Director Corporate & Community Services	Minute Reference:	
Date Adopted:	September 2017	Next Review Date:	September 2021

1. POLICY OBJECTIVES

Council recognises the need to balance the value of community outcomes against the cost of achieving those outcomes. The efficient and cost effective use of public funds is fundamental of good government. A culture of public sector management that fosters accountability, integrity and due process results in the efficient use of public resources.

This policy has two objectives:

1. To ensure that a Council project is undertaken only after an appropriate level of “due diligence” is applied to the proposed project; and
2. To ensure that each Council project is:
 - a) Managed during the project; and
 - b) Evaluated after the project, to achieve identified public benefit or needs and to minimise financial risks.

2. SCOPE

This policy applies to all projects (as defined below) regardless of size, no matter how large or small, to ensure that decisions are taken based on reliable, accurate and timely information. All projects should be considered in the context of not only this policy, but also Council’s Risk Management Framework.

For large projects, commercial or non-commercial, section 48(1) of the Act requires that a full prudential report is to be prepared for Council. A report under section 48 will be regarded as the highest-level, most thorough type of due diligence report for the purposes of this Policy.

Section 48(aa1) of the Local Government Act 1999 requires Council to also develop and maintain prudential management policies and practices for the assessment of projects to ensure that the Council:

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

3. DEFINITIONS

Project	<p>A new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability, or accepting an asset. This should not be interpreted to mean that all Council activities are “projects”. Regular, ongoing deliveries of Council services are not “new and discrete” activities and therefore are not included within this definition. A project is a temporary endeavour with a defined beginning and end. The nature of projects stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities to provide services.</p> <p><i>Simply purchasing an item of plant or equipment, (e.g. a single vehicle) or a parcel of land will constitute a “project” if the purchase is not part of a wider project or part of ongoing operations. Any purchase must comply with Council’s Procurement Policy. However, a “project” will typically involve more than merely purchasing. It will always involve Council staff time, often in undertaking activities in association with other organisations. On the other hand, a project need not entail any expenditure. It may include, for example, receiving land or other assets for free, or granting permission for a private activity on Council land.</i></p>
Prudential Management	<p>Taking a precautionary approach to a proposed projects. Prudential management attempts to foresee what adverse financial consequences might arise from any project that Council is contemplating, and requires managing the project in such a manner as to capture the proposed benefits, while minimising, offsetting or otherwise taking account of the foreseeable financial risks.</p>
Decision-maker	<p>The Elected Members of Council or, where able to be delegated, the CEO and his sub delegates</p>
Due diligence	<p>The conduct of a systematic review of a transaction, prior to entering the transaction. It has been defined in landmark legal cases as:</p> <p><i>“a minimum standard of behaviour involving a system which provides against contravention of relevant regulatory procedures and adequate supervision ensuring the system is carried out” and</i></p> <p><i>“indistinguishable from the obligation to exercise reasonable care”</i></p>

4. POLICY STATEMENT

4.1 Deciding upon an appropriate level of due diligence

Any proposed project must first be assessed as to the level of due diligence that is required. Council’s record of delegations lists the powers that the Council has delegated to the Chief Executive and/or other managers, including the power (depending upon budgetary allocations and other Council policies) to approve

some projects. The record of delegations may distinguish types of projects that a specific manager is permitted to approve.

Therefore, for a particular proposed project, (depending on the record of delegations) the decision-maker may be the Council, the Chief Executive, or a manager.

When approval is being sought or considered for a specific proposed project, information must be provided to the decision-maker to indicate approximately, at first instance:

- the specific benefits or needs to be addressed;
- the extent to which it may be substantially similar to other past projects;
- the expected whole-of-life costs of the proposed project; and
- what, if anything, is known about the levels of financial risk that may be involved.

a) Two threshold questions

The decision-maker will make an evaluation as to the extent of due diligence that must be embarked upon before any subsequent decision is made whether or not to proceed with the proposed project.

As a first step, the decision-maker must ascertain:

- whether funding of the whole-of-life costs of the proposed project will (or might) require additional allocations beyond those already accommodated in Council's Long Term Financial Plan; and
- whether the proposed project will (or might) generate any additional financial risk for the Council.

Seeking the answers to these two questions is a threshold 'due diligence' test. If the decision-maker is sure that whole-of-life costs and financial risks are already accounted for, Council will record its reasons for *not* obtaining a due diligence report and no further action is necessary. However, in many cases, the decision-maker will not be sure of these answers, and will require a further step.

b) Due Diligence Report (DDR)

To resolve any remaining doubt, the decision-maker must request preparation of a due diligence report.

The minimum requirements for effective due diligence include:

- management procedures and controls to be put in place to undertake the project;
- benefits and costs of the project to be identified; and
- assessment of the risks of the project including financial, political, social, community and environmental impacts.

c) Prudential Management Report (PMR)

Council must obtain and consider a report that addresses Prudential issues for all projects (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 Council over the ensuing five years is likely to exceed 20 per cent of Council's average annual operating expenses over the previous five financial years (as shown in Council's financial statements); or
- (b) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4.5m (indexed)¹ require a full PMR in accordance with the Act.
- (c) where Council considers that it is necessary or appropriate.

A PMR is not required to be completed, where the project is in relation to road construction or maintenance and/or drainage works.

The Chief Executive Officer (CEO) will appoint a suitably qualified independent person who will be skilled in the assessment of the proposed project. This may include engineering, finance, infrastructure and project management skills. The person appointed may be a member of staff.

Prudential issues that should be considered within a PMR include:

- (i) the relationship between the project and relevant strategic management plans;
- (ii) the objectives of the Development Plan in the area where the project is to occur;
- (iii) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
- (iv) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
- (v) if the project is intended to produce revenue, revenue projections and potential financial risks;
- (vi) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
- (vii) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;
- (viii) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the CEO and Council); and
- (ix) the most appropriate mechanisms or arrangements for carrying out the project.

¹ Section 48(6d) provides for the indexation of this threshold amount, in line with the Consumer Price Index for Adelaide. Between 2009 and 2015, the figure was adjusted from \$4 million to \$4.52 million.

Council cannot delegate the consideration of a PMR. The report will not be read in isolation and will be considered together with Council's long term financial, asset management and risk management plans.

Due diligence before a decision on whether to proceed

Depending upon the extent of due diligence required by the decision-maker, a DDR of greater or lesser detail will be prepared. This report will include, in relation to the proposed project:

- an analysis of the need or demand;
- identification and quantification of the expected financial and other benefits;
- identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs;
- assessment of the associated financial risks, (including the financial risks of not proceeding or delaying the project) and consideration of ways they can be managed and/or mitigated; and
- an evaluation that weighs up all of the factors above.

For the smaller projects with least financial risk, the DDR may comprise only a single page and may be prepared by a single staff member. Larger, more complicated and/or financially riskier projects will require a DDR containing more information and assessment, as required by the decision-maker, with input from two or more officers. The report will be typically prepared by a Council officer deemed appropriate by the CEO, but will be commissioned by the staff member responsible for the project and/or the decision maker.

For example, the decision-maker may request a DDR from a working party of Council officers, or an external consultant, or a combination of both. Consideration will be given to whether those preparing a report require special skills such as engineering, finance, project management, town planning etc.

In requesting and preparing a DDR, the decision-maker and Council officers must utilise the Risk Management Framework, to evaluate the level of risk and determine whether the proposed project has, over the life of the project, a likelihood of financial risk that cannot be regarded as moderate, minor or unlikely to occur.

Due diligence during a project

After a decision has been made to commence a project, it will be managed according to the principles of due diligence. Council will take action to manage the project so that:

- the project remains focussed upon the expected public benefits or needs that have been identified in the DDR; and
- financial risks identified in the DDR are managed appropriately.

Due diligence after a project

After a substantial project has been completed, it will be evaluated, according to the principles of due diligence, to determine the extent to which the project:

- has achieved the public benefits or needs identified in the DDR that it was intended to achieve or satisfy; and
- has avoided or mitigated the financial risks identified in the DDR.

The subsequent report will be provided to Council's Audit Committee and the elected Council.

5. COMPLAINTS

Council welcomes complaints as a way of improving its services and programmes as well as an opportunity to put things right. Complaints in relation to this policy are to be directed in writing to the Director Corporate and Community Services. All complaints will be managed in accordance with Council's Complaints Policy PO147. Internal complaints will follow the Dispute Resolution Procedures provided in their respective Enterprise Agreement.

6. REVIEW

This Procedure will be reviewed by the Manager Financial Services within two years of adoption and/or accordance with any changes to legislation, codes, guidelines or Government Policy.

7. RELATED COUNCIL POLICIES AND DOCUMENTS

PO091 Risk Management Policy

Long Term Financial Plan

Asset Management Plans

8. REFERENCES AND LEGISLATION

Local Government Act 1999 – section 48

9. COUNCIL DELEGATION

Details of Delegation:	CEO
Delegate:	Director Corporate and Community Services

10. VERSION HISTORY

Archived Policy Name	Policy Number	Date Adopted	Last Reviewed
Prudential Management	PO161	Sept 2017	Sept 2017

DIRECTOR CORPORATE AND COMMUNITY SERVICES

9. PO084 CORPORATE PURCHASE CARD POLICY REVIEW

PURPOSE

For the Committee to consider and endorse, the PO084 Corporate Purchase Card Policy which has been recently reviewed and updated.

RECOMMENDATION

That the Committee endorse the changes to the PO084 Corporate Purchase Card Policy.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance

Strategy: 5.3 Meet all legislative requirements and compliance with Council's internal controls
5.5 Undertake effective risk management
5.8 Continuous improvement of Council processes

BACKGROUND

As part of the review of Council's suite of policies, the Corporate Purchase Card Policy has been reviewed and updated.

DISCUSSION

This policy controls the distribution and use of Corporate Purchase Cards within Council to ensure sound governance of Council expenditure.

The updated policy is attached (refer Attachment 1) and the major changes are as follows:

- Removal of Leisure Options Coordinator as a card holder as that person no longer has a card

Being an administrative policy it does not need to go to Council for endorsement. The updated policy has already been considered and endorsed by CMT.

COMMUNITY ENGAGEMENT PLAN

Level 1, Inform.

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Manager Financial Services
- Accountant – Financial Management

In preparing this report, the following External Parties were consulted:

- Nil

POLICY IMPLICATIONS

PO084 Corporate Purchase Card Policy

BUDGET AND RESOURCE IMPLICATIONS

Nil

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Without appropriate policies, procedures and delegations in place, Council is placed at risk of non-compliance with legislation and guidelines.

Local Government Act 1999

ATTACHMENTS

Attachment 1: PO084 Corporate Purchase Card Policy - Updated



ADMINISTRATIVE POLICY

Corporate Purchase Card Policy

Policy Number:	PO084		
Strategic Plan Objective:	Key Theme: Corporate Governance & Leadership Strategic Goal: Meet all legislative and compliance responsibilities. <u>Responsible Governance</u>		
Policy Owner:	Director Corporate & Community Services	File Container Number:	9-63-1
Responsible Officer:	Manager Financial Services	Minute Reference:	CMT-21-01-2016 <u>Audit Ctte</u>
Date Adopted:	21.01.2016	Next Review Date:	21-07-2016 <u>3.8.2018</u>

1. POLICY OBJECTIVES

The purpose of this Policy is to control the distribution and use of Corporate Purchase Cards within Council and to ensure sound governance of expenditure incurred on behalf of Council.

2. SCOPE

This Policy applies to all employees who have been issued with a Corporate Purchase Card.

3. DEFINITIONS

Approving Manager	Director/CEO – whichever is applicable
ATO	Australian Taxation Office
CEO	Chief Executive Officer
CMT	Corporate Management Team

4. POLICY STATEMENT

Council operates a Corporate Purchase Card system which permits a limited number of cards to be issued to appropriate operational staff throughout the organisation. Corporate Purchase Card holders and their card limits will be reviewed every ~~six~~ twelve months to ensure the cards and limits are appropriate. This Policy should be read in conjunction with PR115 Corporate Purchase Card Procedure, LG Act 1999 section 110 (1) - PO014 Statutory – Code of Conduct for Council Employees ~~Code of Conduct for Council Employees~~ -and PO058 Purchasing and -Procurement Policy.

4.1. Current Corporate Purchase Card Holders and Limits

Position	Limit
Chief Executive Officer	\$5,000.00
Executive Assistant to CEO & Mayor	\$5,000.00
Director Corporate & Community Services	\$5,000.00
Director Development Services	\$5,000.00
Director Assets & Infrastructure	\$5,000.00
Manager People & Culture	\$5,000.00
Manager Business & Public Relations	\$5,000.00
Leisure Options Co-ordinator	\$1,000.00
Governance Officer	\$1,000.00

4.2. Approval of New Corporate Purchase Card Holders and Limits

All new Corporate Purchase Card requests are to be ~~discussed with~~endorsed by CMT, with final approval given by the CEO. A Card holder's individual transaction limit should not exceed their current financial delegation (though the cumulative monthly limit may be higher than their financial delegation) and this should be checked by the ~~Financial Accountant~~Accountant – Financial Management.

Card holders must go through a Corporate Purchase Card induction with Finance prior to being issued with their new card. Part of this induction requires Card holders to acknowledge they have read this Policy and its associated Procedure by signing SF050B Corporate Purchase Card Compliance Declaration before their new card is activated.

4.3. Transaction Limits

Each Corporate Purchase Card has a capped individual transaction limit. This limit is usually less than the cumulative monthly limit. The individual transaction limit should not exceed the Card holder's financial delegation as identified in Clause 4.1 – Current Corporate Purchase Card Holders and Limits. The CEO has final approval over each Card holder's limit. Should a higher transaction limit be required than the Card holder's financial delegation, due process should be followed to increase that Card holder's financial delegation before a limit is approved that exceeds it. Any changes to original limits must be approved by the CEO.

4.4. Use Of Corporate Purchase Card

Corporate Purchase Cards are solely for corporate purchases; no personal expenses are to be incurred whatsoever on a Council Corporate Purchase Card. If a personal expense is unintentionally charged to a Corporate Purchase Card, PR115 Corporate Purchase Card Procedure must be followed; with the Card holder being liable for those transactions.

Misuse of a Corporate Purchase Card may result in disciplinary action commensurate with the severity of the breach.

Breaches include:

- Persistent misuse of a Corporate Purchase Card for non-Council related purchases;
- Persistent, untimely submission of SF118 Corporate Purchase Card Monthly Reconciliation in breach of ~~PO~~PR084 Corporate Purchase Card Policy;
- Breach of this Policy or its associated Procedure (PR115);
- Falsely claiming transactions as Council business; and
- Not keeping the Corporate Purchase Card secure.

Disciplinary action may include:

- Reduction in the Card holders limit;
- Suspension/removal of Corporate Purchase Card from the Card holder;
- Disciplinary and performance management of the Card holder; or
- Termination of employment of the Card holder.

Cash advances are strictly prohibited and as such this facility is not available on any Corporate Purchase Card.

Corporate Purchase Cards should not be used when there is an alternative form of procurement and payment available to the Card holder at the time of purchase (for example, raising a purchase order for supply of goods and services or receiving an invoice to pay for the goods/services). Corporate Purchase Cards are not to be used to circumvent ~~the~~ PO058 ~~Purchasing~~ Purchasing and - Procurement Policy.

All transactions ~~are to be verified~~ must be supported with an ATO approved tax invoice/receipt suitable for confirming ~~tax inputs~~ GST amounts (if applicable).

Corporate Purchase Cards should only be used to purchase fuel when there are no Fuel Card facilities available. The Card holder must try to plan their fuel purchases so that they can utilise fuel stations with known Fuel Card facilities as much as possible.

Corporate Purchase Card holders should refer to PR115 Corporate Purchase Card Procedure for full guidance on using Corporate Purchase Cards.

4.5. Disputes

Any transaction unable to be verified must be reported. ~~P,~~ please refer to PR115 Corporate Purchase Card Procedure for guidance on this process.

4.6. Month-end approval process

All transactions listed on Corporate Purchase Card statements are to be transferred to SF118 Corporate Purchase Card Monthly Reconciliation and reconciled monthly with supporting documents attached and signed by the Card holder and their approving manager.

Approved reconciliations are to be forwarded to Finance within two weeks of Corporate Purchase Card statements being distributed. Finance will arrange for payment of the Corporate Purchase Card in full by the due date stipulated on the statement unless advised as per Clause 4.5 - Disputes.

4.7. Cessation of employment

Corporate Purchase Cards are to be cancelled immediately on termination of employment/association of the Card holder. Refer to PR115 – Corporate Purchase Card Procedure for the full process.

4.8. Lost/stolen

It is the Card holder's responsibility to contact Finance immediately if their card is lost or stolen. The Card holder must also advise their approving manager as soon as possible. Refer to PR115 – Corporate Purchase Card Procedure for the full process.

5. COMPLAINTS

If a member of staff wishes to make a complaint about a breach of this Policy or its associated Procedure, they should do so in writing to the CEO, outlining who the individual is, the alleged breach(es) and outlining any evidence they have. The CEO will then instigate an internal investigation to verify the breach(es) before determining the most appropriate course of action (if any).

6. REVIEW

This Policy and its associated Procedure will be reviewed biennially in consultation with employees. The Policy and its associated Procedure will also be reviewed as deemed necessary in consideration of any changes to legislation, relevant standards, codes and guidelines, audit findings, any corrective actions/controls arising from risk assessment and/or hazard/incident reports and stakeholder feedback.

7. TRAINING

Council is committed to supporting Card holders and other employees in complying with this Policy and its associated Procedure.

All Card holders will be ~~provided training~~trained during their induction and any additional training needs will be reviewed annually during individual performance reviews and/or as necessary in consideration of any changes.

8. RELATED COUNCIL POLICIES AND DOCUMENTS

~~PO014 – Statutory – Code of Conduct for Council Employees (Section 110);~~

PO058 – Purchasing ~~and~~ -Procurement Policy;

PR115 – Corporate Purchase Card Procedure;

SF050B - Corporate Purchase Card Compliance Declaration;

SF118 - Corporate Purchase Card Monthly Reconciliation.

9. REFERENCES AND LEGISLATION

Local Government Act 1999 section 110 (1) – Code of Conduct for Council Employees
A New Tax System (Goods and Services Tax) Act 1999 (Cth)

10. COUNCIL DELEGATION

Details of Delegation:	
Delegate:	CEO
Sub Delegate:	Director Corporate & Community Services

11. VERSION HISTORY

Archived Policy Name	Policy Number	Date Adopted	Last Review
Credit Card Policy	PO084	21/01/2015	09/12/2015
<u>Corporate Purchase Card Policy</u>	<u>PO084</u>	<u>21/01/2016</u>	<u>3/08/2017</u>

DIRECTOR CORPORATE AND COMMUNITY SERVICES

10. FUNDING DEED – STATE LOCAL GOVERNMENT INFRASTRUCTURE PARTNERSHIP

PURPOSE

To bring to the Committee's attention the funding deed (in particular Clause 7) for the State Local Government Infrastructure Partnership (SLGIP). Council successfully applied and was granted \$300k from the SLGIP for the Main Township Footpath Replacement Programme.

RECOMMENDATION

That the report be received and the contents of the funding deed in particular Council's obligations under Clause 7, be noted.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance

Strategy: 5.2 Effective leadership and informed decision making
5.3 Meet all legislative requirements and compliance with Council's internal controls
5.5 Undertake effective risk management

BACKGROUND

Council previously approved the application for funding from the SLGIP for the Main Township Footpath Replacement Programme and was advised in writing by the Treasurer, the Hon Tom Koutsantonis, of an offer of \$300,000 under the partnership.

The attached funding deed (refer Attachment 1) was endorsed for signing and sealing by Council at its meeting on Wednesday, 9 August 2017.

DISCUSSION

The partnership requires Council to commence construction of the project by 31 December 2017, to comply with guidelines, to report certain information to the LGA, and to maintain its projected capital expenditure to ensure the project creates jobs additional to those which would otherwise be supported. In relation to this last requirement, the Deed requires Council to alert its Audit Committee to the Deed and to the capital expenditure requirements in particular, under Clause 7.

As demonstrated in Council's grant funding application (attached to the deed – refer Attachment 1) this project is in addition to Council's regular annual capital expenditure program for 2017/2018 and beyond. This project is not currently funded in Council's LTFP and will not offset regular annual capital expenditure. The project is being funded by new borrowings (not in Council's current LTFP) of \$1.2m and \$300k from the SLGIP. At this stage Council meets its obligation under Clause 7 of the funding deed. Borrowings from the

Local Government Finance Authority have been made available at a discount on “normal” rates as part of the SLGIP program.

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Elected members
- Corporate Management Team
- Manager Financial Services

In preparing this report, the following External Parties were consulted:

- Local Government Association of SA

POLICY IMPLICATIONS

PO142 – Budget Reporting and Amendment Policy

BUDGET AND RESOURCE IMPLICATIONS

This project, and corresponding income and expenditure amounts, have been included in Council’s 2017/2018 Budget following advice of the successful application.

Loan funds of \$1.2m from the LGFA are expected to be drawn upon in the second half of the 2017/2018 financial year depending on progress of the project and cash flow requirements. The LTFP will be updated to reflect these borrowings over the term of the loan.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

If construction is not commenced prior to 31 December 2017 funding will not be received and Council will have a shortfall of \$300,000 in its 2017/2018 Budget.

Local Government Act 1999

ATTACHMENTS

Under Separate Cover - Funding Deed - State Local Government Infrastructure Partnership

ASSET MANAGER

12. ASSET MANAGEMENT UPDATE

PURPOSE

To update the Audit Committee members on Asset Management activities.

RECOMMENDATION

That the report be received.

LINK TO STRATEGIC PLAN

Goal:	2 Community Connected through Infrastructure
Strategy:	2.1 Develop and deliver on Asset Management Plans for all asset classes 2.2 Utilise technology to provide easy access to Council information (e.g. planned infrastructure works, location of public facilities, events etc.) 2.5 Explore provision of new infrastructure

BACKGROUND

The report provides the Audit Committee with a summary of the works / activities undertaken within Asset Management.

DISCUSSION

Conquest

A Plant & Equipment Register has now been populated in Conquest after staff completed a review, which included a reassessment of useful lives and residuals, of the current Plant & Machinery Register which was held in Excel format.

Asset Management Plans

Draft asset management plans have been developed for Community Wastewater Management Schemes (CWMS) and Water Infrastructure and were presented to Council for endorsement to undertake public consultation at the July and August Council meetings respectively.

Staff have commenced the development of asset management plans for other asset classes. A proposed timeline for the development and adoption of these plans is attached.

Transport

Staff continue to undertake data collection and inspections on the unsealed road network, including taking core samples and other information. Data captured is assigned to each road segment, as setup in Conquest, and plotted via GPS in a GIS mapping system.

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Corporate Management Team
- Infrastructure Manager
- Operations Manager
- Works Manager
- Manager Financial Services
- Accountant Financial Operations

In preparing this report, the following External Parties were consulted:

- Nil

POLICY IMPLICATIONS

PO128 Asset Management Policy

PO124 Asset Accounting Policy

BUDGET AND RESOURCE IMPLICATIONS

Not applicable

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Local Government Act 1999

ATTACHMENTS

Attachment 1: Asset Management Plans – Proposed Timeline

ASSET MANAGEMENT PLANS - PROPOSED TIMELINE

Attachment 1

AMP NAME	COMMENCE	CMT/WORKSHOP	AUDIT COMMITTEE	COUNCIL – PUBLIC CONSULTATION	COUNCIL – ADOPTION
CWMS			Aug-17	Jul-17	Sep-17
WATER			Aug-17	Aug-17	Sep-17
STORMWATER	May-17		Oct-17	Sep-17	Oct-17
PLANT & MACHINERY (including Minor Plant and Furniture & Fittings)	Sep-17		October or December 2017 – depending on the date the plan is finalised by staff.	Nov-17	Dec-17
Land, Buildings & Other Structures (including Other Assets)	Sep-17	November 2017 – if required	Dec-17	Dec-17	Jan-18

ASSET MANAGER

13. DRAFT WATER INFRASTRUCTURE ASSET MANAGEMENT PLAN

PURPOSE

To advise the Audit Committee that the draft Water Infrastructure Asset Management Plan (provided under separate cover) has been endorsed by Council to undertake public consultation.

RECOMMENDATION

That the report be received.

LINK TO STRATEGIC PLAN

Goal: 2 Community Connected through Infrastructure

Strategy: 2.1 Develop and deliver on Asset Management Plans for all asset classes
2.5 Explore provision of new infrastructure

BACKGROUND

As required by the Local Government Act 1999 Council must develop and adopt an infrastructure and asset management plan, relating to the management and development of infrastructure and major assets by Council for a period of at least ten (10) years.

The draft Water Infrastructure Asset Management Plan is presented as a way forward in managing water infrastructure assets. It includes the following:

- levels of service;
- future demand;
- lifecycle management;
- financial summary;
- plan improvement; and
- a proposed ten (10) year capital renewal works program.

DISCUSSION

The draft Water Infrastructure Asset Management Plan has been developed to demonstrate responsive management of water assets, including the services provided from these assets; compliance with regulatory requirements; and to communicate the funding needed to provide the required levels of service over the ten (10) year planning period.

The draft Water Infrastructure Asset Management Plan takes into account Council's Asset Management Policy (PO128), Strategic Management Plan, Long Term Financial Plan (LTFP), Annual Business Plan and budget.

Yorke Peninsula Council owns and maintains potable water schemes in the townships of Balgowan, Black Point, Hardwicke Bay and Marion Bay. The water supplied to three (3) of the townships is provided via a SA Water main offtake for each town, while the water

supplied to Marion Bay is provided from a desalination plant that sources salt water from a beach well bore, water is then desalinated by a reverse osmosis process. All schemes are managed and maintained in accordance with industry standards.

Water assets were categorised and uploaded into Conquest, Council's Asset Management Software, as part of a revaluation process in May 2016. These assets have a replacement value of \$25.4m.

The draft Water Infrastructure Asset Management Plan shows that the projected outlays necessary to provide Water services; including operations, maintenance, renewal and upgrade of existing assets over the ten (10) year planning period is \$2.68 million or \$268,000 on average per year. The estimated available funding included in the LTFP for this period is \$3.01 million or \$301,000 on average per year. This equates to 112% of the cost to provide these services, which results in a funding excess of \$33,000 on average per year.

At a workshop in February 2017, Elected Members were briefed on the Community Wastewater Management Scheme (CWMS) Costing and Pricing Model. This model was developed by the LGA to aid councils in meeting Essential Services Commission of South Australia guidelines in relation to CWMS costing and pricing. Many of the costing and pricing principles applicable to services provided through CWMS infrastructure assets also apply to services provided through water infrastructure assets. As such, a similar budgeting methodology has been applied to pricing and costing of water infrastructure assets. According to the LGA CWMS accounting principles "the service charge for a particular year should be set based on the medium to long run expected expenses and revenues with a view to ensuring that, over time, the full cost (whole-of-life) of the CWMS will be recovered and that where increases in the service charge are needed to recover the full cost, that sharp increases will be avoided as far as possible." It was highlighted to Elected Members that in applying this principle to water infrastructure assets, the current pricing of the Council's annual water supply scheme charge was below that required to ensure full-cost (whole-of-life) recovery. As such, it was recommended that a steady year on year rise in the annual water supply scheme charge be considered by Council to address this shortfall and avoid the need for sudden sharp increases in future. Based on this model the 2017/18 annual water supply scheme charge was set at \$195 for the townships of Balgowan, Black Point and Hardwicke Bay. Marion Bay is a user pays system.

The draft Water Infrastructure Asset Management Plan will be used as a guide for Council to develop future budgets and capital works programs. In addition, further development of the asset condition profile of the water network and the continued review of useful lives of each asset category will enhance the planning of capital renewal and replacement programs.

The draft Water Infrastructure Asset Management Plan was endorsed by Council to undertake public consultation at the August 2017 Council meeting, the consultation period will close of 1st September 2017.

Advertisements will be placed in the Yorke Peninsula Country Times, and on Council's website and Facebook page to inform the public that copies of the draft Water Infrastructure Asset Management Plan are available for public comment.

COMMUNITY ENGAGEMENT PLAN

Level 2 Consult – Public Notice in the Yorke Peninsula Country Times, Council's website and Facebook page.

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Corporate Management Team
- Asset Manager
- Infrastructure Manager
- Manager Financial Services
- Accountant Financial Operations

In preparing this report, the following External Parties were consulted:

- Nil

POLICY IMPLICATIONS

PO128 Asset Management Policy

BUDGET AND RESOURCE IMPLICATIONS

The draft Water Infrastructure Asset Management Plan has been developed using the current LTFP. The expenditure and valuation projections in the draft Water Infrastructure Asset Management Plan are based on the best available data.

The draft Water Infrastructure Asset Management Plan provides Council with a guide to ensure that sufficient funding is available to maintain the water network at an appropriate level over a ten (10) year planning period.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Local Government Act 1999

ATTACHMENTS

Under Separate Cover – Draft Water Infrastructure Asset Management Plan

ASSET MANAGER

14. DRAFT COMMUNITY WASTEWATER MANAGEMENT SCHEME (CWMS) ASSET MANAGEMENT PLAN

PURPOSE

To advise the Audit Committee that the draft Community Wastewater Management Scheme (CWMS) Asset Management Plan (provided under separate cover) has undertaken public consultation.

RECOMMENDATION

That the report be received.

LINK TO STRATEGIC PLAN

Goal:	2	Community Connected through Infrastructure
Strategy:	2.1	Develop and deliver on Asset Management Plans for all asset classes
	2.5	Explore provision of new infrastructure

BACKGROUND

As required by the Local Government Act 1999 Council must develop and adopt an Infrastructure and Asset Management Plan, relating to the management and development of infrastructure and major assets by Council for a period of at least ten (10) years.

The draft Community Wastewater Management Scheme (CWMS) Asset Management Plan is presented as a way forward in managing CWMS assets. It includes the following:

- levels of service;
- future demand;
- lifecycle management;
- financial summary;
- planned improvement; and
- a proposed ten (10) year capital renewal works program.

DISCUSSION

The draft Community Wastewater Management Scheme (CWMS) Asset Management Plan has been developed to demonstrate responsive management of CWMS assets, including the services provided from these assets; compliance with regulatory requirements; and to communicate the funding needed to provide the required levels of service over the ten (10) year planning period.

The draft Community Wastewater Management Scheme (CWMS) Asset Management Plan takes into account Council's Asset Management Policy (PO128), Strategic Management Plan, Long Term Financial Plan (LTFP), Annual Business Plan and budget.

The Yorke Peninsula Council owns and maintains eighteen (18) Community Wastewater Management Schemes (CWMS) across the Council area. These Schemes enable the extraction, treatment and disposal of wastewater in accordance with industry standards.

CWMS assets were categorised and uploaded into Conquest, Council's Asset Management software, as part of a revaluation process in August 2015. These assets have a replacement value of \$25.4 million.

The draft Community Wastewater Management Scheme (CWMS) Asset Management Plan shows that the projected outlays necessary to provide CWMS services; including operations, maintenance, renewal and upgrade of existing assets over the ten (10) year planning period is \$10.8 million, or an average of \$1.08 million per year. The estimated available funding included in the LTFP for this period is \$10.02 million, or an average of \$1 million per year. This equates to 93% of the cost to provide these services, which results in a funding shortfall of an average of \$78,000 per year.

At a workshop in February 2017, Elected Members were briefed on the CWMS Costing and Pricing Model. This model was developed by the Local Government Association (LGA) to aid councils in meeting the Essential Services Commission of South Australia's guidelines in relation to CWMS costing and pricing. According to the LGA CWMS accounting principles "the service charge for a particular year should be set based on the medium to long run expected expenses and revenues with a view to ensuring that, over time, the full cost (whole-of-life) of the CWMS will be recovered and that where increases in the service charge are needed to recover the full cost, that sharp increases will be avoided as far as possible". It was highlighted to Elected Members that the current pricing of Council's CWMS service charge was below that required to ensure full cost (whole-of-life) recovery in relation to CWMS assets. As such, it was recommended that a steady year on year rise in the CWMS service charge, as modelled, be considered by Council to address this shortfall and avoid the need for sudden sharp increases in future. Based on this model the 2017/18 service charges were set at \$484 for occupied properties and \$360 for vacant allotments.

The draft Community Wastewater Management Scheme (CWMS) Asset Management Plan will be used as a guide for Council to develop future budgets and capital works programs. In addition, further development of the asset condition profile of the CWMS network and the continued review of useful lives of each asset category will enhance the planning of capital renewal and replacement programs.

The draft Community Wastewater Management Scheme (CWMS) Asset Management Plan underwent public consultation from 13th July 2017 until 4th August 2017, during which time no submissions were received in relation to the plan. The plan was viewed 50 times on Council's website, while being viewed 635 and receiving 4 likes on Facebook.

Advertisements were placed in the Yorke Peninsula Country Times, and on Council's website and Facebook page to inform the public that copies of the draft Community Wastewater Management Scheme (CWMS) Asset Management Plan is available for public comment.

COMMUNITY ENGAGEMENT PLAN

Level 2 Consult – Public Notice placed in the Yorke Peninsula Country Times, and on Council's website and Facebook page.

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Corporate Management Team
- Asset Manager
- Infrastructure Manager
- Manager Financial Services
- Accountant Financial Operations

In preparing this report, the following External Parties were consulted:

- Nil

POLICY IMPLICATIONS

PO128 Asset Management Policy

BUDGET AND RESOURCE IMPLICATIONS

The draft Community Wastewater Management Scheme (CWMS) Asset Management Plan has been developed using the current LTFP. The expenditure and valuation projections in the draft Community Wastewater Management Scheme (CWMS) Asset Management Plan are based on best available data.

The draft Community Wastewater Management Scheme (CWMS) Asset Management Plan provides Council with a guide to ensure that sufficient funding is available to maintain the CWMS network at an appropriate level over a ten (10) year planning period.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Local Government Act 1999

ATTACHMENTS

Under Separate Cover – Draft Community Wastewater Management Scheme (CWMS)
Asset Management Plan

RISK MANAGEMENT OFFICER

15. RISK MANAGEMENT REPORT

PURPOSE

The Risk Management Officer presents an update on the progress of Council's Risk Management Framework.

RECOMMENDATION

That the report be received.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance
Strategy: 5.5 Undertake effective risk management
5.8 Continuous improvement of Council processes

BACKGROUND

The objective of the Yorke Peninsula Council's (Council) risk management framework is to provide an essential and coherent link between our strategic goals, our risk management policies, procedures, processes and our day to day activities.

DISCUSSION

This report provides a status update on risk management activity performed from June to July 2017, including:

- Risk Management LGAMLS Review Action Plan
- Risk Maturity Assessment
- Strategic Risk Management Plan
- Risk Management Framework

This report provides a schedule of activities planned for 2017.

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Manager People and Culture; and
- Risk Management Officer.

In preparing this report, the following External Parties were consulted:

- Nil

POLICY IMPLICATIONS

PO091 Risk Management Policy
PR098 Risk Management Procedure

BUDGET AND RESOURCE IMPLICATIONS

Not applicable

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Local Government Act (SA) 1999

Work Health and Safety Act (SA) 2012

Work Health and Safety Regulations (SA) 2012

ATTACHMENTS

Attachment 1: Risk Management Activity Report

Attachment 2: 2016/2017 Risk Profile Review Action Plan



Risk Management Framework

2017

1. Risk Management Activity Report – June 2017 – July 2017

No.	Project	Scope Overview	Project Status
1	Local Government Association Mutual Liability Scheme (LGAMLS) Risk Profile	<p>Monitoring continues of the actions of the 2016/2017 Risk Management Action Plan.</p> <p>The LGAMLS Risk Profile Review is being combined with the Performance Standards for Self-Insurers (PSSI) Key Performance Indicator (KPI) Audits of which will be conducted biennial.</p> <p>Notification has not been received as to which Councils will be audited in 2017.</p>	In Progress
2	Strategic Risk Management Plan	<p>The Strategic Risk Management Plan will be incorporated in the Risk Management Framework which encompasses the management and monitoring of the Strategic Risk Register.</p> <p>This will ensure strategic and operational risks are reviewed, monitored and reported in line with Councils Risk Management System.</p> <p>The Strategic Risk Register will be tabled at the next Council Meeting for endorsement.</p> <p>This action shall be closed as there already is an action for the development of Councils Risk Management Framework.</p>	Closed
3	Risk Maturity Assessment (RMA)	<p>The RMA has been reviewed and actions developed.</p> <p>RMA and draft Action Plan has been submitted for reviewed by the CMT.</p>	In Progress
4	Business Continuity Plan (BCP)	Business Continuity Sub Plans to be developed.	In Progress
5	Risk Management Framework	Development of Councils Risk Management Framework has commenced.	In Progress
6	5-year Risk Maturity Plan	Council will continue to undertake Risk Maturity Assessments on a regular basis which will review and ensure Councils risk management approach is assessed and monitored. This Risk Maturity Assessment will be added to the Workplace Monitoring Calendar to ensure the assessments are undertaken and completed in a timely manner.	Closed
7	Risk Portfolios	Review Councils Departmental risk portfolios. Findings to be reported back to the Audit Committee.	On Hold

Risk Profile Review Action Plan (Extract August 2017)
June 2016 - July 2017

ACTION #	Risk Review	ACTION REQUIRED	RESPONSIBILITY	DUE DATE	COMMENTS / PROGRESS
1	Jul-15	Review Risk Management Procedure to ensure it reflects the process to assess and manage risk.	Risk Management Officer/Risk Officer	30/06/2016 30/09/2016 30/06/2017 31/12/2017	Draft 2015-2020 Strategic Risk Management Plan (Plan) was completed but the strategic risk in the Plan will need to be reviewed and aligned with the 2016-2020 Strategic Management Plan (once it has been endorsed and adopted). Endorsement and adoption is scheduled for approximately April 2016. Final draft of the Plan will be reviewed by the Corporate Management Team (CMT). Now, endorsement and adoption is scheduled for approximately July 2016. Strategic Plan adopted June 2016 13/10/2016 - Action changed to reflect the actual Risk Profile Standards Reference. Due Date extended to allow time for Risk Framework to be completed see Action 23 - Roxanne White 18/07/2017 - Request for extension of due date to 13/12/2017. 18/07/2017 - Request for extension approved - Manager People and Culture - Bobbi Pertini
3	Jul-15	Review Emergency Response Procedure to ensure Council policy for plant and staff in an emergency is defined.	Risk Management Officer	30/09/2016 30/06/2017 31/12/2017	Emergency Response Procedure is under review. I-Responda framework from the LGA is under review and was tabled at the WHS Committee meeting (09/02/2016). This framework looks at council employees role in the event of an emergency I-Responda framework to be assessed for suitability to Councils Emergency Response Procedure. Procedure to be reviewed. Due Date extended to allow time for Emergency Management System to be defined - Roxanne White
4	Jul-15 May-16	Prudential Management Policy to be developed, review and endorsed and procedure and templates to be developed.	Risk Management Officer Manager Financial Services	30/09/2016 01/12/2016 30/06/2017 30/09/2017	Draft document with Director Corporate and Community Services for review. Draft Prudential document with Manager Financial services to manage the process of review, consultation and issuing as current. 29/09/2016 - email received from Sid Jain request due date to be extended (to 01/12/2016) as policy which is draft has to be reviewed by managers and CMT and then endorsed by Council. 23/11/2016 - The policy won't be considered for adoption by Council until January 2017 at the earliest. Due date extended. Manager Financial Services has requested a extension to have the policy endorsed by Council and CMT. 07/04/2017 - Discussion with Manager Financial Services plans to have policy to CMT by May 2017 then to Council for Endorsement. 18/07/2017 - Emailed Manager Financial Servcies for a status update on action. 18/07/2017 - Draft policy has been developed and currently being consulted with staff & CMT. Going to audit committee on 23rd August 2017 then Council in September. All going well should be closed out by end of September 2017. - Manager Finacial Services - Sid Jain
17	Jul-15 May-16	Create a Tree Management Policy/Procedure.	Natural Environment & Sustainability Officer	31/12/2016 30/06/2017 31/12/2017	Currently Council staff members are trained in tree care, pruning and maintenance and garden staff undertake the majority of tree pruning requests. Tree Management Policy to be drafted for review an endorsement by Councils Elected Members. Policy will address tree management based on the following principles: Value of trees; Enhancing Biodiversity; Risk Management and Resources Availability; Tree Planting; Tree Maintenance; Tree Removal; Tree Replacement; Tree Vandalism; Tree on Private Land; Seed and Fruit Collection; Roadside Timber; Climate Change 6/02/2017 - Policy in progress, due date extended to 30/06/2017 due to other priorities (authorised Stephen Goldsworthy- Operations Manager). 07/04/2017 - Documents still being developed, due date extended to 30/12/2017 in line with Action 18 as per Manager Operations discussion.
18	Jul-15 May-16	Development of Climate Change Adaptation Plan.	Natural Environment & Sustainability Officer	31/12/2017	Climate change to be included as a Principle of a Tree Management Policy.
21	May-16	Review Strategic Management Plan in line with Risk Management Framework.	Risk Management Officer	30/06/2017 31/05/2018	Strategic Risk Management Plan has been developed. Draft Plan to be presented to CMT November 2016 18/07/2017 - Extension to due date requested to 31/05/2018. This action cannot be completed until the Risk Management Framework has been completed and endorsed. 18/07/2017 - Request for extension approved - Manager People and Culture - Bobbi Pertini
22	May-16	Review training completed by Elected Members and include in the Training Needs Analysis (TNA) Risk Management Framework Awareness session if not previously undertaken.	Risk Management Officer	30/06/2017 31/05/2018	*Jess Kirk from LGARS can provide training to Elected Members. 18/07/2017 - Extension to due date requested to 31/05/2018. This action cannot be completed until the Risk Management Framework has been completed and endorsed. 18/07/2017 - Request for extension approved - Manager People and Culture - Bobbi Pertini
23	May-16	Develop, endorse and implement Risk Management Framework.	Risk Management Officer	31/12/2016 31/08/2017	Action due date extended to 31/12/2017 as Risk Management Framework has not been started due to other priorities (authorised Bobbi Pertini - Manager People and Culture) 07/04/2017 - LGARS have release Risk Framework Template Risk Management Framework still to be developed, request for extension to Due Date to 30/08/2017

ACTION #	Risk Review	ACTION REQUIRED	RESPONSIBILITY	DUE DATE	COMMENTS / PROGRESS
24	May-16	Schedule and complete general awareness training on Risk Management Framework to relevant employees.	Risk Management Officer	30/06/2017 31/05/2018	Jess Kirk from LGARS may be able to provide training to employees. 18/07/2017 - Extension to due date requested to 31/05/2018. This action cannot be completed until the Risk Management Framework has been completed and endorsed. 18/07/2017 - Request for extension approved - Manager People and Culture - Bobbi Pertini
26	May-16	Develop Operational Risk Register.	Risk Management Officer	30/06/2017 30/06/2018	18/07/2017 - Extension to due date requested to 30/06/2018. This action is quite complicated and involves all areas of Council and will take some time to complete. 18/07/2017 - Request for extension approved - Manager People and Culture - Bobbi Pertini
28	May-16	Review iResponda Program and provide report on the suitability of the program and if it should be adopted by Council.	Risk Management Officer	30/04/2017 31/07/2017	24/05/2017 - Extension to due date requested, approved by Manager People and Culture (Bobbi Pertini)
31	May-16	Review legislative requirements and develop guidelines or information sheet on the requirements to manage swimming pools.	Risk Management Officer	31/03/2017 31/08/2017	04/07/2017 - Requested extension to the due date to 31/08/2017 to allow time to develop the Swimming Pool management strategy.

BUSINESS IMPROVEMENT OFFICER

16. INTERNAL AUDIT ACTIVITY REPORT

PURPOSE

The Business Improvement Officer(s) present an update on recent Internal Audit Activity.

RECOMMENDATION

That the report be received.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance
Strategy: 5.1 Openness and transparency of reporting Council's performance
5.3 Meet all legislative requirements and compliance with Council's internal controls
5.8 Continuous improvement of Council processes

BACKGROUND

The objective of the Yorke Peninsula Council's ("Council") internal audit function is to enhance business performance by ensuring compliance with policies and procedures and recommending improvements in process effectiveness, efficiency and economy.

DISCUSSION

This report provides a status update on the Internal Audit activity performed from May 2017 – July 2017.

The following activities have occurred since May 2017

- A equipment testing and compliance cost review conducted
- An Elected Members Reimbursement Audit has been performed

The latest status information on audit agreed actions has also been provided as part of this report.

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

In preparing this report, the following Yorke Peninsula Council officers were consulted:

- Chief Executive Officer
- Corporate Management Team
- Manager Financial Services
- Accountant – Financial Management
- Accounts Payable Officer

In preparing this report, the following External Parties were consulted:

- Nil

POLICY IMPLICATIONS

PO156 Internal Financial Control

BUDGET AND RESOURCE IMPLICATIONS

Not applicable

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Local Government Act (SA) 1999

ATTACHMENTS

Attachment 1: Internal Audit Activity Report

Attachment 2: Internal Audit Report – Equipment Testing and Compliance Cost Review

Attachment 3: Implementation of Agreed Actions - Update July 2017



Internal Audit Activity Report (May 2017 – July 2017)

1. INTERNAL AUDIT PLAN

The following table highlights the status of audit projects:

No.	Project	Scope Overview	Project Status
1	Procurement Part 2 – Tendering & Contracts	The second stage of the procurement project will address tendering and contract processes and assess compliance with newly developed policies and procedures.	Project completed
2	Fuel Management	As requested by the CEO, Internal Audit will collate and review fuel data for all administration and ute vehicles for a time period to determine the average litres used per 100kms. Additional review or recommendation may be required based on the outcomes.	Project completed
3	Borrow Pit (Rubble) Management	A review of the controls in place with regard to the purchase, storage and usage of rubble to determine if Council's operational practices are reflected in, and match, financial tracking procedures.	Not started
4	Elected Member Expenses	Review to confirm correct payment of allowances, reimbursement of expenses and accurate and timely recording in legislated registers.	Testing completed and draft report with Management
5	Equipment testing and compliance data review	As requested by the CEO, Internal Audit will perform a review of the costs associated with external contractors undertaking variance compliance testing of equipment, for example electrical tagging and testing, playground audits and fire equipment testing. A report will outline potential improvements in the way these tests are undertaken.	Project completed
6	Procurement Part 3 – Procurement Officer Review	Considering the two recent procurement audit completed, the CEO has requested that Internal Audit undertake a review of the benefits, drawbacks and costs associated to implement a dedicated Procurement Officer.	Testing completed and draft report with Management
7	Financial Management – Rates/Rate Rebates	A review of rate and rate rebate controls including processes for correct calculation of rate invoices, application of rebates and changes and access to the property master file.	Testing completed and draft report with Management
8	Controls Update (IT Access)	After discussions with External Audit, testing of IT application controls will be a priority for the FY17.	Not started
9	Ongoing compliance audits	Undertake regular spot checks of key compliance areas.	Petty Cash & Cash Floats completed

No.	Project	Scope Overview	Project Status
	(petty cash, Corporate Purchase Cards & caravan parks)		Corporate Purchase Cards completed

2. IMPLEMENTATION OF AGREED ACTIONS (INTERNAL AUDIT AND EXTERNAL AUDIT)

An update on the implementation of proposed actions resulting from internal and external audit activities is provided in **Attachment 3**.

The latest status information has been provided by the officers responsible for the implementation.

For Distribution:

Andrew Cameron – Chief Executive Officer
David Harding – Director, Corporate & Community Services
Sid Jain – Manager Financial Services
Roxanne White – Risk Management Officer

For Information:

Roger Brooks – Director Development Services
Trevor Graham - Director Assets and Infrastructure
Bobbi Pertini - Manager People and Culture
Stephen Goldsworthy – Operations Manager
Nick Hoskin – Operations Coordinator

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Executive Summary

Background

Yorke Peninsula Council (Council) invests a significant amount of money and resources in performing regular inspections and testing of Council equipment and facilities.

Council is required by legislation to undertake equipment inspections and tests of various equipment and facilities, including (but not limited to) electrical equipment, fire equipment, playgrounds and aerodromes.

Although not all inspections are required under a specific legislation or regulation, inspections and reviews are completed by Council as a duty of care to minimize Councils risk against any potential safety incidents and civil liability cases. Council is a member of the Local Government Association Mutual Liability Scheme and has obligations to take reasonable practicable steps to ensure equipment and structures are safe and in good condition.

As such, the Chief Executive Officer (CEO) thought it prudent to perform a review of the costs associated with undertaking various compliance testing and inspections of equipment and facilities across the Council area to ensure these activities were being delivered as cost effectively as possible.

Objectives & Scope

The objective of the review was to determine the costs associated with undertaking various compliance testing and inspections of Council equipment and facilities. For the purposes of this review this will be limited to electrical and fire equipment testing and those inspections undertaken internally by Operations staff.

Key Findings

The review found that two external contractors have been engaged to undertake electrical equipment testing and tagging and fire equipment testing across all Council facilities, work sites, offices and buildings (including administration offices, depots, halls and caravan parks).

Inspections on other various equipment and facilities in the Council area is undertaken internally by Operations staff as part of their day-to-day duties. The following equipment is inspected by Operations staff on a quarterly basis and documented checklists are reported back to the Work Health Safety (WHS) Team:

- Aerodromes
- Cemetery
- Fauna park
- Shelter structures
- Public BBQs
- Jetties
- Transfer stations and previous landfills
- Skate / BMX Park
- Playgrounds
- Boat ramps
- Beach and stair access
- Various walking trails

As part of the review, Internal Audit calculated the amounts paid to external contractors for electrical equipment testing and tagging and fire equipment testing for the calendar year January 2016 till January 2017. Furthermore, the Operations Leading Workers were requested to estimate the amount of time required by their staff to undertake internal inspections. A summary of the costs is highlighted below:

	Jan 16 – Jan 17 Cost
External (contractors) electrical and fire equipment testing	\$110,723
Other internally performed inspections	\$14,663
Total Cost to Council	\$125,386

A full breakdown of the costs and assumptions made is detailed in Appendix 1 – Detailed Calculations. It was noted that some qualifications are required in order to be able to undertake these inspections and testing programs, the associated qualifications include:

- Qualified electrician (for testing RCDs and undertaking other repairs);
- Certificate 2 or 3 in Fire Protection Inspection;
- Playground Safety Inspector Level 1, 2 and 3;
- Aerodrome Reporting Officers Training.

Internal Audit Opinion

Internal Audit have performed a comparison of the costs of a full time equivalent in-house resource to undertake the specified inspection activities within Council, which is included in Appendix 1. A minor issue in relation to the internal inspection checklist is documented in the Appendix 2 - Detailed Findings.

We would like to take the opportunity to thank Roxanne White, Nick Hoskin, Stuart Heinrich-Smith, Mal Wuttke, Jason Coe, Bobbi Pertini and Luka Honner for their assistance and co-operation during the review.

Amanda Pitt

Business Improvement Officer

Email: amanda.pitt@yorke.sa.gov.au

Phone: 8832 0000

Appendix 1 – Detailed Calculations

External (Contractor) Testing & Tagging

A breakdown of the amounts paid to external contractors for electrical equipment testing and tagging and fire equipment testing for the calendar year January 2016 till January 2017* is shown below:

Electrical Equipment Tagging and Testing Contract Components	Cost
• Mileage / travel	\$15,835
• Reports	\$12,640
• Audit reports	\$16,800
• Actual equipment testing	\$38,676
• Repairs and maintenance	\$22,071
Total Contract Cost	\$106,022*
Amount averaged over a 12 month period	\$90,876**
Fire Equipment Testing Contract Components	
• Service fee	\$3,650
• Equipment testing	\$16,196
Total Contract Cost	\$19,847
Total External Contractor Costs	\$110,723

* The total amount calculated relates to invoices 'received' from January 2016 to March 2017 (due to the invoicing processes from the contractor it was difficult to ascertain when the work was actually completed, therefore a 14 month period has been used).

It should also be noted that Council Management has recently introduced a number of new controls aimed at reducing the annual spend on the Electrical Tagging and Testing contract, including:

- A revised testing schedule agreed with the contractor;
- Improved communication to ensure timely access to buildings avoiding travel costs to revisit locations; and
- More detailed invoicing requirements allowing better scrutiny of costs.

** Due to the invoicing process an average of the contract spend has been calculated across a 12 month period to ensure integrity of yearly comparisons.

Internal Inspections & Testing

Leading Workers were requested to estimate the amount of time required by Operations staff to undertake the various internal inspections (a contingency amount has also been added due the difficulty of estimating time taken to undertake repairs when on-site doing the inspections).

Using a Level 6 hourly pay rate (\$28.75), which is the staff level currently used to perform the inspections, an annual estimated cost for performing the internal inspections has been calculated below:

	Estimated Days Per Year (hours) to Undertake Inspections	Rate	Annual Estimated Cost
Southern Region			
• General Inspections	16 (136)	\$29	\$3,910
• Playgrounds	8 (68)	\$29	\$1,955
Central Region			
• General Inspections	4 (34)	\$29	\$978
• Playgrounds	4 (34)	\$29	\$978
Northern Region (General Inspections)	8 (68)	\$29	\$1,955
Transfer Stations and Previous Landfills	4 (34)	\$29	\$978
Contingency amount (travel time and repairs completed on site)	16 (136)	\$29	\$3,910
Total Estimated Internal Costs	60 (510)	\$29	\$14,633

It must be highlighted that the 60 days estimated is also time unavailable to Operations staff to perform their normal day to day duties.

Appendix 2 – Detailed Findings

1.1 In House Resource Comparison

Given the cost associated with external equipment testing, Internal Audit have provided a comparison cost of a full-time equivalent (FTE) in-house resource to undertake the specified inspection and equipment activity within Council.

Estimates of salary and on-costs along with costs of initial set-up costs of equipment and training are provided below:

FTE Estimated Calculations per Year		Current Cost	
Base Salary (Grade 8 Increment 3 plus on call allowance 5% and incorporating number of weeks in 17/18 financial year)	\$64,914	Electrical Equipment Tagging & Testing (average 12 month period)	\$90,876
On costs (Super 9.5%, workers comp 4.5% and income protection)	\$10,534	Fire Equipment Testing	\$19,847
Ute vehicle (no private use) and mobility devices	\$10,000	Internal inspections	\$12,535
Equipment (Initial set up with electrical and RCD testing equipment, general tools, fire testing equipment and mobility devices)	\$9,000		
Training costs (Aerodrome, playground qualifications)	\$3,000		
Total	\$97,448		\$125,386
		For information purposes, Internal Audit has included 'other' electrical supplier costs incurred for the 2016 calendar year (this is across six different electrical suppliers).	\$99,198

Estimated difference per year	\$27,937
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The calculations show a potential \$28k per annum saving to Council if an internal FTE was sourced, however the following needs to be considered:

- Current contract arrangements and costs with external contractors have not been tested in the market since June 2015. They are both due to expire in June 2018;
- There has been some mismanagement and inefficiencies over the electrical equipment testing and tagging contract, and therefore current costs may be inflated;
- There will be some lead time for a new employee to educate themselves on Council equipment, equipment location and develop a schedule to ensure efficiency of their time, which may lead to some overlap of work in the initial stages of the role;
- Ongoing costs of maintenance of tools and equipment and upkeep of qualifications has not been included in calculations;
- The opportunity cost of additional days (approximately 60 per annum) being available to Operations staff to perform other duties.

Consequence	Likelihood	Risk Level
Minor	Unlikely	Low

1.2 Recommendations

Corporate Management Team (CMT) consider the benefits and implications of employing an in-house resource to undertake specific inspection and equipment testing activity within Council.

1.3 Management Responses

Management Response and Agreed Action: Agreed

Responsibility: Chief Executive Officer, Andrew Cameron

Due Date: 30 December 2017

2.1 Internal Inspection Checklist

The review found that Council's internal inspection checklists were due to be reviewed in May 2016. Internal Audit also noted that staff had made comment on a number of the checklists that tests were unable to be performed or irrelevant (i.e. unable to test jetty lighting).

Furthermore, it was identified that the Burial and Cremation Regulations 2014 state that cemeteries are required to be fenced at all times, however the current Council inspection checklist does not include a step to ensure that 1. Fencing is located around all cemetery locations and 2. That fencing is maintained in a good condition.

There is a risk that current internal inspection checklists are not adequately covering legislation and regulation requirements if they are not regularly reviewed and updated.

Consequence	Likelihood	Risk Level
Insignificant	Possible	Low

2.2 Recommendations

All internal inspection checklists are reviewed and updated, in accordance with relevant legislation or regulations (where required). Staff undertaking inspections are notified and trained in any changes to the inspections and inspection checklists.

2.3 Management Responses

Management Response and Agreed Action:

Responsibility: Operations Manager, Stephen Goldsworthy

Due Date: 31 January 2018

Appendix 3 – Responsibility Statement

This report was prepared in accordance with the scope document as agreed to by management and Australian auditing standards subject to the following limitations:

- Procedures were designed to provide limited assurance as defined by the Australian auditing standards, which recognizes that absolute assurance is rarely attainable due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, the use of selective testing, and because much of the evidence available to the auditor is persuasive rather than conclusive in nature.
- Because of the inherent limitation of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Procedures were not designed to detect all weaknesses in control procedures and they were not performed continuously throughout the period and the tests performed are on a sample basis.
- Any projection of the evaluation of the controls procedures to future periods is subject to the risk the systems may become inadequate because of changes in condition, or the degree of compliance with them may deteriorate.
- The matters raised in the report are only those which came to the attention of the Internal Auditor during the course of performing procedures and are not necessarily a comprehensive statement of the weaknesses that exist or improvement that might be made. The Internal Auditor cannot, in practice, examine every activity and procedure, nor can they be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on the report to identify all weaknesses that exist in the systems and procedures under examination or potential instances of non-compliance that may exist.
- Any reliance placed on internal audit reports and associated working papers, by a third party, are that party's sole responsibility.



Implementation of Agreed Actions

This report provides an update on the implementation of proposed actions resulting from:

1. Internal audit activities;
2. Internal controls project; and
3. External audit activities.

The latest status and comment information has been provided by the officers responsible for the implementation.

Please note that a separate report has been developed to follow up specific Procurement Internal Audit Agreed Actions.

1. Internal Audit Activities

Fees and Charges – April 2016

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. Policy and Procedure Risk Level Moderate	A Policy and/or Procedure be created that reflects process involved in determining accurate fees & charges & how to update the system and Register. These documents need to outline how to determine if the fee set is a full cost recovery, partial cost recovery or market priced item.	Accountant – Financial Management & Development Clerical Officer	31/12/16	31/10/17	Completed	A simple guideline and checklist has been developed to outline what needs to be completed and updated for the fees and charges processes. This has been included in the Finance module.

Policy Compliance Audit – July 2016

Undertaken by Minter Ellison (External Legal Firm)

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. PO139 Risk Level Low	Update Treasury Management Policy accordingly.	Manager Financial Services	01/02/17	30/06/17	In Progress	An update to the Treasury Management Policy will be presented to Audit Committee in August. Once endorsed by Audit Committee, the policy will be presented to Council.

Fuel Consumption – April 2017

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. Plant Schedule Register Risk Level Low	The 'Plant Schedule Register' currently stored in the 'Safety at your Fingertips' folder is out of date. Ownership of the register was unclear at the time of the audit and a number of plant and operator details were inaccurate.	Accounts Payable Officer	30/06/17		Completed	The 'plant schedule register' has been migrated to the Conquest Asset Management Database. With this move, the plant register will become the responsibility of the Asset Manager.

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
2. Fuel Data in Authority Risk Level Low	Internal Audit identified a number of plant items with incomplete details within their Authority records, specifically fuel type.	Accounts Payable Officer	30/06/17		Completed	The plant database within Authority will continue to be maintained by the Finance Department. Fuel details have been updated within Authority.

Equipment Testing and Compliance Cost Review – July 2017

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. In House Resource Comparison Risk Level Low	Corporate Management Team (CMT) consider the benefits and implications of employing an in-house resource to undertake specific inspection and equipment testing activity within Council.	Chief Executive Officer	31/12/17		Not started	
2. Internal Inspection Checklists Risk Level Low	All internal inspection checklists are reviewed and updated, in accordance with relevant legislation or regulations (where required). Staff undertaking inspections are notified and trained in any changes to the inspections and inspection checklists.	Operations Manager	31/01/18		Not started	

External Audit – 2015/2016 Findings

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. System Access Review Risk Level High	Review staff system access levels, including network folders and files, to ensure that staff do not have inappropriate access to information.	Manager Financial Services	31/01/16	30/12/17	In Progress	IT will implement role based security and associated reporting within Authority. An external consultant has been contracted to undertake this project. A project plan and timeframes have been provided by the Consultant. Finance, IT and Business Improvement Officer will work closely

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
						with the consultant to ensure roles and access is appropriate.
2. General Ledger Maintenance Risk Level Moderate	Procedures to be developed that document maintenance processes for GL accounts. Use exception reports to identify and review changes made to GL.	Accountant, Financial Management	31/01/17	31/10/17	Not Started	Due to Finance workload, this will not be completed until 2 nd quarter of FY18.