



**I hereby give notice that an Audit Committee Meeting will be held on:**

**Date:** Wednesday, 13 June 2018  
**Time:** 3.00pm  
**Location:** Council Chambers  
57 Main Street  
Minlaton

# **AGENDA**

## **Audit Committee Meeting**

**13 June 2018**

A handwritten signature in black ink, appearing to read "David Harding". The signature is fluid and cursive, with a large loop at the end.

**David Harding**  
**DIRECTOR CORPORATE AND COMMUNITY SERVICES**

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 Elected 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 Council 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.

# Agenda

<b>1</b>	<b>Welcome by Chairperson.....</b>	<b>5</b>
<b>2</b>	<b>Present.....</b>	<b>5</b>
<b>3</b>	<b>Leave of Absence .....</b>	<b>5</b>
<b>4</b>	<b>Apologies .....</b>	<b>5</b>
<b>5</b>	<b>Conflict of Interest .....</b>	<b>5</b>
<b>6</b>	<b>Minutes of Previous Meeting – for Confirmation.....</b>	<b>5</b>
<b>7</b>	<b>Visitors to the Meeting .....</b>	<b>5</b>
	<b>REPORTS.....</b>	<b>7</b>
<b>8</b>	<b>New Business .....</b>	<b>7</b>
8.1	Audit Committee 2018 - Work Plan .....	7
8.2	2017/2018 March Quarterly Budget Review.....	12
8.3	Capital Valuations and Rating Models - 2018/2019.....	26
8.4	2018/2019 Draft Annual Business Plan, Budget and Fees and Charges .....	43
8.5	Internal Audit Activity Report .....	47
8.6	Asset Management Update .....	78
8.7	Risk Management Report .....	80
<b>9</b>	<b>General Business .....</b>	<b>106</b>
<b>10</b>	<b>Next Meeting .....</b>	<b>106</b>
	Wednesday 26 September 2018	
<b>11</b>	<b>Closure .....</b>	<b>106</b>



**1 WELCOME BY CHAIRPERSON**

Meeting declared opened

**2 PRESENT**

**3 LEAVE OF ABSENCE**

Nil

**4 APOLOGIES**

Nil

**5 CONFLICT OF INTEREST**

**6 MINUTES OF PREVIOUS MEETING – FOR CONFIRMATION**

Audit Committee Meeting - 28 March 2018

**7 VISITORS TO THE MEETING**

# REPORTS

**REPORTS****8 NEW BUSINESS****8.1 AUDIT COMMITTEE 2018 - WORK PLAN****Document #:** 18/36142**Department:** Corporate and Community Services**PURPOSE**

To consider the updated 2018 Audit Committee Work Plan.

**RECOMMENDATION**

That the Audit Committee endorse the updated 2018 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.

Item 3.6 has been deferred from this meeting to the October 2018 meeting as assistance is being sourced from LG Risk Services to provide specialist expertise on this technical subject. This is the

only major change to the work plan since the last meeting. Status via colour coding for the remaining items has been updated as appropriate.

**COMMUNITY ENGAGEMENT PLAN**

Level 1 - Inform

**CONSULTATION PROCESS**

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

- 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.

**RISKS/LEGAL/LEGISLATIVE/ IMPLICATIONS**

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

Local Government Act 1999, Chapter 8

**ATTACHMENTS**

1. **2018 Audit Committee Work Plan**

Yorke Peninsula Council Audit Committee Work Plan 2018						
Activity	Timeframe					Notes
	Completed Current Deferred					
	Mar-18 28th	Jun-18 13th	Sep-18 26th	Oct-18 24th	Dec-18 12th	
<b>1. Financial Reporting</b>						
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
<b>2. Internal controls</b>						
2.1 Review progress on Council's Internal Financial controls	X	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	X	Presented as part of the regular Internal Audit activity report
<b>3. Risk Management Systems</b>						
3.1 Risk External Audit (conducted by LGAWCS biennial due December 2019)						Presented as part of the regular Risk Management update report
3.2 Assess the appropriateness of the Council's response to the auditor's findings and recommendations	X					Presented as part of the regular Risk Management update report
3.3 Review Council's annual Risk Management Action Plan (incorporating Risk External Audit actions)	X	X	X	X	X	Presented as part of the regular Risk Management update report
3.4 Review Council's Risk Management Plan			X			Presented as part of the regular Risk Management update report
3.5 Review Council's Strategic Risk Register (in line with Strategic Management Plan - next review November 2019)						Presented as part of the regular Risk Management update report
3.6 Review Council's Emergency Management Systems (BCP, Emergency Response etc.)		X	>>>>>	X		Presented as part of the regular Risk Management update report

Yorke Peninsula Council Audit Committee Work Plan 2018						
Activity	Timeframe					Notes
	Completed Current Deferred					
	Mar-18 28th	Jun-18 13th	Sep-18 26th	Oct-18 24th	Dec-18 12th	
3.7 Review Council's Risk Management Systems (Framework, policy, procedure, training etc.)		X		X		Presented as part of the regular Risk Management update report
<b>4. Whistle blowing</b>						
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.						
4.1 Review Council's whistleblower protection policy						Next review due 2019
4.2 Examine the method of informing staff of these policies						Next review due 2019
<b>5. Internal Audit</b>						
5.1 Review annual work program and outcomes of past work					X	Presented as part of the regular Internal Audit activity report
5.2 Consider any internal audits conducted	X	X	X	X	X	Presented as part of the regular Internal Audit activity report
<b>6. External Audit</b>						
6.1 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		
6.2 Review effectiveness of external audit				X		
6.3 Review management representation letters before they are signed by management				X		
6.4 Assess the appropriateness of the Council's response to the auditor's findings and recommendations			X		X	
6.5 Oversee action to follow up on matters raised by the external auditor	X					
<b>7. Reporting</b>						

Yorke Peninsula Council Audit Committee Work Plan 2018						
Activity	Timeframe					Notes
	Completed Current Deferred					
	Mar-18 28th	Jun-18 13th	Sep-18 26th	Oct-18 24th	Dec-18 12th	
7.1 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
<b>8. Strategic, Financial and Management Planning</b>						
8.1 Review Strategic Management Plan						Adopted by Council in July 2016. Next review not due until November 2019.
8.2 Review Long Term Financial Plan	X					Updated annually in conjunction with adoption of Annual Business Plan and Budget
8.3 Review Asset Management Plans/ Strategy		X				Ongoing as developed and reviewed.
8.4 Review appropriateness of the range and content of Council policies and strategies			X			As per renewal timeframes and legislative requirements
8.5 Review Annual business plan, budget and fees and charges		X				In conjunction with public consultation period
<b>9. Other matters</b>						
9.1 Adopt/review Audit Committee annual workplan	X	X	X	X	X	Updated for each meeting
9.2 Reports on other relevant matters						Ongoing as the need arises

**8.2 2017/2018 MARCH QUARTERLY BUDGET REVIEW****Document #:** 18/36258**Department:** Corporate and Community Services**PURPOSE**

To receive Council's endorsed March quarter review of the 2017/2018 Budget and associated financial statements, ratios and changes.

**RECOMMENDATION**

That the Audit Committee receive the Council endorsed, March 2017/2018 Budget Review changes as presented in the attached Summary of Changes, Statement of Comprehensive Income and Uniform of Presentation of Finances and receive the updated Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and Financial Indicators (Ratios).

**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

**BACKGROUND**

Regulation 9(1) (b) of the Local Government (Financial Management) Regulations 2011 requires that Council undertake one comprehensive budget review each financial year. This review must include preparation of four principal financial statements (excluding notes) and show a revised full year forecast of each item in the budgeted financial statements compared to estimates set out in the original budget.

Council's policy PO142 Budget Reporting and Amendment requires quarterly budget reviews i.e. September, December and March. This means Council undertakes two (2) additional budget reviews more than required by the Regulations. This is the third and final (as at 31<sup>st</sup> March 2018) quarterly budget review for the 2017/2018 financial year.

This budget review was endorsed by Council at its meeting on Wednesday, 9<sup>th</sup> May 2018.

**DISCUSSION**

Budget managers in all directorates have completed a review of their 2017/2018 budgets as at 31<sup>st</sup> March 2018 and all adjustments allowed in accordance with policy PO142 have been included in the attached documents (refer attachments 1 - 7).

Budgets have been reviewed taking the following into consideration:-

- Additional income likely to be generated or received;
- New grants and contributions;
- Changes to user and statutory fee income forecasts;
- Review of staffing levels to those originally budgeted;
- Changes due to amendments in legislation;

- Changes to Government fees and charges;
- Council decisions made since the adoption of the original budget;
- Status of capital projects taking into account projects carried forward from 2016/2017 for completion in the current financial year (refer previous Council decision in August 2017);
- Income and expenditure to date and forecasts for the remainder of the year; and
- Assessment of timing for draw down of proposed loans.

A full list of adjustments with reasons for the changes is attached to this report (refer Attachment 1). It should also be noted that the attached statements have been impacted by the reclassification of income and expenditure during the review of the Long Term Financial Plan (LTFP) i.e. income and expenditure classified originally (adopted Budget) against a particular line may now be classified against another line to improve reporting accuracy and comply with Model Financial Statements. This reclassification does not impact the overall results.

### **Budgeted Operating Surplus/ (Deficit)**

As a result of the proposed third quarter (March) budget review adjustments, adopted first and second quarter (September and December) budget review adjustments and previously adopted budgets for projects rolled over, Council's forecast Operating Deficit for 2017/2018 is now \$2.87m. This is an improvement of \$42k to the December Quarter Budget Review. Listed below are the major adjustments proposed during this Budget review.

- **Community Wastewater Management Scheme (CWMS) - income – favourable impact** – \$22.9k increase to operating income to reflect unbudgeted Effluent Augmentation charges paid by property owners/developers as per Land Management Agreements for Ardrossan, Port Victoria, Hardwicke Bay and Point Turton. Funds received are held as a provision for expenditure incurred on future expansion of those particular schemes.
- **Progress Contributions - income – favourable impact** – \$10k income from Edithburgh Progress for fencing at Edithburgh Tidal Pool. This amount was not originally budgeted. The expenditure incurred is classified as capital, hence the favourable impact to Council's operating bottom line.
- **AGL Wattle Point Wind Farm Community Fund – income – nil impact** - \$30k allocation received from AGL for distribution to approved community groups. Funding will be acquitted as requests and proof of payment is received. \$30k expenditure budget has been allocated in the budget for payments to be made. Impact on Council's bottom line is nil as all funds received from AGL will be paid out.
- **Rates Fines - income – favourable impact** - \$13.8k increase to reflect actual fines and interest levied year to date, as permitted under legislation.
- **Minlaton Underground Power - income – nil impact** – \$183k provided by DPTI to undertake additional work (in addition to Council's \$500k contribution already budgeted for) on this project. The full amount has been allocated to the expenditure budget line.
- **Caravan Parks Maintenance - expenditure – unfavourable impact** - \$18k increase for unexpected (unbudgeted) costs incurred for various repairs and maintenance at Point Turton, Port Vincent and Marion Bay Caravan Parks. Works include pump replacement, tree trimming, remedial gas works, moving fish cleaning area, leaking pipe repairs etc.
- **Point Turton Caravan Park – expenditure – unfavourable impact** – \$40k increase to budget to fund removal and disposal of six (6) old cabins and rehabilitate existing site to provide powered camping sites. Corresponding capital income budget of \$30k for sale of cabins has also been included in the budget. Net impact to Council's budget is \$10k, however, impact to operating bottom line (refer Attachment 2 – Comprehensive Income Statement) is \$40k.
- **Council Decision - Donation – expenditure – unfavourable impact** - \$5k given to the Maitland Aero Club for repairs to the fence as per Council decision.

- **Council Decision – Progress Contribution – income – unfavourable impact** - \$10k budgeted income related to Stansbury Progress Association contribution raised in error.
- **Insurance Settlement – income – nil impact** - \$46k insurance claim for Price Playground Shade Sail damaged during storms. Entire amount has been paid to Price Progress Association for installation of a new shade sail. Expenditure budget line has been adjusted to allocate the funds received.

More detailed information on the changes to Council's proposed Operating Deficit (and income and expenditure budgets) is available in the attached reports and statements in particular the Budgeted Statement of Comprehensive Income (refer Attachments 1 - 7).

### **Budgeted Capital Expenditure**

Council's proposed capital expenditure budget after the proposed third quarter (March) budget review adjustments, adopted first and second quarter (September and December) budget review adjustments and previously adopted budgets for projects rolled over from 2016/2017, is \$11.563m. This includes the initially adopted budget of \$9.716m to which projects rolled over from 2016/2017 as adopted by Council worth \$1.184m were added in August 2017. Adjustments of \$443k were adopted in previous quarterly budget reviews (September and December) with a further \$219k in adjustments proposed in this budget review.

Details of all capital adjustments can be found in the reports and updated Statements in particular the Budgeted Statement of Cash Flows (refer Attachments 1 - 7).

Of the proposed budget of \$11.563m, \$8.449m is budgeted to be spent on renewal and replacement of existing assets while \$3.114m is budgeted to be spent on upgrade of existing assets and acquisition of new assets.

### **Budgeted Cash Flow & Net Lending/ (Borrowing)**

Following the proposed adjustments in this budget review, adopted adjustments from previous quarterly budget reviews, previously adopted rolled over expenditure being included in this year's budget and adjustment of opening balances in line with 2016/2017 audited General Purpose Financial Statements, Council's forecast closing cash and cash equivalents as at 30<sup>th</sup> June 2018 is \$2.7m which is an increase of \$609k to the original adopted budget. This increase can be attributed to a better than expected closing cash position as at 30<sup>th</sup> June 2017.

The proposed end of year Net Lending position has increased from \$1.914m to \$4.328m which is an increase of \$2.414m. \$1.395m of this increase is due to budgets adopted by Council for projects not completed as at 30<sup>th</sup> June 2017 and rolled over to 2017/2018 for completion while \$896k was due to adjustments endorsed as part of previous quarterly budget reviews. Adjustments of \$123k proposed at this budget review have also impacted on the proposed Net Lending position.

More detail on the movements in net lending/ (borrowing) for the financial year can be found in the Budgeted Uniform Presentation of Finances (refer Attachment 6).

### **Budgeted Financial Indicators (Ratios)**

As a result of proposed changes in this budget review, adopted changes in previous quarterly budget reviews and inclusion of projects rolled over from 2016/2017, Council's Financial Indicators have had some movement.

Council's Operating Surplus Ratio is now -9.5% compared to the original forecast of -7.4%. The forecast ratio remains below the industry minimum target of breakeven or 0%.

The Net Financial Liabilities Ratio has decreased from 29% to 26%. The forecast ratio remains well below the industry ceiling of 100%.

Council's forecast Asset Sustainability ratio is 85%, a 1% increase to the original forecast. This ratio will be achieved if Council completes all budgeted capital renewal projects in 2017/2018. The forecast ratio does not meet the minimum industry target of 90% and is below the maximum industry target of 110%.

More information on Council's Financial Indicators can be found in Attachment 7.

**COMMUNITY ENGAGEMENT PLAN**

Level 1 - Inform

**CONSULTATION PROCESS**

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

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

In preparing this report, the following external parties were consulted:

- Nil

**POLICY IMPLICATIONS**

PO142 Budget Reporting and Amendment Policy

**BUDGET AND RESOURCE IMPLICATIONS**

Budget and resource implications are as detailed in this report and as presented in the attached reports and statements (refer Attachments 1 – 7).

**RISKS/LEGAL/LEGISLATIVE/ IMPLICATIONS**

1. Council's budget is a fundamental instrument of accountability and an essential pre-requisite to deciding the annual rate impost on the community. As such it is important that material variations compared with the original budget be disclosed and explained.

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

**ATTACHMENTS**

1. **Proposed Summary of Changes - March Budget Review 2017-2018**
2. **Budgeted Statement of Comprehensive Income 2017-2018**
3. **Budgeted Statement of Financial Position 2017-2018**
4. **Budgeted Statement of Cash Flows 2017-2018**
5. **Budgeted Statement of Changes in Equity 2017-2018**
6. **Budgeted Uniform Presentation of Finances 2017-2018**
7. **Budgeted Financial Indicators (Ratios) 2017-2018**

<b>YORKE PENINSULA COUNCIL</b> <b>2017/2018 BUDGET</b> <b>PROPOSED SUMMARY OF CHANGES - 3RD QUARTER (MARCH) BUDGET REVIEW</b>			
Type	Note #	Amount Increase/ (Decrease)	Reason for Variance
<b>OPERATING INCOME</b>			
Rates	1	\$ 12,398	Increase in CWMS service charges to reflect actual amounts raised in 2017/2018 relating to Council properties which had not been applied at the start of the financial year.
	2	\$ 13,807	Rates fines and interest income raised as per legislation, more than originally budgeted.
	3	-\$ 968	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date income/expenditure.
Statutory Charges	4	-\$ 14,170	Net reduction in income expected due to a reduction in Building and Planning applications. Adjustment is to income derived from lodgement, planning assessment, building assessment and application to extend consent.
	5	-\$ 4,303	Minor adjustments (individually) less than \$5k across several budget lines in Development Services to reflect forecast reduction in income.
User Charges	6	\$ 2,401	Net increase to income forecast for lease of Minlaton Office by NRM. Original budget was allocated to Minlaton Hall hire income based on previous lease arrangement. This adjustments reflects the new lease arrangements including revised rental amount.
	7	-\$ 5,400	Hall hire income budget not expected to be met based on year to date income received.
	8	-\$ 6,192	Yorke town Hall tenant income will not be received. Tenant has left.
	9	-\$ 5,000	Boat launching income budget not expected to be met based on year to date income received.
	10	\$ 33,000	Bush camping income forecast higher than originally budgeted based on year to date income received.
	11	-\$ 7,693	Minor adjustments (individually) less than \$5k across several budget lines to reflect forecast reduction in income.
Grants, Subsidies and Contributions	12	\$ 183,210	Minlaton Underground power project additional funding received from DPTI to undertake additional work. Entire amount has been allocated to the project expenditure budget line.
	13	\$ 8,000	Contribution from Catholic Endowment Society for removal of blue gums trees in Maitland.
	14	\$ 9,522	Ardrossan CWMS Augmentation charges paid as per Land Management Agreements. Not originally budgeted.
	15	\$ 9,208	Port Victoria CWMS Augmentation charges paid as per Land Management Agreements. Not originally budgeted.
	16	\$ 10,000	Contribution from Edithburgh Progress for Tidal Pool fencing not originally budgeted. Amount has been invoiced for payment.
	17	\$ 5,000	Contribution from Edithburgh Progress for Tidal Pool car park originally budgeted under capital income. Adjustment to correct classification.
	18	\$ 9,667	Traineeships grant more than originally budgeted. Grant used to part fund trainee employee costs.
	19	\$ 8,589	Grants auspiced by Council on behalf of community groups (\$6,050 and \$2,539). No net cost to Council. Funds either received in advance by Council or to be paid to Council by State Government agency upon provision of invoice. Entire amount has been allocated to the expenditure budget line to reflect payment to community groups.
	20	\$ 3,072	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast income.
Reimbursements	21	\$ 30,000	AGL Wattle Point Wind Farm Community Fund grant amount paid to Council in advance. Community payments are managed by Council. Entire amount has been allocated to expenditure budget line to reflect future payments to community groups.
	22	\$ 11,751	Road closure costs fully reimbursed by purchasers. Equal amount allocated to expenditure budget line to cover expenditure.

<b>YORKE PENINSULA COUNCIL</b>			
<b>2017/2018 BUDGET</b>			
<b>PROPOSED SUMMARY OF CHANGES - 3RD QUARTER (MARCH) BUDGET REVIEW</b>			
Type	Note #	Amount Increase/ (Decrease)	Reason for Variance
Other	23	-\$ 2,463	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast income.
	24	\$ 5,000	Contribution by Stansbury Museum Committee towards works undertaken at Stansbury Museum. Entire amount allocated to expenditure budget line to fund total works.
	25	\$ 46,250	Insurance settlement funds for Price Playground shade sail destroyed during storm. Entire amount has been paid to Price Progress for installation of new shade sail. Expenditure budget line has been allocated the full amount.
	26	\$ 27,540	Storm damage insurance claim works completed in 2016/17 but funds paid in 2017/18.
	27	\$ 4,489	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast income.
<b>OPERATING EXPENDITURE</b>			
Employee Costs	28	-\$ 28,219	Salaries for vacant positions in HR, trainees and Customer Services used to fund agency staff required to undertake operational duties.
	29	-\$ 8,000	Salary savings due to closure of VIC (Council decision) used to fund set up of VIO's.
	30	-\$ 15,560	Salary for vacant WHS position used to fund agency staff engaged to complete work.
	31	\$ 6,150	Increase to Leisure Options superannuation based on year to date and forecast expenditure.
	32	-\$ 2,856	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast expenditure.
Materials, Contracts & Other	33	\$ 46,250	Insurance settlement funds for Price Playground shade sail destroyed during storm. Entire amount has been paid to Price Progress for installation of new shade sail. Expenditure budget line has been allocated the full amount.
	34	\$ 10,000	Contribution to DPTI for Elizabeth St road pavement rehabilitation (Council decision). Funded from existing consultancy budget.
	35	\$ 10,000	Adjustment for debt raised and then written off - Stansbury Progress Association (Council decision)
	36	\$ 29,000	Increase to external agency staff budget to cover vacancies to permanent staff positions.
	37	\$ 11,751	Road closure costs fully reimbursed by purchasers. Not originally budgeted hence the allocation of budget.
	38	\$ 26,000	Dive reports for wharf and jetty at Port Vincent, Wool Bay, Edithburgh and Point Turton.
	39	-\$ 13,000	Contractor budget for boat ramp maintenance used to part fund dive reports (refer #38 above).
	40	\$ 183,210	Minlaton Underground power project additional funding received from DPTI to undertake additional work. Project expenditure budget line increased to reflect additional funding.
	41	\$ 12,020	Stansbury museum repairs and maintenance partly funded (\$5k) by Stansbury Museum Committee. Balance funded through Council funds in the unallocated halls budget line.
	42	\$ 8,000	Cost of removal of blue gum trees in Maitland funded by Catholic Endowment Society.
	43	-\$ 19,362	Halls maintenance budget reduced to fund Council share of Stansbury Museum repairs, repairs for various other halls over and above individual budgets allocated and replacement of Council house fence not previously budgeted but requiring replacement.
	44	\$ 18,052	Port Vincent, Marion Bay and Point Turton Caravan Parks additional maintenance works required. They were essential and unbudgeted. Works include pump replacement, tree trimming, remedial gas works, moving fish cleaning area, leaking pipe repairs etc.

<b>YORKE PENINSULA COUNCIL</b>			
<b>2017/2018 BUDGET</b>			
<b>PROPOSED SUMMARY OF CHANGES - 3RD QUARTER (MARCH) BUDGET REVIEW</b>			
Type	Note #	Amount Increase/ (Decrease)	Reason for Variance
	45	\$ 40,000	Removal and disposal of six (6) old cabins and rehabilitation of existing site to provide powered camping sites at Point Turton Caravan Park. Budget of \$30k for sale of existing cabins has been included as capital income.
	46	\$ 30,000	AGL Wattle Point Wind Farm Community Fund budget to reflect future payments to community groups.
	47	\$ 5,000	Maitland Aero Club fence repair (Council decision). Not in original budget.
	48	\$ 6,050	Payment of auspiced grant. Council to be reimbursed from State Government agency.
	49	\$ 7,364	Cost of set up of VIO's. Funded from savings in Employee costs.
	50	-\$ 6,000	Township DPA's budget reduced based on work to be undertaken.
	51	-\$ 19,844	Point Turton Caravan Park CWMS charge removed as CWMS not going to be connected in 2017/18.
	52	\$ 9,269	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast expenditure.
<b>CAPITAL INCOME</b>			
Amounts received specifically for new assets	53	-\$ 5,000	Contribution from Edithburgh Progress for Tidal Pool car park originally budgeted under capital income. Adjustment to correct classification.
Asset Disposals	54	\$ 30,000	Income for removal and disposal of six (6) old cabins at Point Turton Caravan Park. Not previously budgeted. Also refer #45 above.
	55	\$ 26,363	Trade-in income for major plant replaced in 2017/18 greater than budgeted. Used to fund Elizabeth Street kerbing new capital project (Council decision).
<b>CAPITAL EXPENDITURE - RENEWAL</b>			
Buildings and Other Structures	56	-\$ 200,000	Point Turton Caravan Park cabins project renewal budget moved to upgrade/new budget line. During the process the cabins were no longer replacements and were located in a different part of the park. The existing cabins which were to be replaced will now be sold and the site
	57	\$ 8,995	Marion Bay Caravan Park additional capital works required. They were essential and unbudgeted. Works included hot water system replacements and furniture replacements for cabins.
	58	\$ 14,627	Maitland Office air conditioning repairs and replacements previously unbudgeted.
	59	\$ 11,000	Port Vincent Council house fence replacement. Project not in original budget. Funded from savings in Development Services operating budget.
	60	\$ 3,000	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast expenditure.
CWMS Infrastructure	61	-\$ 3,513	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast expenditure.
Other	62	\$ 10,000	Edithburgh Tidal Pool fencing replacement not previously budgeted. Funded by contribution from Progress.
	63	\$ 1,135	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast expenditure.
Plant and Equipment (incl IT)	64	-\$ 20,000	IT Customer Service Request system replacement project deferred. Funds used for over expenditure on server hardware replacement. Tender amount higher than budgeted.
	65	-\$ 14,144	Net adjustment to fleet vehicle purchase budget to reflect year to date costs. Savings to fund other capital projects (Council decisions made during the year) not originally budgeted.
	66	-\$ 5,516	Prime movers purchase price lower than budgeted. Savings to fund other capital projects (Council decisions made during the year) not originally budgeted.
	67	-\$ 38,607	Street sweeper purchase price lower than budgeted. Savings to fund other capital projects (Council decisions made during the year) not originally budgeted.

<b>YORKE PENINSULA COUNCIL</b> <b>2017/2018 BUDGET</b> <b>PROPOSED SUMMARY OF CHANGES - 3RD QUARTER (MARCH) BUDGET REVIEW</b>			
Type	Note #	Amount Increase/ (Decrease)	Reason for Variance
Road Infrastructure	68	-\$ 3,750	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast expenditure.
	69	-\$ 16,366	Road reseals budget balanced to actual spent. Savings to fund other capital projects (Council decisions made during the year) not originally budgeted.
	70	\$ 51,406	South Coast Road construction materials required more than originally budgeted.
	71	\$ 146,894	Sturt Bay Road construction budget increased in accordance with Council decision. Funded from savings on other road construction jobs.
	72	-\$ 109,158	Pine Point Road (Maitland seal to Hasting Rd) materials budget reduced to match actual required. Savings used to fund other road construction projects.
	73	-\$ 40,850	Pine Point Road (3km north west of Yorke Highway) materials budget reduced to match actual required. Savings used to fund other road construction projects.
	74	\$ 127,300	Elizabeth Street, Maitland kerbing capital works budget allocation (Council decision).
	75	-\$ 522	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast expenditure.
<b>CAPITAL EXPENDITURE - NEW/UPGRADE</b>			
Buildings and Other Structures	76	\$ 8,738	Maitland Office air conditioning upgrades previously unbudgeted.
	77	\$ 280,000	Point Turton Caravan Park cabins project renewal budget moved here (\$200k). During the process the cabins were no longer replacements and were located in a different part of the park. The existing cabins which were to be replaced will now be sold and the site developed. The extra \$80k was approved by Council.
CWMS Infrastructure	78	\$ 3,513	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast expenditure.
	79	-\$ 25,000	Allocation to match new capital grants removed and used to fund Elizabeth St kerbing project.
	80	\$ 11,000	Redesign and purchase of furniture and fittings for part of the Council office to accommodate additional staff working in that area.
Plant and Equipment (incl IT)	81	\$ 2,596	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast expenditure.
	82	\$ 26,700	Replacement of IT server hardware more than originally budgeted.
	83	\$ 24,500	Side tippers more than original budget due to increase in scope and functionality. Additional funded from savings in overall major plant replacement budget and extra trade-in income.
	84	\$ 550	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast expenditure.
	85	-\$ 21,286	Edithburgh Tidal Pool car park savings allocated to other capital projects brought into budget via Council decisions.
Road Infrastructure	86	-\$ 9,606	Grainstack Rd East sealing project budget savings.
	87	-\$ 5,812	Minor adjustments (individually) less than \$5k across several budget lines to reflect year to date and forecast expenditure.

<b>YORKE PENINSULA COUNCIL</b> <b>2017/18 BUDGET</b> <b>BUDGETED STATEMENT OF COMPREHENSIVE INCOME</b>							
	2017/18 Revised Budget	2017/18 March Budget Adjustments	2017/18 December Budget Adjustments	2017/18 September Budget Adjustments	2017/18 Carry Forward Projects Adjustments	2017/18 Adopted Budget	2017/18 Notes
	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	
<b>INCOME</b>							
Rates	21,973	25	(1)	43		21,906	1 - 3
Statutory Charges	400	(19)	26			393	4, 5
User Charges	3,270	13	130	66		3,061	6 - 11
Grants, subsidies, contributions	3,598	246	12	(590)	28	3,902	12 - 20
Investment Income	168		35			133	
Reimbursements	196	39	(205)			362	21 - 23
Other Income	465	83	52	168		162	24 - 27
<b>Total Income</b>	<b>30,070</b>	<b>387</b>	<b>49</b>	<b>(313)</b>	<b>28</b>	<b>29,919</b>	
<b>EXPENSES</b>							
Employee costs	9,008	(48)	(28)	(118)		9,202	28 - 32
Materials, contracts & other expenses	14,087	393	99	269	261	13,065	33 - 52
Depreciation	9,461					9,461	
Finance Costs	382		(25)	4		403	
<b>Total Expenses</b>	<b>32,938</b>	<b>345</b>	<b>46</b>	<b>155</b>	<b>261</b>	<b>32,131</b>	
<b>OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS</b>	<b>(2,868)</b>	<b>42</b>	<b>3</b>	<b>(468)</b>	<b>(233)</b>	<b>(2,212)</b>	
Net gain/(loss) on disposal or revaluations	(21)					(21)	
Amounts specifically for new assets	201	(5)		7	22	177	53
<b>NET SURPLUS/(DEFICIT)</b>	<b>(2,688)</b>	<b>37</b>	<b>3</b>	<b>(461)</b>	<b>(211)</b>	<b>(2,056)</b>	
<b>Other Comprehensive Income</b>							
Changes in revaluation surplus - IPP&E	0			0	0	0	
<b>Total Other Comprehensive Income</b>	<b>0</b>			<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(2,688)</b>	<b>37</b>	<b>3</b>	<b>(461)</b>	<b>(211)</b>	<b>(2,056)</b>	

YORKE PENINSULA COUNCIL 2017/18 BUDGET BUDGETED STATEMENT OF FINANCIAL POSITION							
	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
	Revised Budget	March Budget	December	September	Carry Forward	Adopted Budget	Notes
	\$(‘000)	Adjustments	Budget	Budget	Projects	\$(‘000)	
		\$(‘000)	Adjustments	Adjustments	Adjustments		
			\$(‘000)	\$(‘000)	\$(‘000)		
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash & Equivalent Assets	2,694	(236)	(242)	2,482	(1,395)	2,085	
Trade & Other Receivables	1,582	137	(541)	765		1,221	
Inventories	920	25	137	(111)		869	
<b>Total Current Assets</b>	<b>5,196</b>	<b>(74)</b>	<b>(646)</b>	<b>3,136</b>	<b>(1,395)</b>	<b>4,175</b>	
<b>Non-Current Assets</b>							
Receivables	0			(530)		530	
Financial Assets	605		62			543	
Infrastructure, Property, Plant & Equipment	295,836	162	(122)	(4,247)	1,184	298,859	
<b>Total Non-Current Assets</b>	<b>296,441</b>	<b>162</b>	<b>(60)</b>	<b>(4,777)</b>	<b>1,184</b>	<b>299,932</b>	
<b>Total Assets</b>	<b>301,637</b>	<b>88</b>	<b>(706)</b>	<b>(1,641)</b>	<b>(211)</b>	<b>304,107</b>	
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Trade & Other Payables	2,342	49	192	312		1,789	
Borrowings	672		(144)			816	
Provisions	2,038	1	(236)	403		1,870	
<b>Total Current Liabilities</b>	<b>5,052</b>	<b>50</b>	<b>(188)</b>	<b>715</b>	<b>0</b>	<b>4,475</b>	
<b>Non-Current Liabilities</b>							
Borrowings	7,043		(787)			7,830	
Provisions	472		245	(488)		715	
<b>Total Non-Current Liabilities</b>	<b>7,515</b>	<b>0</b>	<b>(542)</b>	<b>(488)</b>	<b>0</b>	<b>8,542</b>	
<b>Total Liabilities</b>	<b>12,567</b>	<b>50</b>	<b>(730)</b>	<b>227</b>	<b>0</b>	<b>13,017</b>	
<b>NET ASSETS</b>	<b>289,070</b>	<b>38</b>	<b>24</b>	<b>(1,868)</b>	<b>(211)</b>	<b>291,090</b>	
<b>EQUITY</b>							
Accumulated Surplus	(12,750)	38	21	(2,660)	(211)	(9,938)	
Asset Revaluation Reserve	300,690			353		300,337	
Other Reserves	1,130			439		691	
<b>TOTAL EQUITY</b>	<b>289,070</b>	<b>38</b>	<b>21</b>	<b>(1,868)</b>	<b>(211)</b>	<b>291,090</b>	

<b>YORKE PENINSULA COUNCIL</b>							
<b>2017/18 BUDGET</b>							
<b>BUDGETED STATEMENT OF CASH FLOWS</b>							
	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
	Revised Budget	March Budget Adjustments	December Budget Adjustments	September Budget Adjustments	Carry Forward Projects Adjustments	Adopted Budget	Notes
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Receipts</i>							
Operating Receipts	22,068	25	313	43		21,687	
Statutory Charges	400	(19)	26			393	
User Charges	3,270	13	161	66		3,030	
Grants, subsidies, contributions	3,599	247	12	(590)	28	3,902	
Investment Receipts	168	1	35			132	
Reimbursements	386	26	(2)			362	
Other Income	662	(40)	372	168		162	
<i>Payments</i>							
Employee Costs	(8,818)	46	64	116		(9,044)	
Materials, contracts & other expenses	(14,280)	(367)	(276)	(269)	(261)	(13,107)	
Finance Costs	(382)		25	(4)		(403)	
<b>Net Cash provided by (or used in) Operating Activities</b>	<b>7,073</b>	<b>(68)</b>	<b>730</b>	<b>(470)</b>	<b>(233)</b>	<b>7,114</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Receipts</i>							
Amounts Specifically for New/Upgraded Assets	201	(5)		7	22	177	53
Sale of Renewed/Replaced Assets	440	56	8			376	54, 55
Repayments of Loans by Community Groups	91		(42)			133	
<i>Payments</i>							
Expenditure on Renewal/Replacement of Assets	(8,449)	59		(20)	(202)	(8,286)	56 - 75
Expenditure on New/Upgraded Assets	(3,114)	(278)	(7)	(417)	(982)	(1,430)	76 - 87
<b>Net Cash Provided by (or used in) Investing Activities</b>	<b>(10,832)</b>	<b>(168)</b>	<b>(41)</b>	<b>(430)</b>	<b>(1,162)</b>	<b>(9,030)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Receipts</i>							
Proceeds from Borrowings	182		(1,018)			1,200	
<i>Payments</i>							
Repayments of Borrowings	(655)		88			(743)	
<b>Net Cash provided by (or used in) Financing Activities</b>	<b>(473)</b>	<b>0</b>	<b>(930)</b>	<b>0</b>	<b>0</b>	<b>457</b>	
						0	
<b>Net Increase/(Decrease) in cash held</b>	<b>(4,232)</b>	<b>(236)</b>	<b>(241)</b>	<b>(900)</b>	<b>(1,395)</b>	<b>(1,459)</b>	
<b>Opening cash, cash equivalents or (bank overdraft)</b>	<b>6,926</b>			<b>3,382</b>		<b>3,544</b>	
<b>Closing cash, cash equivalents or (bank overdraft)</b>	<b>2,694</b>	<b>(236)</b>	<b>(241)</b>	<b>2,482</b>	<b>(1,395)</b>	<b>2,085</b>	

YORKE PENINSULA COUNCIL 2017/18 BUDGET BUDGETED STATEMENT OF CHANGES IN EQUITY							
	2017/18 Revised Budget \$('000)	2017/18 March Budget Adjustments \$('000)	2017/18 December Budget Adjustments \$('000)	2017/18 September Budget Adjustments \$('000)	2017/18 Carry Forward Projects Adjustments \$('000)	2017/18 Adopted Budget \$('000)	2017/18 Notes
<b>ACCUMULATED SURPLUS</b>							
Balance at end of previous reporting period	(10,082)			(2,200)		(7,882)	
Net Result for Year	(2,668)	38	21	(460)	(211)	(2,056)	
<b>Balance at end of period</b>	<b>(12,750)</b>	<b>38</b>	<b>21</b>	<b>(2,660)</b>	<b>(211)</b>	<b>(9,938)</b>	
<b>ASSET REVALUATION RESERVE</b>							
Land	73,286					73,286	
Buildings and Other Structures	48,995					48,995	
Transportation Infrastructure	151,160			265		150,895	
CWMS Infrastructure	15,420			939		14,481	
Water Scheme Infrastructure	2,073					2,073	
Stormwater Drainage	9,756			(851)		10,607	
<b>Balance at end of period</b>	<b>300,690</b>		<b>0</b>	<b>353</b>	<b>0</b>	<b>300,337</b>	
<b>OTHER RESERVES</b>							
Balance at end of previous reporting period	1,130			439		691	
<b>Balance at end of period</b>	<b>1,130</b>		<b>0</b>	<b>439</b>	<b>0</b>	<b>691</b>	
<b>TOTAL EQUITY AT END OF REPORTING PERIOD</b>	<b>289,070</b>	<b>38</b>	<b>21</b>	<b>(1,868)</b>	<b>(211)</b>	<b>291,090</b>	

YORKE PENINSULA COUNCIL 2017/18 BUDGET BUDGETED UNIFORM PRESENTATION OF FINANCES							
	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
	Revised Budget	March Budget	December	September	Carry Forward	Adopted Budget	Notes
	\$(‘000)	Adjustments	Budget	Budget	Projects	\$(‘000)	
		\$(‘000)	Adjustments	Adjustments	Adjustments		
			\$(‘000)	\$(‘000)	\$(‘000)		
Operating Revenues	30,070	388	47	(312)	28	29,919	1 - 27
<i>less Operating Expenses</i>	32,939	345	48	154	261	32,131	28 - 52
<b>Operating Surplus/(Deficit) before Capital Amounts</b>	<b>(2,869)</b>	<b>43</b>	<b>(1)</b>	<b>(466)</b>	<b>(233)</b>	<b>(2,212)</b>	
<b>Less: Net Outlays on Existing Assets</b>							
Capital Expenditure on Renewal/Replacement of Existing Assets	8,449	(59)		20	202	8,286	56 - 75
<i>less Depreciation, Amortisation &amp; Impairment</i>	9,461					9,461	
<i>less Proceeds from Sale of Replaced Assets</i>	440	56	8			376	54, 55
	<b>(1,452)</b>	<b>(115)</b>	<b>(8)</b>	<b>20</b>	<b>202</b>	<b>(1,551)</b>	
<b>Less: Net Outlays on New and Upgraded Assets</b>							
Capital Expenditure on New/Upgraded Assets	3,112	276	7	417	982	1,430	76 - 87
<i>less Amounts Specifically for New/Upgraded Assets</i>	201	(5)		7	22	177	53
<i>less Proceeds from Sale of Surplus Assets</i>	0					0	
	<b>2,911</b>	<b>281</b>	<b>7</b>	<b>410</b>	<b>960</b>	<b>1,253</b>	
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>(4,328)</b>	<b>(123)</b>	<b>0</b>	<b>(896)</b>	<b>(1,395)</b>	<b>(1,914)</b>	

YORKE PENINSULA COUNCIL 2017/18 BUDGET BUDGETED FINANCIAL INDICATORS (RATIOS)							
	2017/18 Revised Budget	2017/18 March Budget Adjustments	2017/18 December Budget Adjustments	2017/18 September Budget Adjustments	2017/18 Carry Forward Projects Adjustments	2017/18 Adopted Budget	2017/18 Notes
Operating Surplus Ratio - %	(9.5%)	0.6%	(0.3%)	(1.7%)	(0.8%)	(7.4%)	1 - 52
Net Financial Liabilities Ratio - %	26%	0.7%	(0.1%)	(8%)	5%	29%	
Asset Sustainability Ratio - %	85%	(2.0%)	1%	0%	2%	84%	54 - 75

**8.3 CAPITAL VALUATIONS AND RATING MODELS - 2018/2019****Document #:** 18/36261**Department:** Corporate and Community Services**PURPOSE**

To inform the Audit Committee of indicative movements in Capital Valuations for 2018/2019 and the rating models considered and endorsed by Council for 2018/2019 consistent with Council's Long Term Financial Plan 2019-2028, to raise General Rates to fund Council's Annual Business Plan (ABP) and Budget.

**RECOMMENDATION**

That the Audit Committee receive the report and note its contents.

**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

5.4 Seek alternate income streams and ensure financial sustainability

**BACKGROUND**

Council currently raises rates for individual properties based on capital value i.e. value of land plus capital improvements. General rates (excluding services charges for waste collection, water, CWMS and NRM levy) for a property consist of a fixed charge (\$410 in 2017/18) plus a component of rates calculated by multiplying the capital value of the property by the rate in the dollar set by Council. Council has two (2) rates in the dollar - one for residential, commercial, vacant, industrial and other properties and one for primary production.

At its meeting on Wednesday, 9<sup>th</sup> May 2018 Council noted the indicative movements in Capital Valuations for 2018/2019 and the inequity that currently exists between Residential and Primary Production ratepayers. It also considered seven (7) rating models and after much debate, discussion and various failed motions, endorsed model A2 as the preferred model for raising of general rate income in 2018/2019. This corresponds to a total general rate increase of 6.8% in 2018/2019 and is 2% more than Council's LTFP. All rating models considered and the reason for the increase above the LTFP are outlined in the rest of this report.

**Property Valuations**

Updated property valuation data is provided to Council by the State Valuation Office (SVO) of the Land Services Group of the Department of Planning, Transport and Infrastructure on a weekly basis. The most recent indicative capital valuations for 2018/2019 received are as at 23<sup>rd</sup> April 2018 (Week 42). These values have been used in the rates modelling presented later in this report.

The values remain fluid as the SVO continues to visit properties where recent building work has occurred, therefore further valuation updates are expected to be received by Council before the valuations are formally considered for adoption by Council on Wednesday, 27<sup>th</sup> June 2018.

Elected members were provided with two (2) models (based on valuations supplied by the SVO dated 23<sup>rd</sup> April 2018) at a workshop on Tuesday, 24<sup>th</sup> April 2018. The report considered by Council provided updated modelling (with alternatives to address the inequity between residential and primary production properties relating to valuations and rates paid) based on current valuations and

requested formal endorsement by Council of one (1) model from the various options provided in the report.

## DISCUSSION

While capital valuations do not influence the total amount of rates that need to be raised to fund Council's budget to provide services and infrastructure to the Community, they do impact the amount of rates contributed by individual ratepayers and various land use categories i.e. residential, primary production etc. Therefore, for the purposes of equity it is important that rates contributed by ratepayers as a whole in a particular land use category are generally consistent with the capital valuations for that land use category. For example, if the Residential land use category as a whole was valued at \$2.28b or 41% of the total capital valuation (\$5.56b) of the Council area in 2017/2018, it would be fair to assume they should generally contribute as a minimum 41% but not too much more than that of the total rate income of approximately \$17m required to fund the 2017/2018 Budget. The same equity principle when applied to all land use categories when setting rates in 2017/2018, shows that except for Primary Production and Residential, all other categories generally meet this principle. The inequity between Primary Production and Residential land use categories is not a one off occurrence and has been nine (9) years in the making as detailed below.

### Capital Valuation Trends

Going back to 2010/2011 the total capital valuation for the Residential land use category was approximately \$2.16b while for the Primary Production land use category it was approximately \$2.10b. In the nine (9) financial years since, capital valuations for Primary Production have risen \$1.15b or 54.8% to reach \$3.25b in 2018/2019. During the same period Residential capital valuations have increased \$100m or 4.6% to reach \$2.26b in 2018/2019.

During this time the rate contribution for both land use categories has not kept pace with the movement in valuations, with Residential ratepayers contributing significantly more of the total rate contribution than Primary Production ratepayers (currently approx. 56%:33%). The table below shows the inequity by using 2017/2018 data for valuations and rate contributions adopted by Council. The numbers show that the Residential land use category made up 41.1% of total valuations but contributed 56.3% of the total rates (a gap of +15.2%), while the Primary Production land use category made up 52.1% of the total valuations but contributed 33.1% of the total rates (a gap of -19%). In 2016/2017 this gap was +13.3% and -16.9% respectively.

2018/2019 figures have not been used as they are indicative at this stage and have not been adopted by Council. Indicative figures for preliminary modelling purposes are stated later in this report. Early indicative capital valuations for 2018/2019 show increases to Primary Production valuations and decreases to Residential valuations thus increasing this inequity. Strategies and subsequent rate models to decrease this inequity are presented later in this report.

Land Use Category	Assessments 2017-2018	Valuations 2017-2018	Valuations (% of total)	Rate Contribution	Variance
Residential	8,800	\$2.28B	41.1%	56.3%	15.2%
Commercial	460	\$140M	2.5%	3.1%	0.6%
Industrial	63	\$19.7M	0.4%	0.4%	0.08%
Primary Production	2,790	\$2.90B	52.1%	33.1%	-19.0%
Vacant Land	1,556	\$186M	3.3%	6.0%	2.7%
Other	223	\$33M	0.6%	1.0%	0.4%
TOTAL	13,892	\$5.56B	100%	100%	

### Comparison to Other Councils

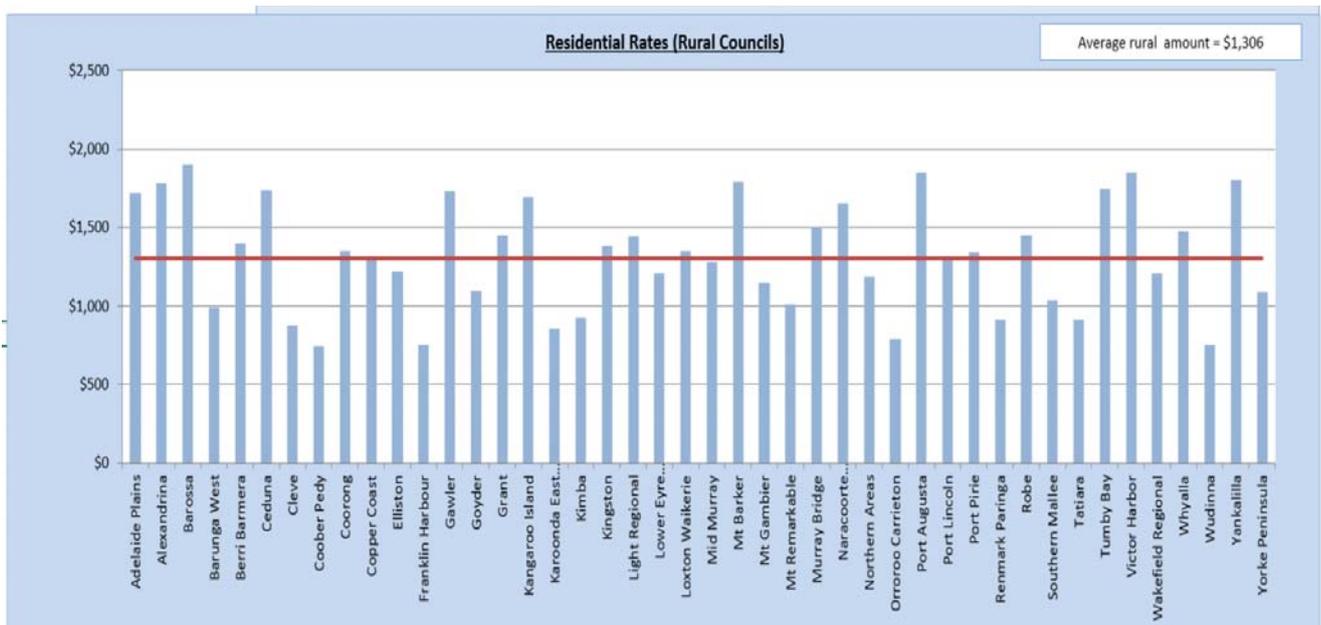
2017/2018 data sourced for a property worth \$5m shows that Primary Production ratepayers in Yorke Peninsula Council pay substantially less than other similar and neighbouring Councils. The table below sets out the differences.

<b>Council</b>	<b>General Rates (\$5m property)</b>	<b>Variation to YPC</b>	<b>Comments</b>
Yorke Peninsula	\$9,345		
Copper Coast	\$12,821	\$3,476 (37%)	Waste service charge not separate
Barunga	\$13,110	\$3,765 (40%)	Waste service charge not separate
Port Pirie	\$16,235	\$6,890 (74%)	
Wakefield	\$16,310	\$6,965 (75%)	
Barossa	\$17,607	\$8,262 (88%)	
Light Regional	\$17,700	\$8,355 (89%)	Minimum rate not fixed charge

Similar data sourced for 2017/2018 for a \$500k Residential property shows the following differences.

<b>Council</b>	<b>General Rates (\$500k property)</b>	<b>Variation to YPC</b>	<b>Comments</b>
Yorke Peninsula	\$1,724		
Copper Coast	\$1,881	\$157 (9%)	Waste service charge not separate
Barunga	\$1,945	\$221 (13%)	Waste service charge not separate
Wakefield	\$2,068	\$344 (20%)	
Barossa	\$2,071	\$347 (20%)	
Light Regional	\$2,185	\$461 (27%)	Minimum rate not fixed charge
Port Pirie	\$2,373	\$649 (38%)	

Data collated by the LGA for 2017/2018 shows that the average annual rural Residential rate for SA is \$1,306 with the Yorke Peninsula average being \$1,091. The graph below provides more information.



**Capital Valuation Movements - 2018/2019**

At present the total proposed valuations for 2018/2019 are \$5.89b compared to \$5.56b in 2017/2018. This represents an increase of approximately \$330m or 5.9%. The table below compares valuations by land use category, for both years and shows the movements in each.

LAND USE CATEGORY	2018-19	2017-18	VARIANCE (\$)	VARIANCE (%)
Residential	\$2.26B	\$2.28B	-\$28M	-1.2%
Commercial	\$140.7M	\$139.9M	\$800K	0.6%
Industrial	\$19.2M	\$19.7M	-\$500K	-2.1%
Primary Production	\$3.25B	\$2.90B	\$350M	12.3%
Vacant Land	\$185.8M	\$186M	-\$200K	-0.1%
Other	\$32.4M	\$32M	\$400K	1.2%
<b>TOTAL</b>	<b>\$5.89B</b>	<b>\$5.56B</b>	<b>\$330M</b>	<b>5.9%</b>

It should be noted that non-rateable properties valued at approximately \$165m are not included in the table above.

On closer examination of the valuations in the table above, the following changes are worth noting:

- Primary Production valuations have increased by approximately 12.3% or \$350m;
- Residential properties have experienced an overall decrease of 1.2% or approximately \$28m; and
- Variations for all other land use categories are minimal.

It should also be noted that the total General Rates income required to fund the ABP and Budget in 2018/2019 was approximately \$17.815m (prior to the endorsement of rating model A2 by Council –

it is now \$18.153m or \$338k extra) and is not set by area or land use category. It is set as the total amount to be generated from all ratepayers in the entire Council area, to ensure that Council is able to deliver services and provide infrastructure in line with its ABP, Long Term Financial Plan 2019-2028 (LTFP 2019-2028), Strategic Management Plan (SMP) and Asset Management Plans (AMP's).

Changes in capital valuations of land do not influence the overall increase to total general rates required to be raised. Changes in capital valuations do however impact on individual rates calculated. Capital valuations are set by the SVO and not by Council.

### **Rating Strategy – LTFP 2019-2028 and ABP**

Council's draft ABP provided for consideration by Elected Members at the May 2018 Council meeting to enable it to proceed to community consultation, provided for an increase of 4.8% (approximately \$818k – refer Model A later in this report) to total general rate income compared to 2017/2018. This was consistent with Council's recently adopted LTFP 2019-2028. The 4.8% increase is made up of the December quarter Adelaide All Cities CPI of 2.3% and a "Financial Sustainability" increase of 2.5%. This does not mean individual rates will increase by 4.8%. Increases to individual ratepayers will vary depending on movements in their individual capital values set by the SVO.

The key issues and desired outcomes in determining a suitable rating model for 2018/2019 are:

- Total General Rates required approximately \$17.815m (prior to the endorsement of rating model A2 by Council – it is now \$18.153m or \$338k extra) before rebates;
- Reducing the inequity between total capital value of land use categories compared to the amount of total rates contributed by those categories (refer to table above);
- Impact of increases to the fixed charge and comparison to other similar and neighbouring Councils;
- Rate contribution by ratepayers in land use categories as a proportion of total general rate income; and
- Maintaining equitable and fair contributions across all land use categories for 2018/2019 compared to 2017/2018 wherever possible, based on parity, equity, capacity to pay and increase to total general rate income.

As Council endorsed an alternative Model to 'A' (A2 in this instance) the draft ABP was adjusted to reflect the changes prior to being advertised for community consultation.

Mandatory and discretionary rebates (as specified in the Local Government Act 1999) totalling approximately \$135k have been provided for in the 2018/2019 draft budget.

### **Rating Models – 2018/2019**

As mentioned earlier in the report initially two (2) models were presented to Elected Members at a workshop to consider in determining a suitable rating model for the raising of 2018/2019 total General Rates. The following considerations were taken into account when undertaking modelling:-

- Retaining the fixed charge at \$410 or increasing it to \$430 (4.8% increase) to ensure all ratepayers contribute a set amount to the provision of Council services and infrastructure, without the majority of the rate increase falling on those who have the least capacity to pay;
- A lower fixed charge reduces the impact of rate in the dollar increases for lower valued properties which constitute the majority of Council's resident ratepayers, many of whom would be vulnerable to an adverse impact on their capacity to pay large rate increases;
- Distributing increases as evenly and fairly as possible across all of Council's ratepayers with due consideration to valuations, rate distribution, commercial benefits and deductions; and
- For each land use (rating) category total capital value vs rate contribution i.e. equity (refer 2017/2018 table above).

The initial two (2) rating models workshopped with Elected Members were structured on the following initial assumptions:

- 4.8% total increase (consistent with LTFP 2019-2028) to 2017/2018 general rate income to get a 2018/2019 rate base of approximately \$17.815m (\$818k extra income compared to 2017/2018);
- Valuation data as at 23<sup>rd</sup> April 2018 (refer table of proposed 2018/2019 capital values presented earlier in this report);
- Model A: \$410 fixed charge;
- Model B: \$430 fixed charge; and
- Both models assumed that rate contribution (%) for each land use category would generally remain the same as 2017/2018;
  - Residential to pay 56.3% of the total general rate income;
  - Primary Production to pay 33.1%;
  - Commercial to pay 3.1%;
  - Industrial to pay 0.4%;
  - Vacant land to pay 6%; and
  - Other to pay 1%.

Both models were discussed at the workshop with a preference to leave the fixed charge unchanged, hence Model A was preferred as the base for raising rates in 2018/2019. There was further discussion on the expected change in valuations in 2018/2019, the inequity between rates contributed by Residential and Primary Production land use categories and ways that inequity can be reduced. As a result Elected Members requested that staff develop additional rating models for consideration to address the inequity highlighted above and earlier in this report.

Additional models (A1 to A5) were developed using the following assumptions:

- Model A (consistent with LTFP 2019-2028 and maintaining 2017/2018 rate contributions (%) for land use categories) used as the base;
- Fixed charge unchanged at \$410;
- 1% (approx. \$166k) increase to total general rate income in addition to Model A for each subsequent model (A1 to A5); and
- Additional 1% rate income for Models A1 to A5 to be generated from the 2,790 Primary Production ratepayers, with all other land use categories to remain unchanged.

The results of all models (including additional) are set out in the table below.

Model	Increase to Total General Rate Income (compared to 2017/18)		Total General Rates Income (2018/19)	Rate Increase to Land Use Categories					
				Residential	Commercial	Industrial	Primary Production	Vacant	Other
<b>A</b>	4.8%	\$818k	\$17.815m	4.2%	6.1%	9.1%	5.8%	4.0%	3.8%
<b>A1</b>	5.8%	\$984k	\$17.981m	4.2%	6.1%	9.1%	8.8%	4.0%	3.8%
<b>A2</b>	6.8%	\$1.156m	\$18.153m	4.2%	6.1%	9.1%	11.8%	4.0%	3.8%
<b>A3</b>	7.8%	\$1.325m	\$18.323m	4.2%	6.1%	9.1%	14.8%	4.0%	3.8%
<b>A4</b>	8.8%	\$1.495m	\$18.492m	4.2%	6.1%	9.1%	17.8%	4.0%	3.8%
<b>A5</b>	9.8%	\$1.664m	\$18.661m	4.2%	6.1%	9.1%	20.8%	4.0%	3.8%

*\*\* The amounts in the table above are indicative and may change before rates are raised in July 2018 due to some minor changes to valuations. The final figure for total general rates raised for 2018/2019 will be as close to the model endorsed by Council.*

The alternative models (A1 to A5) above result in the following:

- For every 1% increase to total general rates above the LTFP 2019-2028 increase of 4.8%, total Primary Production rate income will increase by 3%;
- Rate contributions (%) for Primary Production land use category will increase by 0.6% for each 1% increase over and above LTFP 2019-2028. This will be balanced by decreases in Residential and Vacant land use categories; and
- Fixed charge remains unchanged at \$410.

Full detail on the various models, variations and impacts to land use categories can be found in Attachments 1 – 6.

As stated earlier, further valuation updates will be received from the SVO between now and when Council adopts valuations and declares rates. This additional information may result in variations to the information previously presented to Council. Any significant changes will be brought to Elected Members attention prior to adoption of capital valuations and setting of rates for 2018/2019.

### **Conclusion**

Council's 2018/2019 draft ABP considered for public consultation at Council May 2018 meeting was based on a LTFP 2019-2028 increase of 4.8%, however, once Council endorsed Model A2 the draft ABP, Budget and Financial Statements were amended to reflect the endorsed model prior to being advertised for community consultation.

Additional rates income generated from Model A2 was ring fenced for expenditure on capital projects in 2018/2019, with a focus on renewal of existing assets. This additional funding has since been considered by Elected Members at a workshop and staff have been given direction as to which projects it should be allocated to. The final version of the 2018/2019 ABP and Budget which will be considered for endorsement by Council at a special meeting on Wednesday, 27<sup>th</sup> June 2018, will include this additional expenditure.

Should Council have chosen to endorse the rating model consistent with Council's LTFP 2019-2028, being Model A, then it was suggested that it be varied to address the inequity (detailed throughout this report) in rates contributed between Residential and Primary Production land use categories. A variation of Model A was developed (Model A0) and full details can be found in Attachment 7.

Model A0 had the following outcomes:

- 4.8% increase to total general rates income (consistent with LTFP 2019-2028);
- No increase to Residential land use category total general rate income i.e. same as 2017/2018;
- Capping Residential total general rates has impacted other land use categories as follows:
  - Commercial 1.4% increase;
  - Industrial 4.4% increase;
  - Primary Production 14.3% increase;
  - Vacant Land 0.7% increase; and
  - Other 0.3% increase.
- Increases to Commercial, Industrial, Vacant and Other land use categories are substantially less than Model A;
- Primary Production land use category increases by an additional 8.5% compared to Model A;

- Proportion (%) of total rates income paid by Primary Production increases by approx. 3% to 36.1%, balanced by a 2.6% decrease in Residential and small decreases to Commercial and Vacant; and
- Addresses to some extent the inequity between Residential and Primary Production.

**COMMUNITY ENGAGEMENT PLAN**

Level 1 - Inform

**CONSULTATION PROCESS**

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

- Corporate Management Team
- Senior Rates Officer
- Manager Financial Services

In preparing this report, the following external parties were consulted:

- Elected Members

**POLICY IMPLICATIONS**

LTFP 2019-2028

It should be noted that a Rating Strategy will be developed to tie in with future reviews of Council's LTFP 2019-2028. Having an overall Rating Strategy will inform the community on how rates are raised and what impact this has on individual land use (rating) categories in the short, medium and long term and remove the need for reactive rate setting based on fluctuations in capital values. This strategy can then be integrated into the LTFP 2019-2028 to demonstrate what level of rates are required each year for Council to be financially sustainable over the life of the plan.

**BUDGET AND RESOURCE IMPLICATIONS**

All models presented in this report will achieve the minimum amount of General Rates required in the 2018/2019 draft Annual Business Plan and Budget and are consistent with the minimum rate income identified in Council's LTFP 2019-2028.

**RISKS/LEGAL/LEGISLATIVE/ IMPLICATIONS**

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

Not raising the required amount of rates may result in the Council being unable to fund the services and infrastructure in Council's proposed 2018/2019 draft ABP and Budget. This will most likely lead to the inability of Council to meet its financial sustainability targets stated in its LTFP 2019-2028.

**ATTACHMENTS**

1. Rates Model A
2. Rates Model A1
3. Rates Model A2
4. Rates Model A3
5. Rates Model A4
6. Rates Model A5
7. Rates Model A0

1/05/2018

2018/19 - RATING MODELS														
MODEL "A"		\$410 Fixed Charge												
RATING CATEGORY	2017/18					Proposed 2018/19					VARIANCES (2017/18 to 2018/19)			
	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (A)	% of Rates Income (Rate Burden) ('C)	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (B)	% of Rates Income (Rate Burden) (D)	Increase in Total Rates (B - A)	Shift in Rate Burden (D - C)	Increase in Total Rates	Number of Rateable Assessments
Residential (0.002840)	\$ 5,997,735	8,706	\$ 3,569,460	\$ 9,567,195	56.3%	\$ 6,404,303	8,699	\$ 3,566,590	\$ 9,970,893	56%	\$ 403,698	-0.3%	4.2%	8,800
Commercial (0.002840)	\$ 367,416	409	\$ 167,690	\$ 535,106	3.1%	\$ 399,492	411	\$ 168,510	\$ 568,002	3.2%	\$ 32,896	0.0%	6.1%	460
Industrial (0.002840)	\$ 51,630	54	\$ 22,140	\$ 73,770	0.4%	\$ 54,647	63	\$ 25,830	\$ 80,477	0.5%	\$ 6,707	0.0%	9.1%	63
Primary Production (0.001693)	\$ 5,177,393	1,105	\$ 453,050	\$ 5,630,443	33.1%	\$ 5,507,363	1,099	\$ 450,590	\$ 5,957,953	33.4%	\$ 327,510	0.32%	5.8%	2,790
Vacant Land (0.002840)	\$ 488,426	1,312	\$ 537,920	\$ 1,026,346	6.0%	\$ 527,547	1,316	\$ 539,560	\$ 1,067,107	6.0%	\$ 40,761	-0.05%	4.0%	1,556
Other (0.002840)	\$ 83,996	196	\$ 80,360	\$ 164,356	1.0%	\$ 91,895	192	\$ 78,720	\$ 170,615	1.0%	\$ 6,259	0.0%	3.8%	223
<b>Total</b>	<b>\$ 12,166,596</b>	<b>11,782</b>	<b>\$ 4,830,620</b>	<b>\$ 16,997,216</b>	<b>100%</b>	<b>\$ 12,985,247</b>	<b>11,780</b>	<b>\$ 4,829,800</b>	<b>\$ 17,815,047</b>	<b>100%</b>	<b>\$ 817,831</b>		<b>4.8%</b>	13,892

1/05/2018

2018/19 - RATING MODELS														
MODEL "A1"		\$410 Fixed Charge												
RATING CATEGORY	2017/18					Proposed 2018/19					VARIANCES (2017/18 to 2018/19)			Number of Rateable Assessments
	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (A)	% of Rates Income (Rate Burden) (C)	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (B)	% of Rates Income (Rate Burden) (D)	Increase in Total Rates (B - A)	Shift in Rate Burden (D - C)	Increase in Total Rates	
Residential (0.002840)	\$ 5,997,735	8,706	\$ 3,569,460	\$ 9,567,195	56.3%	\$ 6,404,303	8,699	\$ 3,566,590	\$ 9,970,893	55.5%	\$ 403,698	-0.8%	4.2%	8,800
Commercial (0.002840)	\$ 367,416	409	\$ 167,690	\$ 535,106	3.1%	\$ 399,492	411	\$ 168,510	\$ 568,002	3.2%	\$ 32,896	0.0%	6.1%	460
Industrial (0.002840)	\$ 51,630	54	\$ 22,140	\$ 73,770	0.4%	\$ 54,647	63	\$ 25,830	\$ 80,477	0.4%	\$ 6,707	0.0%	9.1%	63
Primary Production (0.001744)	\$ 5,177,393	1,105	\$ 453,050	\$ 5,630,443	33.1%	\$ 5,673,267	1,099	\$ 450,590	\$ 6,123,857	34.1%	\$ 493,414	0.9%	8.8%	2,790
Vacant Land (0.002840)	\$ 488,426	1,312	\$ 537,920	\$ 1,026,346	6.0%	\$ 527,547	1,316	\$ 539,560	\$ 1,067,107	5.9%	\$ 40,761	-0.1%	4.0%	1,556
Other (0.002840)	\$ 83,996	196	\$ 80,360	\$ 164,356	1.0%	\$ 91,895	192	\$ 78,720	\$ 170,615	0.9%	\$ 6,259	0.0%	3.8%	223
<b>Total</b>	<b>\$ 12,166,596</b>	<b>11,782</b>	<b>\$ 4,830,620</b>	<b>\$ 16,997,216</b>	<b>100%</b>	<b>\$ 13,151,151</b>	<b>11,780</b>	<b>\$ 4,829,800</b>	<b>\$ 17,980,951</b>	<b>100%</b>	<b>\$ 983,735</b>		<b>5.8%</b>	13,892

1/05/2018

2018/19 - RATING MODELS														
MODEL "A2"		\$410 Fixed Charge												
RATING CATEGORY	2017/18					Proposed 2018/19					VARIANCES (2017/18 to 2018/19)			
	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (A)	% of Rates Income (Rate Burden) (C)	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (B)	% of Rates Income (Rate Burden) (D)	Increase in Total Rates (B - A)	Shift in Rate Burden (D - C)	Increase in Total Rates	Number of Rateable Assessments
Residential (0.002840)	\$ 5,997,735	8,706	\$ 3,569,460	\$ 9,567,195	56.3%	\$ 6,404,303	8,699	\$ 3,566,590	\$ 9,970,893	54.9%	\$ 403,698	-1.4%	4.2%	8,800
Commercial (0.002840)	\$ 367,416	409	\$ 167,690	\$ 535,106	3.1%	\$ 399,492	411	\$ 168,510	\$ 568,002	3.1%	\$ 32,896	0.0%	6.1%	460
Industrial (0.002840)	\$ 51,630	54	\$ 22,140	\$ 73,770	0.4%	\$ 54,647	63	\$ 25,830	\$ 80,477	0.4%	\$ 6,707	0.0%	9.1%	63
Primary Production (0.001797)	\$ 5,177,393	1,105	\$ 453,050	\$ 5,630,443	33.1%	\$ 5,845,677	1,099	\$ 450,590	\$ 6,296,267	34.7%	\$ 665,824	1.6%	11.8%	2,790
Vacant Land (0.002840)	\$ 488,426	1,312	\$ 537,920	\$ 1,026,346	6.0%	\$ 527,547	1,316	\$ 539,560	\$ 1,067,107	5.9%	\$ 40,761	-0.2%	4.0%	1,556
Other (0.002840)	\$ 83,996	196	\$ 80,360	\$ 164,356	1.0%	\$ 91,895	192	\$ 78,720	\$ 170,615	0.9%	\$ 6,259	0.0%	3.8%	223
<b>Total</b>	<b>\$ 12,166,596</b>	<b>11,782</b>	<b>\$ 4,830,620</b>	<b>\$ 16,997,216</b>	<b>100%</b>	<b>\$ 13,323,561</b>	<b>11,780</b>	<b>\$ 4,829,800</b>	<b>\$ 18,153,361</b>	<b>100%</b>	<b>\$ 1,156,145</b>		<b>6.8%</b>	13,892

1/05/2018

2018/19 - RATING MODELS														
MODEL "A3"		\$410 Fixed Charge												
RATING CATEGORY	2017/18					Proposed 2018/19					VARIANCES (2017/18 to 2018/19)			Number of Rateable Assessments
	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (A)	% of Rates Income (Rate Burden) (C)	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (B)	% of Rates Income (Rate Burden) (D)	Increase in Total Rates (B - A)	Shift in Rate Burden (D - C)	Increase in Total Rates	
Residential (0.002840)	\$ 5,997,735	8,706	\$ 3,569,460	\$ 9,567,195	56.3%	\$ 6,404,303	8,699	\$ 3,566,590	\$ 9,970,893	54.4%	\$ 403,698	-1.9%	4.2%	8,800
Commercial (0.002840)	\$ 367,416	409	\$ 167,690	\$ 535,106	3.1%	\$ 399,492	411	\$ 168,510	\$ 568,002	3.1%	\$ 32,896	0.0%	6.1%	460
Industrial (0.002840)	\$ 51,630	54	\$ 22,140	\$ 73,770	0.4%	\$ 54,647	63	\$ 25,830	\$ 80,477	0.4%	\$ 6,707	0.0%	9.1%	63
Primary Production (0.001849)	\$ 5,177,393	1,105	\$ 453,050	\$ 5,630,443	33.1%	\$ 6,014,834	1,099	\$ 450,590	\$ 6,465,424	35.3%	\$ 834,981	2.2%	14.8%	2,790
Vacant Land (0.002840)	\$ 488,426	1,312	\$ 537,920	\$ 1,026,346	6.0%	\$ 527,547	1,316	\$ 539,560	\$ 1,067,107	5.8%	\$ 40,761	-0.2%	4.0%	1,556
Other (0.002840)	\$ 83,996	196	\$ 80,360	\$ 164,356	1.0%	\$ 91,895	192	\$ 78,720	\$ 170,615	0.9%	\$ 6,259	0.0%	3.8%	223
<b>Total</b>	<b>\$ 12,166,596</b>	<b>11,782</b>	<b>\$ 4,830,620</b>	<b>\$ 16,997,216</b>	<b>100%</b>	<b>\$ 13,492,718</b>	<b>11,780</b>	<b>\$ 4,829,800</b>	<b>\$ 18,322,518</b>	<b>100%</b>	<b>\$ 1,325,302</b>		<b>7.8%</b>	13,892

1/05/2018

2018/19 - RATING MODELS														
MODEL "A4"		\$410 Fixed Charge												
RATING CATEGORY	2017/18					Proposed 2018/19					VARIANCES (2017/18 to 2018/19)			
	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (A)	% of Rates Income (Rate Burden) (C)	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (B)	% of Rates Income (Rate Burden) (D)	Increase in Total Rates (B - A)	Shift in Rate Burden (D - C)	Increase in Total Rates	Number of Rateable Assessments
Residential (0.002840)	\$ 5,997,735	8,706	\$ 3,569,460	\$ 9,567,195	56.3%	\$ 6,404,303	8,699	\$ 3,566,590	\$ 9,970,893	53.9%	\$ 403,698	-2.4%	4.2%	8,800
Commercial (0.002840)	\$ 367,416	409	\$ 167,690	\$ 535,106	3.1%	\$ 399,492	411	\$ 168,510	\$ 568,002	3.1%	\$ 32,896	-0.1%	6.1%	460
Industrial (0.002840)	\$ 51,630	54	\$ 22,140	\$ 73,770	0.4%	\$ 54,647	63	\$ 25,830	\$ 80,477	0.4%	\$ 6,707	0.0%	9.1%	63
Primary Production (0.001901)	\$ 5,177,393	1,105	\$ 453,050	\$ 5,630,443	33.1%	\$ 6,183,991	1,099	\$ 450,590	\$ 6,634,581	35.9%	\$ 1,004,138	2.8%	17.8%	2,790
Vacant Land (0.002840)	\$ 488,426	1,312	\$ 537,920	\$ 1,026,346	6.0%	\$ 527,547	1,316	\$ 539,560	\$ 1,067,107	5.8%	\$ 40,761	-0.3%	4.0%	1,556
Other (0.002840)	\$ 83,996	196	\$ 80,360	\$ 164,356	1.0%	\$ 91,895	192	\$ 78,720	\$ 170,615	0.9%	\$ 6,259	0.0%	3.8%	223
<b>Total</b>	<b>\$ 12,166,596</b>	<b>11,782</b>	<b>\$ 4,830,620</b>	<b>\$ 16,997,216</b>	<b>100%</b>	<b>\$ 13,661,875</b>	<b>11,780</b>	<b>\$ 4,829,800</b>	<b>\$ 18,491,675</b>	<b>100%</b>	<b>\$ 1,494,459</b>		<b>8.8%</b>	13,892

1/05/2018

2018/19 - RATING MODELS														
MODEL "A5"		\$410 Fixed Charge												
RATING CATEGORY	2017/18					Proposed 2018/19					VARIANCES (2017/18 to 2018/19)			
	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (A)	% of Rates Income (Rate Burden) (C)	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (B)	% of Rates Income (Rate Burden) (D)	Increase in Total Rates (B - A)	Shift in Rate Burden (D - C)	Increase in Total Rates	Number of Rateable Assessments
Residential (0.002840)	\$ 5,997,735	8,706	\$ 3,569,460	\$ 9,567,195	56.3%	\$ 6,404,303	8,699	\$ 3,566,590	\$ 9,970,893	53.4%	\$ 403,698	-2.9%	4.2%	8,800
Commercial (0.002840)	\$ 367,416	409	\$ 167,690	\$ 535,106	3.1%	\$ 399,492	411	\$ 168,510	\$ 568,002	3.0%	\$ 32,896	-0.1%	6.1%	460
Industrial (0.002840)	\$ 51,630	54	\$ 22,140	\$ 73,770	0.4%	\$ 54,647	63	\$ 25,830	\$ 80,477	0.4%	\$ 6,707	0.0%	9.1%	63
Primary Production (0.001953)	\$ 5,177,393	1,105	\$ 453,050	\$ 5,630,443	33.1%	\$ 6,353,148	1,099	\$ 450,590	\$ 6,803,738	36.5%	\$ 1,173,295	3.3%	20.8%	2,790
Vacant Land (0.002840)	\$ 488,426	1,312	\$ 537,920	\$ 1,026,346	6.0%	\$ 527,547	1,316	\$ 539,560	\$ 1,067,107	5.7%	\$ 40,761	-0.3%	4.0%	1,556
Other (0.002840)	\$ 83,996	196	\$ 80,360	\$ 164,356	1.0%	\$ 91,895	192	\$ 78,720	\$ 170,615	0.9%	\$ 6,259	-0.1%	3.8%	223
<b>Total</b>	<b>\$ 12,166,596</b>	<b>11,782</b>	<b>\$ 4,830,620</b>	<b>\$ 16,997,216</b>	<b>100%</b>	<b>\$ 13,831,032</b>	<b>11,780</b>	<b>\$ 4,829,800</b>	<b>\$ 18,660,832</b>	<b>100%</b>	<b>\$ 1,663,616</b>		<b>9.8%</b>	13,892

1/05/2018

2018/19 - RATING MODELS														
MODEL "A0"		\$410 Fixed Charge												
RATING CATEGORY	2017/18					Proposed 2018/19					VARIANCES (2017/18 to 2018/19)			Number of Rateable Assessments
	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (A)	% of Rates Income (Rate Burden) ('C)	Income from Rate in \$	# Fixed Charges	Rates from Fixed Charges	Total Rates Income (B)	% of Rates Income (Rate Burden) (D)	Increase in Total Rates (B - A)	Shift in Rate Burden (D - C)	Increase in Total Rates	
Residential (0.002660)	\$ 5,997,735	8,706	\$ 3,569,460	\$ 9,567,195	56.3%	\$ 5,998,397	8,699	\$ 3,566,590	\$ 9,564,987	54%	-\$ 2,208	-2.6%	-0.02%	8,800
Commercial (0.002660)	\$ 367,416	409	\$ 167,690	\$ 535,106	3.1%	\$ 374,172	411	\$ 168,510	\$ 542,682	3.0%	\$ 7,576	-0.1%	1.4%	460
Industrial (0.002660)	\$ 51,630	54	\$ 22,140	\$ 73,770	0.4%	\$ 51,183	63	\$ 25,830	\$ 77,013	0.4%	\$ 3,243	0.0%	4.4%	63
Primary Production (0.001839)	\$ 5,177,393	1,105	\$ 453,050	\$ 5,630,443	33.1%	\$ 5,982,303	1,099	\$ 450,590	\$ 6,432,893	36.1%	\$ 802,450	2.98%	14.3%	2,790
Vacant Land (0.002660)	\$ 488,426	1,312	\$ 537,920	\$ 1,026,346	6.0%	\$ 494,111	1,316	\$ 539,560	\$ 1,033,671	5.8%	\$ 7,325	-0.24%	0.7%	1,556
Other (0.002660)	\$ 83,996	196	\$ 80,360	\$ 164,356	1.0%	\$ 86,070	192	\$ 78,720	\$ 164,790	0.9%	\$ 434	0.0%	0.3%	223
<b>Total</b>	<b>\$ 12,166,596</b>	<b>11,782</b>	<b>\$ 4,830,620</b>	<b>\$ 16,997,216</b>	<b>100%</b>	<b>\$ 12,986,236</b>	<b>11,780</b>	<b>\$ 4,829,800</b>	<b>\$ 17,816,036</b>	<b>100%</b>	<b>\$ 818,820</b>		<b>4.8%</b>	13,892

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## 8.4 2018/2019 DRAFT ANNUAL BUSINESS PLAN, BUDGET AND FEES AND CHARGES

**Document #:** 18/36264

**Department:** Corporate and Community Services

### PURPOSE

To seek endorsement of Council's 2018/2019 draft ABP, Budget and the Fees and Charges advertised for public consultation.

### RECOMMENDATION

That the Audit Committee receive and note the contents of this report.

### 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

### BACKGROUND

As required by the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011, Council must prepare its ABP and Budget in a timely fashion and make this plan available for public consultation prior to adoption.

As part of this process Council consults with the community and considers all feedback at a Council meeting prior to adoption of the ABP, Budget and Fees and Charges. Members of the public are also given the opportunity to present to Council at that scheduled meeting with regard to the ABP, Budget and Fees and Charges.

In accordance with the Local Government Act and Regulations, Council has consulted with the community on the 2018/2019 draft ABP, Budget and the Fees and Charges for a minimum of twenty-one (21) days. For more detail please refer to the Community Engagement Plan attached to this report (Attachment 2).

Advertisements were placed in the Yorke Peninsula Country Times (twice) and on Council's website and Facebook page, informing the public that copies of the 2018/2019 draft ABP, Budget and Fees and Charges were available from Saturday, 12<sup>th</sup> May 2018 for comment following endorsement of that action by Council at its meeting held on Wednesday, 9<sup>th</sup> May 2018. Copies were also available to the community from Council's offices. Letters were sent to all Progress Associations advising them of the commencement of the community consultation period and availability of the draft documents. This was done prior to commencement of the community consultation period.

Written submissions closed at 5pm on Monday, 4<sup>th</sup> June 2018 and Council received thirty seven (37) written submissions (including one via Facebook).

At its meeting on Wednesday, 13<sup>th</sup> June 2018, Council will consider all written submissions received along with any presented on the night. As legislatively required a minimum of one (1) hour has been allocated at the June Council meeting for the public to provide submissions and ask questions on the 2018/2019 draft ABP, Budget and the Fees and Charges. All submissions will be considered by Council before adoption of the 2018/2019 draft ABP, Budget and the Fees and Charges is considered at a Special Council meeting to be held on Wednesday, 27<sup>th</sup> June 2018.

A report outlining the feedback received and considered by Council will be presented to the September 2018 Audit Committee meeting.

## **DISCUSSION**

The 2018/2019 draft ABP has been developed taking into account legislative requirements, Council's 2016-2020 Strategic Plan, the 2018/2019 draft Budget which in turn was developed in accordance with the parameters of Council's recently updated and adopted Long Term Financial Plan 2019-2028 (LTFP 2019-2028) and Asset Management Plans (AMP's).

The draft ABP sets out all capital projects and the budgeted statutory financial statements for the 2018/2019 financial year.

### **2018/2019 Draft Budget**

The key parameters (consistent with LTFP 2019-2028) used in the development of the draft Budget were:

- Inflation (CPI) assumed to be 2.3%;
- No change in service levels other than the Visitor Information Centre;
- Appropriate spending on asset renewal in line with existing AMP's and funding in accordance with Council's LTFP 2019-2028 to maintain and upgrade ageing infrastructure; and
- Emphasis on achieving financial sustainability in accordance with Council's recently adopted LTFP 2019-2028.

The 2018/2019 draft Budget has been prepared taking into account reductions in discretionary grants available, cost pressures and challenges, cuts to discretionary spending and inclusion of 'one off' projects. Full details can be found in the attached draft ABP.

The total 2018/2019 draft Capital Budget is also in line with total spending proposed in the LTFP 2019-2028. The draft Budget proposes a total of \$9.38m to be invested in renewal of assets and \$208k for upgrade to existing assets along with the purchase and creation of new assets. The total Capital Budget of \$9.59m is consistent with funding of \$9.2m provided for in Council's recently adopted LTFP 2019-2028 and also puts a significant focus on renewal of existing assets. A full list of projects is included in the attached draft ABP.

On close inspection of the draft ABP and Budget, it is evident that Council's operating bottom line is better than that proposed in the LTFP 2019-2028 leading to a better Operating Surplus Ratio. Capital expenditure is also in accordance with parameters set in Council's LTFP 2019-2028. Overall 2018/2019 draft Budget parameters meet or exceed LTFP 2019-2028 parameters.

### **2018/2019 Fees and Charges**

As part of the annual business planning process, Council's proposed 2018/2019 Fees and Charges have been reviewed and updated considering the current CPI, competitor or other Councils' pricing (where applicable), affordability, cost recovery versus community service, contractor managed facilities, possible loss of income and reduced use of Council facilities. This document is also subject to full community consultation prior to adoption in June 2018 and is included with the draft ABP.

Full detail regarding changes to existing fees and charges can be found in the attached draft ABP. Statutory charges set by the State Government are generally only updated in late June 2018, hence have not been amended.

### **Rating Options**

At the May 2018 Council meeting Elected Members considered and endorsed rating model A2 for the raising of general rates in 2018/2019 (refer separate report). This model has a rate increase 2% greater than that proposed in the LTFP, hence the 2018/2019 draft ABP and Budget was adjusted prior to being advertised for community consultation, to reflect the Model endorsed (the original draft ABP and Budget considered by Council was based on a 4.8% total general rate increase). Any

additional rates income derived as a result of the model endorsed has been specifically allocated for additional projects, both operating and capital, with a focus on renewal of existing assets. Allocation of projects is currently being finalised and will be included as part of the consideration for final adoption of the 2018/2019 draft ABP, Budget and the Fees and Charges at the Special Council meeting to be held on Wednesday, 27<sup>th</sup> June 2018.

## **COMMUNITY ENGAGEMENT PLAN**

Level 2 - Consult

### **CONSULTATION PROCESS**

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

- Corporate Management Team
- Manager Financial Services
- Manager Business and Public Relations

In preparing this report, the following external parties were consulted:

- Nil

### **POLICY IMPLICATIONS**

PO142 Budget Reporting and Amendment Policy

### **BUDGET AND RESOURCE IMPLICATIONS**

The 2018/2019 draft Budget is consistent with Council's LTFP 2019-2028 and Council's key financial direction of reducing the operating deficit and dedicating funds to the renewal of assets, consistent with Council's AMP's.

### **RISKS/LEGAL/LEGISLATIVE/ IMPLICATIONS**

2. Local Government Act 1999

Local Government (Financial Management) Regulations 2011

### **ATTACHMENTS**

1. **2018/2019 Draft Annual Business Plan and Budget (under separate cover)**
2. **2018/2019 Draft Annual Business Plan and Budget - Community Engagement Plan**



# COMMUNITY ENGAGEMENT PLAN

SF215

Responsible Officer: Business Improvement Officer

Issue Date: 10th June 2015

Next Review Date: June 2019

**PROJECT NAME: 2018-2019 Draft Annual Business Plan and Budget**

Stakeholders	Level 2 CONSULT	Responsibility	Start Date	End Date	Status	Evaluation Method
All residents	Website	Mgr Business & Public Relations	12/05/2018	4/06/2018	NS	# website hits
	Public Notice	Mgr Financial Services	15/05/2018	15/05/2018	NS	# responses
	Public Notice	Mgr Financial Services	29/05/2018	29/05/2018	NS	# responses
	Social Media	Mgr Business & Public Relations	12/05/2018	4/06/2018	NS	# Facebook views
	Special Publication	Mgr Business & Public Relations	12/05/2018	4/06/2018	NS	# requests to view
	Ability to appear before Council	Mgr Financial Services	13/06/2018	13/06/2018	NS	# attending
Progress Associations	Personalised Letter	Mgr Financial Services	4/05/2018	7/05/2018	IP	# responses

## 8.5 INTERNAL AUDIT ACTIVITY REPORT

**Document #:** 18/37891

**Department:** Executive Services

### PURPOSE

The Business Improvement Officer presents 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 on the Internal Audit activity performed from March to June 2018. The following activities have occurred:

- Payroll review completed
- Internal Controls Self-Assessment – April 2018 completed
- Community Grants process review near completion

### COMMUNITY ENGAGEMENT PLAN

Level 1 - Inform

### CONSULTATION PROCESS

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

- Chief Executive Officer
- Corporate Management Team
- Senior Rates Officer / Accounts Receivable
- Senior Systems Analyst
- Manager People & Culture

In preparing this report, the following external parties were consulted:

- Nil

**POLICY IMPLICATIONS**

PO156 Internal Financial Controls

**BUDGET AND RESOURCE IMPLICATIONS**

Not applicable

**RISKS/LEGAL/LEGISLATIVE/ IMPLICATIONS**

Local Government Act (SA) 1999

**ATTACHMENTS**

1. Internal Audit Activity Report - June 2018
2. FINAL Internal Audit Report - Payroll Review
3. Internal Audit Report - Internal Controls Self Assessment
4. Implementation of Agreed Actions - June 2018



# Internal Audit Activity Report (March - June 2018)

## 1. INTERNAL AUDIT PLAN

The following table highlights the status of audit projects:

No.	Project	Scope Overview	Project Status
1	Cemeteries	<p>A review to assess the risks and controls associated with Council's cemetery management. The specific objectives of the audit will be confirmed at a later stage, but will include:</p> <ul style="list-style-type: none"> <li>• Compliance with the Burial and Cremations Act 2013</li> <li>• Compliance with Council's internal Cemetery Management Policy (PO132) and procedures.</li> </ul>	Scoping commenced
2	Financial Management – Payroll	Audit of the procedures and controls relating to the fortnightly processing of the payroll. Consideration of the new ElementTime application and the relating control environment will be included.	<b>Completed</b>
3	Mobile Phones	This review will assess the processes for allocation of mobile phones, usage and ongoing monitoring processes.	Not started
4	Work, Health & Safety	<p>A review to assess performance against the Strategic Risk Management Plan, WHS program objectives and compliance with policies, procedures and processes.</p> <p>Specific scope will be developed in consultation with the Risk Administrator at a later stage.</p>	Not started
5	Community Grant Funding	Audit of procedures related to grants paid by Council, including the assessment and allocation of grants and follow up requirements. This will consider compliance with Council's Community Grants Scheme Policy (PO149).	Testing completed and report drafted
6	Internal Financial Controls	Undertake verification of staff's self-assessment of internal financial controls.	<b>Completed (April)</b>
7	Controls Update (IT Access)	After discussions with External Audit, testing of IT application controls will be a priority for the FY17.	<b>Completed</b>
8	Management Requests	Allowance for special projects, investigations and requests by Management that may arise during the year. In addition, smaller type audit will be considered here (e.g. purchase orders, petty cash and follow up of caravan park audits).	N/A

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**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 4**.

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



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## Internal Audit Report – Payroll Review May 2018

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### **For Distribution:**

Anne-Marie Scaife	Payroll Officer
Carina Congdon	Human Resources
Bobbi Pertini	Manager People & Culture
Ben Cowley	Leader Systems & Technology

### **For Information:**

David Harding	Director Corporate & Community Services
Anne Hammond	Manager Business & Public Relations
Sid Jain	Manager Financial Services
Andrew Cameron	Chief Executive Officer

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## Executive Summary

### Background

With the implementation of a new online timesheet application, ElementTIME, Internal Audit considered it a good opportunity to review the payroll operations.

Yorke Peninsula Council ('YPC') uses the Civica Authority application which is an integrated system comprising accounting and financial modules including payroll, rates, accounts payable and receipting. For the 2018 financial year, YPC had a full time equivalent of 117.8 employees (60.1 inside and 57.7 outside). Payroll is run on a fortnightly basis and an average payroll run is approximately \$320,000 (exclusive of superannuation).

In November 2017, YPC implemented a front end application, ElementTIME, which currently enables inside administration staff to enter their timesheets online. ElementTIME is a custom developed online timesheet application. YPC partnered with consultants, Adroit Creations, to develop the application, with the objective of improving data reliability and reducing the time lost in duplicating data entry.

### Objectives & Scope

The objective of this review was to assess specific controls relating to the payroll processing and leave management processes and to determine whether these controls were operating effectively. The review included key payroll processes for new employees, changes to payroll master file details, recording time worked, processing of pay runs, leave management and policies and procedures.

The review will consist of payroll and personnel transactions focused on 2018 financial year.

### Key Findings

Details of *all* findings and recommendations identified during the review are included in Appendix 1; however a summary of the high risk findings are highlighted below:

1. EFT Payroll File

Currently EFT payment files (.ABA files) are created from the Authority system to be uploaded into ANZ (Council's banking system). Unlike the accounts payable process, IT staff are still required to perform manual formatting on these flat text files, which are saved to a GDS20 and a mapped shared drive folder, for it to be uploaded correctly into ANZ.

Both locations where the .ABA file is stored have a number of users with read and write access, increasing the risk that details in the EFT text file (i.e. bank account details and amounts) are inappropriately modified before being uploaded into ANZ.

Consequence	Likelihood	Risk Level
Moderate	Likely	High

2. Payroll Masterfile  
Audit changes

During audit testing, a payroll maintenance audit report was produced from Authority to identify changes to payroll master file details (including bank account changes, deductions, new employees, separations, incremental pay increases).

This report is expected to be independently reviewed back to supporting documentation on a monthly basis, however Internal Audit could find no evidence of any recent review of this report.

Without an independent review, there is a risk that changes to payroll information is inaccurate or invalid.

Consequence	Likelihood	Risk Level
Moderate	Possible	High

3. Pay Edit Listing  
Review

For each pay run, there are a number of reports that are prepared from Authority and reviewed independently before the payroll is finalised.

The 'Pay Edit Listing' report includes all employees that will receive a payment in the pay run and all associated payroll components that make up the individual employees pay amounts including time worked, overtime, leave taken, deductions and allowances.

From the five fortnightly pays tested, it was noted that one 'Pay Edit' report was reviewed by the Payroll Officer and the HR Officer, both who have full payroll access to Authority and administrator access within ElementTIME. There is a lack of segregation in the payroll preparation and review process if only these two staff are involved in the detailed payroll review.

Consequence	Likelihood	Risk Level
Moderate	Possible	High

### Internal Audit Opinion

Based on the work and testing performed, Internal Audit is of the opinion payroll controls are effective, however there are some issues that should be actioned and recommendations within Appendix 1 considered.

We would like to take the opportunity to thank Anne-Marie Scaife, Carina Congdon, Ben Cowley and Bobbi Pertini for their assistance and co-operation during the review.

**Amanda Pitt**  
Business Improvement Officer

**Jackie Reddaway**  
Executive Assistant CEO/Mayor

## Appendix 1 – Detailed Findings

### 1.1 EFT Payroll File

Currently EFT payment files (.ABA files) are created from the Authority system to be uploaded into ANZ (Council's banking system). Unlike the accounts payable process, IT staff are still required to perform manual formatting on these flat text files, which are saved to a GDS20 and a mapped shared drive folder, for it to be uploaded correctly into ANZ.

Both locations where the .ABA file is stored have a number of users with read and write access, increasing the risk that details in the EFT text file (i.e. bank account details and amounts) are inappropriately modified before being uploaded into ANZ.

Consequence	Likelihood	Risk Level
Moderate	Likely	High

### 1.2 Recommendations

Similar to the accounts payable process, a process should be implemented whereby the ABA file is automatically created to the correct network location, without the current necessity of editing the file prior to upload.

This would eliminate the ability to alter this file in any way and allow our internal controls to identify incorrect and/or altered data.

### 1.3 Management Responses

**Management Response and Agreed Action:** Agreed

**Responsibility:** Ben Cowley, Leader Systems & Technology

**Due Date:** 30/06/2018

## 2.1 Payroll Masterfile Audit Report

During audit testing, a payroll maintenance audit report was produced from Authority to identify changes to payroll master file details (including bank account changes, deductions, new employees, separations, incremental pay increases).

This report is expected to be independently reviewed back to supporting documentation on a monthly basis, however Internal Audit could find no evidence of any recent review of this report.

Without an independent review, there is a risk that changes to payroll information is inaccurate or invalid.

Consequence	Likelihood	Risk Level
Moderate	Possible	High

## 2.2 Recommendations

It is recommended that a review of the payroll master file audit report is incorporated as part of the fortnightly pay run, rather than leaving it to be reviewed at a separate time. A sample of changes can be checked off as part of the payroll processing.

## 2.3 Management Responses

**Management Response and Agreed Action:** Agreed

**Responsibility:** Anne-Marie Scaife, Payroll

**Due Date:** 30/06/2018

### 3.1 Pay Edit Review Process

For each pay run, there are a number of reports that are prepared from Authority and reviewed independently before the payroll is finalised.

The 'Pay Edit Listing' report includes all employees that will receive a payment in the pay run and all associated payroll components that make up the individual employees pay amounts including time worked, overtime, leave taken, deductions and allowances. This is an important report as part of the fortnightly process and is reviewed by two staff. One being the Payroll Officer (who prepares the pay) and a second officer, usually part of the People and Culture team.

From the five fortnightly pays tested, it was noted that one 'Pay Edit' report was reviewed by the Payroll Officer and the HR Officer, both who have full payroll access to Authority and administrator access within ElementTIME. There is a lack of segregation in the payroll preparation and review process if only these two staff are involved in the detailed payroll review.

Consequence	Likelihood	Risk Level
Moderate	Possible	High

### 3.2 Recommendations

To ensure appropriate segregation of duties, it is recommended that the second officer reviewing the detailed payroll listing must be independent and not have access to:

- Prepare payroll within the Authority application
- Authorise payroll files within ANZ (EFT application).

It is recommended a Finance team member would be appropriate as a second reviewer, with their knowledge of the Authority application, financial, superannuation and tax information and their segregation from the payroll processing.

### 3.3 Management Responses

**Management Response and Agreed Action:** Agreed

**Responsibility:** Bobbi Pertini, Manager People & Culture

**Due Date:** 30/06/2018

#### 4.1 Leave Balance Reporting

There has been significant improvement in the process for regularly reviewing of leave balances since the 2014 review. CMT are provided with a regular report outlining excessive leave balances. The CEO has a high priority on reducing excessive balances.

The Manager People and Culture provided Internal Audit with a current leave balances report, dated 2/2/18. Analysis of the report identified the following that are in breach of the current EB clauses and or requests from the CEO:

- Four employees have over 304 annual leave hours available to them (i.e. more than two years entitlement)
- Five employees have greater than 38 hours toil
- Four employees have greater than 38 hours RDOs

However, due to the focus on reducing excessive leave, from September 2017 to February 2018, the majority of leave balances reduced. As shown below:

Type Leave	Sept 17	Feb 18	Difference
Annual Leave	18,580.96	17,097.60	↓ 1,483.36
Toil	947.16	1,049.33	↑ 102.17
RDOs	1,390.15	877.78	↓ 512.37

The Manager People & Culture is responsible for providing the leave balance report to CMT, however it was noted that the process to develop the leave balance report is extensive. There is significant manipulation of the data required to provide a meaningful report to CMT and Managers.

Internal Audit reviewed the Authority raw data report and identified a number of duplications in employees, total weeks (based on working hours) were not available and are subsequently re-calculated by Manager of People and Culture when developing the report.

With manual intervention in reporting, there is a risk of input errors and also the report not being made available on a regular basis due to the time taken to develop the report.

Consequence	Likelihood	Risk Level
Minor	Possible	Moderate

#### 4.2 Recommendations

It is recommended that People and Culture Team work closely with IT staff to develop a meaningful report automatically from Authority (or ElementTIME) highlighting excessive leave balances based on hours worked and this is reported to CMT on a consistent basis.

#### 4.3 Management Responses

**Management Response and Agreed Action:** Agreed with recommendation, however if external costs are required a cost/benefit analysis will be performed.

**Responsibility:** Bobbi Pertini, Manager People and Culture & Ben Cowley, Leader Systems & Technology

**Due Date:** 31/12/2018

### 5.1 Contract Agreement for ElementTIME

ElementTIME is a custom developed online timesheet and leave management application. Council partnered with consultants, Adroit Creations, to develop the application. The objective of the application was to improve payroll data reliability and reduce the time lost in duplicating data entry of timesheets and leave requests.

ElementTIME sits outside the Authority application. Authority still holds all payroll information including pay rates, allowances, deductions, bank details, superannuation and the application continues to calculate and generate pay run amounts, it just now uses data gathered from ElementTIME.

Initially, Council approached consultants, Adroit Creations, with a small scope outlining Councils objectives to assess if a project could be undertaken. At this point in 2015, an agreement was documented to briefly outline costs and the relationship arrangements.

Adroit quickly identified a gap in the market and this project could be developed into something larger. From this point onwards, YPC became a 'Development Partner' with Adroit and no longer financially contributed towards the development of the project or IT support of the application. YPC's role was to undertake ongoing application testing for Adroit.

YPC has not revisited the initial contract or agreement for the ongoing support and cost of hosting ElementTIME with Adroit. Whilst this is not currently an issue, as the take up of ElementTIME increases across Councils and the application is rolled out further within YPC, it is important that Council has formalised the relationship and support requirements with Adroit into the future.

Consequence	Likelihood	Risk Level
Minor	Possible	Moderate

### 5.2 Recommendations

It is recommended that discussions are held with Adroit to formalise contract arrangements, in particular once the ElementTIME system is rolled out to the rest of Council staff.

### 5.3 Management Responses

**Management Response and Agreed Action:** Agreed  
**Responsibility:** Ben Cowley, Leader Systems and Technology  
**Due Date:** 31/12/2018

## 6.1 ElementTIME Password Controls

To access ElementTIME, users can either:

1. Log into the system either directly using an ElementTIME password, or;
2. If users are logged into the Council's active directory network, ElementTIME uses single sign on to authenticate them.

Currently, the ElementTIME passwords have no complexity controls set against them (i.e. no expiry, minimum length, lock out for incorrect attempts etc) increasing the risk of inappropriate access and also breaching our IT policy requirements.

Consequence	Likelihood	Risk Level
Minor	Possible	Moderate

## 6.2 Recommendations

It is recommended that ElementTIME is set to only allow the use of Council's Active Directory authentication, and that the use of the native ElementTIME authentication is disabled.

## 6.3 Management Responses

**Management Response and Agreed Action:** Agreed

**Responsibility:** Ben Cowley, Leader Systems and Technology

**Due Date:** 31/10/2018

## 7.1 Casual or Agency Employee Exit Process

There has been significant progress made to the 'Exit Process' for employees leaving Council. Checklists are required to be completed and signed off by various areas across the organisation including IT, Finance, Records, Payroll and HR. All checklists are returned to HR for filing in personnel files.

Internal audit noted a minor issue in relation to the lack of process for casual or agency employees leaving the organisation and also employees taking extended leave. People & Culture team have identified these issues and are working on a more condensed process for these types of situations.

Consequence	Likelihood	Risk Level
Minor	Unlikely	Low

## 7.2 Recommendations

It is recommended that People & Culture continue to develop a reduced 'Exit' checklist for casual and agency employees and employees on an extended period of leave.

## 7.3 Management Responses

**Management Response and Agreed Action:** Agreed

**Responsibility:** Carina Congdon, Human Resources

**Due Date:** 30/09/2018

### 8.1 Payroll ElementTIME Timesheet Authorisation

Currently, there is a step in ElementTIME which requires one of the Payroll Officers to perform a secondary approval of every ElementTIME timesheet.

Timesheets are initially approved by the employees Manager for accuracy and validity of hours worked and this secondary approval is simply an administrative step, which in the infancy of ElementTIME allowed Payroll Officers control over final timesheets.

However, moving forward this step is an unnecessary duplication of process.

Consequence	Likelihood	Risk Level
Minor	Unlikely	Low

### 8.2 Recommendations

It is recommended that the second authorisation of ElementTIME timesheets by Payroll Officers is removed from the process once Officers are comfortable with the level of understanding of the ElementTIME system and further checks are built into the system.

It should be noted that Payroll Officers will still have the ability to perform initial timesheet approvals, in the rare situations that Managers are unavailable to perform approvals in a timely manner.

### 8.3 Management Responses

**Management Response and Agreed Action:** Agreed

**Responsibility:** Carina Congdon, Human Resources

**Due Date:** 31/12/2018

## Appendix 2 – 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.



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## Internal Audit Report – Internal Financial Controls Testing April 2018

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**For Distribution:**

Sid Jain	Manager Financial Services
Daniel Griffin	Accountant – Financial Operations

**For Information:**

David Harding	Director Corporate & Community Services
Andrew Cameron	Chief Executive Officer

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## Executive Summary

### Background

For Yorke Peninsula Council (YPC), the requirement to have an auditor provide an opinion on internal financial controls was mandatory from the 2015-16 financial year audit. As part of the ongoing External Audit requirements staff prepared evidence of Internal Controls self-assessment testing.

Previously we have undertaken our assessments in the Control Track software, however due to some issues with support and upgrade of the software, YPC have no longer subscribed to the Control Track system. For this round of assessment YPC used a simple excel spreadsheet to document the control effectiveness ratings and testing evidence. The process to test, review and rate controls were exactly the same as using the Control Track tool, however the process to document and report results was slightly different.

Before the self-assessment period opened, a review of the entire financial control library including control owners, control reviewers, inherent and residual risk rating was undertaken by the:

- Manager Financial Services;
- Accountant – Financial Operations; and
- Business Improvement Officer

From this review, we condensed our financial controls library to 201 controls, of which 162 were scheduled for self-assessment in the April 2018 period. Only core controls were tested, and for this quarterly testing we excluded testing for Payroll and Grants as these were covered by Internal Audit. All controls will be tested during the yearly cycles.

In addition, the Business Improvement Officer conducted a series of sample tests to independently verify staff self-assessments.

### Key Findings

Similar to the Control Track system, the process required staff to develop an action plan if the control was assessed at '3' or below. Across the 162 controls tested in the April 2018 period, 14 controls were rated a '3' or below and subsequently 12 action plans have been raised by staff to address these 'partially effective' controls.

All action plans have been included for follow up as part of the normal agreed action follow up process conducted by the Business Improvement Officer.

The table below provides a breakdown of the number of controls tested and action plans identified:

Category	Sub-Category	Total Controls	No. Controls Tested (April 18)	No. Controls requiring Action Plans
Strategic Financial Planning	Budgets	8	8	
	General Ledger	9	8	1
	Statutory Reporting	8	8	
	Management Reporting	5	5	
Assets	Petty cash	7	5	1
	Banking	7	7	
	Investments	10	10	
	Debtors	12	9	3
	Inventory	5	5	3
	Prepayments	1	0	
	Fixed Assets	14	14	1
	Project Costing	2	2	
	Loans/grants to Community Clubs	7	0	

Liabilities	Accounts Payable	14	13	
	Accrued Expenses	1	0	
	Borrowings	7	7	
	Employee Provisions	3	2	
	Tax	3	3	
Revenue	Rates	11	11	1
	Grants	5	5	
	User pay Income - Fee for Service	6	6	1
	Investment / Interest Income	2	2	
	Receipting	5	5	1
	Other Revenue	1	1	
Expenses	Purchasing & Procurement	8	8	
	Payroll	17	0	
	Elected Members Expenses	5	0	
	Credit Card	6	6	
	Employee Reimbursements	1	1	
	Other Expenses	1	1	
External Services	Contracting	6	6	2
Financial Governance	Governance	4	4	

As shown below, overall most categories rated well with the exception of the 'External Services' category which rated slightly below average (but still within an acceptable range), this relates to the contract register and contract management process which has been identified as an issue for the organisation.



External Audit staff were provided with our full self-assessment results and evidence of testing. This was a successful process and our next quarterly self-assessment is planned for August 2018. A detailed timetable is shown below and verifies that all controls will be assessed during the financial year.

As noted above, the action plans identified in this April 2018 testing cycle will be monitored as part of the regular internal audit follow up processes undertaken by the Business Improvement Officer.

**Planned Testing Timetable FY19**

Category	Sub-Category	August 18	November 18	March 19	June 19
Strategic Financial Planning	Budgets		X		
	General Ledger		X		
	Statutory Reporting		X		
	Management Reporting		X		
Assets	Petty cash		X		
	Banking		X		
	Investments		X		
	Debtors		X		X
	Inventory	X			
	Prepayments	X			
	Fixed Assets			X	
	Project Costing			X	
	Loans/grants to Community Clubs	X			
Liabilities	Accounts Payable		X		X
	Accrued Expenses	X			
	Borrowings			X	
	Employee Provisions			X	
	Tax			X	
Revenue	Rates		X		X
	Grants	X			
	User pay Income - Fee for Service			X	
	Investment / Interest Income			X	
	Receipting			X	
	Other Revenue			X	
Expenses	Purchasing & Procurement		X		X
	Payroll	X			
	Elected Members Expenses	X			X
	Credit Card	X			X
	Employee Reimbursements				X
	Other Expenses				X
External Services	Contracting	X			X
Financial Governance	Governance	X			X

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 Phone: 8832 0000





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## 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.

1. Internal Audit Activities

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 <b>Risk Level</b> 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	30/06/18	In progress	This action requires additional time to allow a thorough review by CMT and comparison to be undertaken and consideration given during the FY19 budget discussions.
2. Internal Inspection Checklists <b>Risk Level</b> 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	30/06/18	In progress	Work has commenced on reviewing the inspections process, including the frequency of inspections and standardisation of the inspection forms.  This is a large project and will need time to be completed appropriately.

Rates Revenue Review – September 2017

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. Rates Adjustments, Journals and Reversals <b>Risk Level</b> Moderate	In the first instance it is recommended that the Senior Rates Officer work with IT staff to investigate if an 'adjustments' type report can be developed or is available through Authority.  Further work will need to be undertaken if a system generated report cannot be implemented; Rates Staff should implement a process to regularly review staff accounts on a sample basis and ensure any transactions appear appropriate.	Senior Rates Officer	31/01/18	30/06/18	In Progress	Authority do not have a standard 'adjustments' or exceptions type report – request has been logged with IT to assist with developing a monthly report that will detail: <ul style="list-style-type: none"> <li>- Receipt Reversals</li> <li>- Journal Entries</li> <li>- Changes to assessment from rateable to non-rateable</li> <li>- Any other financial adjustments to Rates Assessments (removal of levy or charges).</li> </ul> At present all journals are completed by the Senior Rates Officer and saved in RM8 and forwarded to the Manager Financial Services for authorisation.

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
						<p>All Journals are sequentially allocated a number by the Officer. Journal entries are also scrutinised by the External Auditors as part of the audit process. The Journal system in Civica does not automatically allocate Journal Numbers – The Senior Rates Officer is investigating this with IT to ascertain if Journal Numbers can be automatically allocated form the system.</p> <p>Rates Staff accounts are reviewed by the Manager Financial Services annually when Rates are levied to ensure rates and transactions levied are appropriate. This is now being changed to a quarterly review of Rates Staff Rates Assessments in line with quarterly rate notices being issued to ensure a continuous review of Rate Officers accounts to ensure all transactions are appropriate.</p>
<p>2. Rates Outstanding Debtors</p> <p><b>Risk Level</b> Moderate</p>	<p>It is recommended that the Senior Rates Officer implement a quarterly outstanding debts report to be presented to CMT or Finance Management identifying long outstanding debt and current actions taking place.</p>	Senior Rates Officer	31/12/17	30/06/18	In Progress	<p>A report is developed monthly which details all outstanding debtors that are outstanding longer than 30 days. This highlights what the aged debt is and what actions are presently being undertaken.</p> <p>The Senior Rates Officer is working on an aged debt report for Management that will provide more detail on actions and outcomes.</p>
<p>3. Non-rateable properties</p> <p><b>Risk Level</b> Moderate</p>	<p>It is recommended that the Senior Rates Officer work with IT staff to investigate if a report can be developed or is available through Authority that shows changes to the non-rateable flag within a time period and this can be reviewed for appropriateness.</p> <p>Furthermore, a process to regularly spot check the current non-rateable properties list should be</p>	Senior Rates Officer	30/06/18		In Progress	<p>Refer Number 1 above. There are no standard reports available in Authority for this purpose. The Senior Rates Officer has requested IT to develop an exception report that will highlight changes whereby assessment have been changed from rateable to non-rateable.</p>

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
	implemented to ensure that information is accurate and current arrangements are in place for any 'Council' land that is being utilised.					The aim is to have an exception report printed and saved to RM8 and signed by the Manager Financial Services each occasion an assessment is made non-rateable with a quarterly exception report also provided to the Manager Financial Services as part of the quarterly rate notice raising procedure to be a further control for changes from rateable to non-rateable.
4. Finance Manual – Rate Revenue Function <b>Risk Level</b> Low	It is recommended the Finance Manual – Rate Revenue Function procedures are reviewed and updated in accordance with current processes.	Senior Rates Officer	31/12/17	30/06/18	In Progress	<p>Procedures have been reviewed and updated including:</p> <ul style="list-style-type: none"> <li>- Change of Ownership Name &amp; Address Input, Changes and Maintenance</li> <li>- Processing requests for Rate Notice to be Emailed</li> <li>- Processing Direct Debit Requests</li> <li>- Quarterly Processing of Direct Debit Payments to Assessments</li> <li>- Change of Ownership via Land Titles Reports via SAILIS</li> <li>- Processing Objections to Valuations via SAILIS</li> </ul> <p>Due to the Rates Officer being on unplanned extended leave the review has been delayed and the Manual not yet completed. It is envisaged the Manual will now be completed by 30/6/2018</p>

Elected Members Expenses Review – August 2017

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. PO089 Compliance <b>Risk Level</b> Moderate	It is recommended that PO089 is reviewed annually and updated with spend limits set based on current market conditions.	Chief Executive Officer	31/12/17	31/12/18	In Progress	Policy is currently being reviewed and updated to align with model policy from LGA. Updated policy will go to new Council after November 2018.

Authority and RM8 User Access Report – March 2018

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. Access to Authority Menus <b>Risk Level</b> Low	Access issues identified in the report relating to Authority access are rectified.	Senior Systems Analyst	31/03/18		Completed	Reviewed updated access list and confirmed all required changes have occurred.
2. Notification of Staff Extended Leave or Returning to Normal duties affecting IT Access <b>Risk Level</b> Low	<p>1. A short process whereby notification is given to IT (through the IT Support process), for those personnel on extended leave (i.e. greater than three months) is set up. Upon notification, it is recommended that access to applications is disabled. Ongoing access to emails and other software or equipment should be at the discretion of each individual situation and their Manager. The 'IT Support process' uses the 'support@yorke.sa.gov.au' email address and therefore these actions will be captured into the support ticketing application.</p> <p>2. Furthermore, it is recommended that for notification of higher duties, IT enforce an end date on any higher IT access (as provided by the People &amp; Culture team when they request higher access initially).</p>	<p>1. Manager People and Culture</p> <p>2. Senior Systems Analyst</p>	<p>30/06/18</p> <p>31/03/18</p>		Completed	

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
3. Access to RM8 Containers <b>Risk Level</b> Low	The Senior Records Officer removes access for those users which are no longer required. This action will need to be approved by the CEO via email, listing the inappropriate user access.	Senior Records Officer	31/03/18		Completed	

Payroll Report – May 2018

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. EFT Payroll File <b>Risk Level</b> High	Similar to the accounts payable process, a process should be implemented whereby the ABA file is automatically created to the correct network location, without the current necessity of editing the file prior to upload.  This would eliminate the ability to alter this file in any way and allow our internal controls to identify incorrect and/or altered data.	Leader Systems & Technology	30/06/18			
2. Payroll Masterfile Audit Report <b>Risk Level</b> High	A review of the payroll master file audit report is incorporated as part of the fortnightly pay run, rather than leaving it to be reviewed at a separate time. A sample of changes can be checked off as part of the payroll processing.	Payroll	30/06/18			
3. Pay Edit Review Process <b>Risk Level</b> High	To ensure appropriate segregation of duties, it is recommended that the second officer reviewing the detailed payroll listing must be independent and not have access to: <ul style="list-style-type: none"> <li>• Prepare payroll within the Authority application</li> <li>• Authorise payroll files within ANZ (EFT application).</li> </ul> It is recommended a Finance team member would be appropriate as a second reviewer, with their knowledge of the Authority application, financial,	Manager People & Culture	30/06/18			

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
	superannuation and tax information and their segregation from the payroll processing.					
4. Leave Balance Reporting <b>Risk Level</b> Moderate	People and Culture Team work closely with IT staff to develop a meaningful report automatically from Authority (or ElementTIME) highlighting excessive leave balances based on hours worked and this is reported to CMT on a consistent basis.	Manager People & Culture & IT	31/12/18			
5. Contract Agreement for ElementTIME <b>Risk Level</b> Moderate	It is recommended that discussions are held with Adroit to formalise contract arrangements, in particular once the ElementTIME system is rolled out to the rest of Council staff.	Leader Systems & Technology	31/12/18			
6. ElementTIME Password Controls <b>Risk Level</b> Moderate	It is recommended that ElementTIME is set to only allow the use of Council's Active Directory authentication, and that the use of the native ElementTIME authentication is disabled.	Leader Systems & Technology	31/10/18			
7. Casual or Agency Employee Exit Process <b>Risk Level</b> Low	It is recommended that People & Culture continue to develop a reduced 'Exit' checklist for causal and agency employees and employees on an extended period of leave.	Human Resources	30/09/18			
8. Payroll ElementTIME Timesheet Authorisation <b>Risk Level</b> Low	It is recommended that the second authorisation of ElementTIME timesheets by Payroll Officers is removed from the process once Officers are comfortable with the level of understanding of the ElementTIME system and further checks are built into the system.	Human Resources	31/12/18			

**Internal Financial Controls Action Plans – April 2018**

<b>Finding Name</b>	<b>Agreed Action</b>	<b>Responsible Officer</b>	<b>Due Date</b>	<b>Revised Due Date</b>	<b>Status</b>	<b>Comments</b>
1. General Ledger Policies and Procedures	General Ledger procedure to be created. This has been identified as low risk, hence an extended due date.	Accountant – Financial Management	31/12/18			
2. Register of Cash Custodian	Potentially update the cash custodian form to enhance the effectiveness. Furthermore send a reminder to Reception staff outlining their responsibilities with the cash custodian form.	Accountant – Financial Management	31/08/18			
3. Outstanding Debtors reporting	Similar to the agreed action noted from the Rates Review above, It is recommended that the Senior Rates Officer implement a quarterly outstanding debts report to be presented to CMT or Finance Management identifying long outstanding debt and current actions taking place.	Senior Rates Officer	30/06/18			
4. Independent review of NAR Changes	Develop a report to ensure that all NAR (Name and Address Records) changes are independently reviewed.	Senior Rates Officer	31/12/18			
5. Inventory Safeguarding	System/processes and security measures need to be put in place to better safeguard Council assets and inventory.	Accountant – Financial Operations	30/06/19			
6. Obsolete Inventory	Process for notification of obsolescent inventory to be included in year-end stock counts for 17/18.	Accountant – Financial Operations	30/08/18			
7. Inventory stocktake	Ensure that annual inventory stocktake undertaken in late June to enable adjustments prior to preparation of financial statements.	Accountant – Financial Operations	30/08/18			
8. Property Masterfile Changes	Similar to NAR changes action above, a report to be developed identifying all changes to property master file details that is independently reviewed.	Senior Rates Officer	31/12/18			
9. Reconciliation of Bonds and Deposits	Alter the process so that reconciliations of bonds and deposits occur quarterly instead of yearly to ensure a more effective reconciliation.	Accountant – Financial Management	31/08/18			

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
10. Reversing Receipt Transactions	A process will be implemented so that all receipt reversals are signed off by an independent senior Finance team member (Finance Manager or Accountants) prior to being reversed. Further a quarterly report will be provided to the Finance Manager for independent audit.	Senior Rates Officer	31/12/18			
11. Contract Management Processes	Undertake an independent review of contracts and how they are managed to ensure best value for money and compliance with internal controls.	Manager Finance	31/12/18			
12. Contracts Register	A contracts register is in place, however is not maintained appropriately. The Procurement Policy and procedures are currently under a major review and will include controls to ensure that the Tender register is updated when a new contract is entered into. New guidelines and checklists to accompany the Policy will be developed.	Manager Finance	31/12/18			

**8.6 ASSET MANAGEMENT UPDATE****Document #:** 18/38291**Department:** Assets and Infrastructure Services**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  
2.5 Explore provision of new infrastructure**BACKGROUND**

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

**DISCUSSION****Asset Management Plans**

Council currently have seven asset management plans that have been adopted, these being:

- Transport
- CWMS
- Water Infrastructure
- Stormwater Infrastructure
- Major Plant
- Buildings
- Parks & Gardens

The Buildings and Parks & Gardens asset management plans are now due for revision and updating. Both of these plans were adopted prior to the purchase of Council's asset management software, Conquest, and the process that is used to setup each asset category register in Conquest.

The Buildings Asset Management Plan is currently being reviewed by staff and will be further developed next financial year at the completion of a revaluation of the building and other structures asset register.

There are currently three asset registers that remain in excel spreadsheet format:

- Other Assets
- Minor Plant
- Furniture & Fittings

The Minor Plant register is currently being reviewed by staff and this will be uploaded to Conquest prior to the end of this financial year, it is anticipated that the Furniture & Fittings register will be

added to Conquest next financial year. The Major Plant Asset Management Plan will then be updated to include these two categories.

The Other Assets register, which includes assets such as barbeques, irrigation systems and beach access stairs, is now being reviewed by staff and will be uploaded to Conquest next financial year, at the completion of the review the register will be uploaded to Conquest and an asset management plan developed.

During the current review of the Other Assets register it has been identified that asset data used to develop the Parks & Gardens Asset Management Plan was located in different registers, including Other Assets and Buildings. It is the consensus that a revision of the Parks & Gardens Asset Management Plan be put on hold until the completion of the Other Assets Asset Management Plan, as this may no longer be required, as all assets will be accounted for in other plans.

## **COMMUNITY ENGAGEMENT PLAN**

Level 1 - Inform

## **CONSULTATION PROCESS**

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

- Chief Executive Officer
- Director Assets & Infrastructure Services
- Operations 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**

Asset Management Plans provide Council with a guide to ensure that sufficient funding is available to maintain assets at an appropriate level over a ten (10) year planning period.

## **RISKS/LEGAL/LEGISLATIVE/ IMPLICATIONS**

Local Government Act 1999

## **ATTACHMENTS**

Nil

## 8.7 RISK MANAGEMENT REPORT

**Document #:** 18/38794

**Department:** Corporate and Community Services

### PURPOSE

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

### 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 Councils (Council) risk management framework is to provide an essential and coherent link between our strategic goals and risks, risk management policies, procedures, operational processes and our day to day activities.

### DISCUSSION

Schedule of activities planned for 2018.

- Manage and monitor external risk audit action plan (External Risk Audit conducted by LGAWCS December 2017).
- Review Councils Emergency Management Systems (BCP, Emergency Response, etc.)
- Review Councils Risk Management Systems (Framework, policy, procedure, training, etc.)

This report provides a status update on risk management activities performed from March 2018 to May 2018, which included:

- The Risk Profile Review Action Plan (Dec2017-Sep2019) continues to be monitored and pending close out dates followed up with the responsible person for their action(s). As requested at the Audit Committee meeting (28/03/2018), the Risk Profile Review Actions are currently under review to risk rate and prioritise the actions, of which on completion, will be presented to CMT for review and endorsement and then presented to the Audit Committee.
- The Risk Management Framework has been developed and Risk Management Policy has been reviewed.

In line with Councils Consultation and Communication Procedure (PR076), the Draft Risk Management Framework and Risk Management Policy have been sent out to all Council employees for review and feedback received.

The updated Draft Risk Management Framework and Risk Management Policy are attached for Audit Committee review.

- In continuing with the process to develop Councils Operational Risk Register, a number of Risk Consultants have been invited to quote to undertake the following risk management tasks:
  - Review Councils Organisational Risk Context;
  - Assist with the definition of linkages within other organisational programmes;
  - Facilitate Risk Management training with staff; and
  - Run a number of workshops with stakeholders to identify operational risks.

Discussions are in progress with two (2) Risk Consultants to establish their availability and costs for their services. This is the first step in the process to establish Councils Operational Risk Register and will provide a guide to the scope of work and time that will be required to complete the Operational Risk Register.

### **COMMUNITY ENGAGEMENT PLAN**

Level 1 - Inform

### **CONSULTATION PROCESS**

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

- Manager People and Culture;
- Manager Business and Public Relations; 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

### **RISKS/LEGAL/LEGISLATIVE/ IMPLICATIONS**

Not applicable

### **ATTACHMENTS**

1. **PO091 Risk Management Policy - Draft**
2. **LGRS Annual Risk Profile Review Action Plan - Sept 2017 to Sept 2019 Extract**
3. **Risk Management Framework Draft**



## COUNCIL POLICY

### Risk Management

<b>Policy Number:</b>	PO091	<b>Version Number:</b>	5
<b>Policy Owner:</b>	Chief Executive Officer	<b>File Number:</b>	16/14129
<b>Responsible Officer:</b>	Risk Management Officer	<b>Minute Reference:</b>	011/2017 (18/01/2017)
<b>Issue Date:</b>	18/01/2017	<b>Next Review Date:</b>	01/01/2020

#### 1. Policy Objectives

Yorke Peninsula Council (Council) is committed to managing risks and associated opportunities in all areas of its operations. This policy aims to support the implementation of risk management for Council.

Good risk management practices will ensure Council achieves strategic goals, business objectives, targets and community expectations within an acceptable (tolerable) level of risk.

Council has developed a risk management framework having regard for the principles of the AS/NZS ISO 31000 Risk Management - Principles and Guidelines (AS/NZS ISO 31000). In line with AS/NZS ISO 31000, Council will develop and implement strategies to improve risk management maturity across the organisation.

#### 2. SCOPE

This policy applies to all Council business activities and employees, including Elected Members, Chief Executive Officer (CEO), Corporate Management Team (CMT), employees and volunteers given that each has responsibility for the effective management of risk within their area(s) of responsibility.

#### 3. DEFINITIONS

Risk	The effect of uncertainty on Council's business objectives whether it be positive (opportunity) or negative (threat).
Risk Management	The culture, processes and structures directed towards realising potential opportunities, whilst managing adverse effects.

#### 4. POLICY STATEMENT

- Section 134(4)(b) of the Local Government Act 1999 (the Act) requires Council to adopt risk management policies, controls and systems.
- Council is committed to applying risk management principles across all of its operations and functions in order to effectively realise Council's Strategic Plan.
- Council shall support adopting systematic risk management procedures and practices to identify, evaluate, treat and monitor risk in all Council activities so risks

associated with these activities are controlled, monitored and opportunities maximised.

- The CEO is responsible for ensuring the Risk Management Framework is established and implemented across Councils activities.
- The Audit Committee is delegated responsibility by Council to review and monitor the implementation of risk management across Council.
- The CMT have primary responsibility for managing risk within Council and are accountable to Council for implementing and monitoring the risk management process and integrating it into Councils day-to-day activities.
- The Risk Management Officer is responsible for ongoing development, communication and oversight of risk management, including systems capable of identifying, reporting and monitoring risks across Council. This includes reporting on the status of the risk management system and risk profiles to the Audit Committee, CEO and CMT.
- All employees are responsible for identifying and managing potential risks as part of their employment obligations.

#### 5. COMPLAINTS

Complaints about this policy can be made in writing to the Risk Management Officer. All complaints will be managed in accordance with Councils Complaints Policy (PO147).

#### 6. REVIEW

In line with Councils Document Management Policy (PO019) this policy shall be reviewed every four (4) years or more frequently if changes to Councils requirements or legislation occurs by being passed by at least a two thirds majority vote of the Elected Members.

#### 7. TRAINING

Risk management training shall be provided to all employees including Elected Members. The level and type of risk management training provided will be determined by role requirements and managed by the Training Needs Analysis database (TNA).

#### 8. RELATED COUNCIL POLICIES AND DOCUMENTS

- Risk Management Framework (PR098)
- Document Management Policy (PO019)
- Complaints Policy (PO147)
- Training Needs Analysis database (TNA)

#### 9. REFERENCES AND LEGISLATION

- Local Government Act 1999
- AS/NZS ISO 31000 Risk Management - Principles and Guidelines

#### 10. COUNCIL DELEGATION

Delegate:	CEO
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PO091 – Risk Management Policy

Yorke Peninsula Council

Sub Delegate:	Risk Management Officer
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**11. VERSION HISTORY**

Archived Policy Name	Policy Number	Date Adopted	Last Reviewed
Risk Management Policy	PO091	14/04/2004	08/06/2010
Risk Management Policy	PO091	11/12/2013	11/03/2015
Risk Management Policy	PO091	11/03/2015	18/01/2017
Risk Management Policy [V4]	PO091	18/01/2017	
Risk Management Policy [V5]	PO091	??/04/2018	

Yorke Peninsula Council  
Risk Profile Review Action Plan - Draft  
December 2017 - September 2019

ACTION #	Risk Review	RISK PROFILE STANDARD REFERENCE	PROGRAM/ RECOMMENDATIONS	ACTION REQUIRED	RESPONSIBILITY	DUE DATE	COMMENTS / PROGRESS	EVIDENCE	COMPLETION DATE
31	May-16	8. Community Land/Recreation/Leisure Services 8.2 - Community swimming pool management will always be a high risk activity for local government. If relevant, how many pools and associated facilities do you own in your Council area? How often do you undertake a risk review of the facilities and attaching policies and procedures? How well documented are your pool protocol and safety guidelines for pool users – extending to inclement weather closure, first aid, exclusive use/multi-use sessions, pool cleaning safety around water.	May 2016 a) Develop and implement swimming pool management strategies/ protocols that address inspection, maintenance, supervision, child protection, cleaning, first aid, accessibility and usage, unauthorised access and safety issues b) Align pool management strategies/ protocols with Royal Life Saving Society Australia Guidelines for Safe Pool Operation c) Schedule regular reviews of swimming pool management strategies/ protocols to assess their effectiveness and suitability d) Develop (or review) inspection checklists for swimming pools and their surrounds e) Identify training needs for employees/volunteers engaged in pool management, supervision and/ or maintenance and include on training needs analysis f) Schedule training for employees/ volunteers engaged in pool management, supervision and/or maintenance g) Review pool management and/or lease agreement(s) to ensure that reasonably foreseeable risks have been identified and adequately addressed h) Establish regular monitoring of pool management contractors and document outcomes/issues identified i) Consider pool user safety guidelines – implement pool user agreements and/or informative signage and/or supervision requirements j) Develop (or update) emergency response procedures for potential incidents that may occur at the pool, (e.g. chemical exposure, drowning, assault, etc.) k) Provide training for all employees and volunteers in emergency response procedures l) Develop a schedule for testing the emergency response procedures, (or require contractor/lessee to provide evidence that this has occurred)	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 31/05/2018	04/07/2017 - Requested extension to the due date to 31/08/2017 to allow time to develop the Swimming Pool management strategy. 07/04/2017 - Request for extension approved - Manager People and Culture - Bobbi Pertini 30/10/2017 - Requested for extension to due date to 31/05/2018. 30/10/2017 - Request for extension approved - Manager People and Culture - Bobbi Pertini.  Review in progress		
32	Dec-17	1 - Has Council endorsed a Risk Management System?	Reviewing risk management policy and procedure for currency and relevance.	Review Risk Management Procedure (PR098) to ensure it reflects the process to assess and manage risk in line with Councils Risk Framework.	Risk Management Officer	31/08/2017	The Risk Management Policy was reviewed and endorsed 18/01/2017 and will be reviewed as per "Next Review Date" January 2020.		
33	Dec-17	1 - Has Council endorsed a Risk Management System?	Map out the risk framework to provide guidance to identify any gaps which may exist.	Develop Risk Framework Process Map.	Risk Management Officer	30/06/2018			
34	Dec-17	1a - Has Council implemented a Risk Management System?	Develop the framework to ensure all aspects of the Council is considered.	Develop Risk Framework.	Risk Management Officer	30/08/2018			
35	Dec-17	1a - Has Council implemented a Risk Management System?	Identifying training needs and providing training appropriate to responsibilities listed in risk management policy and procedure, (this includes staff and elected members).	Identify relevant Risk Management Framework Awareness sessions for relevant employees, including Elected Members.	Manager People and Culture	28/02/2019			
36	Dec-17	1c - Does Council have a Risk Register?	Develop an operational risk register this may align with risks identified in other corporate documents or program delivery.	Develop Plan to develop and implement Operational Risk Register.	Risk Management Officer	30/06/2019	Operational Risk Register process has been mapped.		
39	Dec-17	1d - Has training been identified and provided to all persons with responsibilities and accountabilities for risk management?	Provide training to staff who can influence a risk outcome.	Provide training to employees who have risk management responsibilities within Councils Risk Management Framework and systems.	Risk Management Officer	28/02/2019			
40	Dec-17	1d - Has training been identified and provided to all persons with responsibilities and accountabilities for risk management?	Providing training/awareness session to elected members about their responsibilities as outlined in Council's risk management framework?	Provide training to elected members who have risk management responsibilities within Councils Risk Management Framework and systems.	Risk Management Officer	28/02/2019			
41	Dec-17	2 - Does Council have systems in place to authorise alterations to a public road (non-business purposes)?	Developing a documented process for the use of various forms, this may include the timing and delivery of the service provided. Include a process for any disputes.	Develop a procedure for the Authorisation of Requests to Alter Public Roads (non business purposes) and footpaths.	Asset Manager	30/11/2018			
42	Dec-17	2c - Does Council have an infrastructure and Asset Management Plan that covers the management and maintenance of roads and footpaths?	Developing a risk management process around the Transport Asset Management Plan.	Review the Transport Asset Management Plan taking into consideration the planning and scheduling of maintenance, assessing Service Level requirements and reviewing the road categories.	Asset Manager	30/09/2019			
49	Dec-17	E2a - Can Council demonstrate A documented approach to Event Management for Council organised events is in place.	It is suggested that the process for council run events use a similar process to the 'others' to ensure required processes are included.	Review and update Special Events Procedure to include the requirement for Council run events to follow the same process as an external event.	Risk Management Officer Manager Business and Public Relations	31/08/2018	The Special Event system has been moved from WHS and Risk Management to Business and Public Relations. A full review of the Special Event system is in progress.		

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50	Dec-17	E2a - Can Council demonstrate A documented approach to Event Management for Council organised events is in place.	It is suggested that the process for council run events use a similar process to the 'others' to ensure required processes are included.	Review and update Special Events Application to include the requirement for Council run events to notify SafeWork SA if specific criteria is triggered.	Risk Management Officer Manager Business and Public Relations	30/09/2018	The Special Event system has been moved from WHS and Risk Management to Business and Public Relations. A full review of the Special Event system is in progress.		
51	Dec-17	E2b - The documented approach to Event Management covers risk management and relevant legislative compliance requirements and is compatible with Community Land Management Plans. The documented approach to Event Management has been applied to each Council organised event. The same documented approach to Event Management is applied by all persons who have responsibility for managing Council organised events (sample from each area where event coordinated). An appropriate Event Management checklist is completed, for example the SafeWorkSA Public Event Assessment Checklist has been completed and provided to SafeWorkSA for events that have: * registered amusement devices * dangerous goods over the licensable quantities, i.e. 250kg or more of LPG, 120L or more of class 3 (e.g. petrol) * fireworks * large marquees, i.e. over 6m in length * stages or grandstands that require scaffolding	Modifying Council's existing Event Management Process used in the Event Application process, this would follow a check list type system and ensure all risks and mandated requirements are met.	Train relevant Council staff to the changes made to the Special Events Procedure.	Risk Management Officer Manager Business and Public Relations	31/03/2019			
52	Dec-17	E4a - Does Council have systems in place to manage existing and new trees?	The development of a Tree Management Policy and process which links the actions from tree planting, maintenance, and complaints.	Create a Tree Management Policy/Procedure (which includes the reference to Climate Change and associated issues).	Natural Environment & Sustainability Officer	31/05/2018			



# FRAMEWORK

## Risk Management

<b>Procedure Number:</b>	XXXXXXX	<b>Version Number:</b>	??
<b>Procedure Owner:</b>	Chief Executive Officer	<b>File Number:</b>	?????
<b>Responsible Officer:</b>	Risk Management Officer	<b>Minute Reference:</b>	CMT?????
<b>Issue Date:</b>	DD/MM/YYYY	<b>Next Review Date:</b>	DD/MM/YYYY

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## 1. Introduction

Yorke Peninsula Council (Council) is committed to the application of risk management by following the Australian Standard/New Zealand Standard ISO 31000 - Risk Management (AS/ANZ ISO 31000) which describes risk as “the effect of uncertainty on objectives” and suggests risk management as “the coordinated activities to direct and control an organisation with regard to risk”.

Councils Risk Management Framework provides the structured process to minimise uncertainty in achieving its objectives, and to maximise opportunities against potential exposure to risks.

The risk management process is not an isolated function and should be integrated as part of good management practice. Effective identification, assessment and evaluation of risks are critical to Council achieving its strategic and operational objectives.

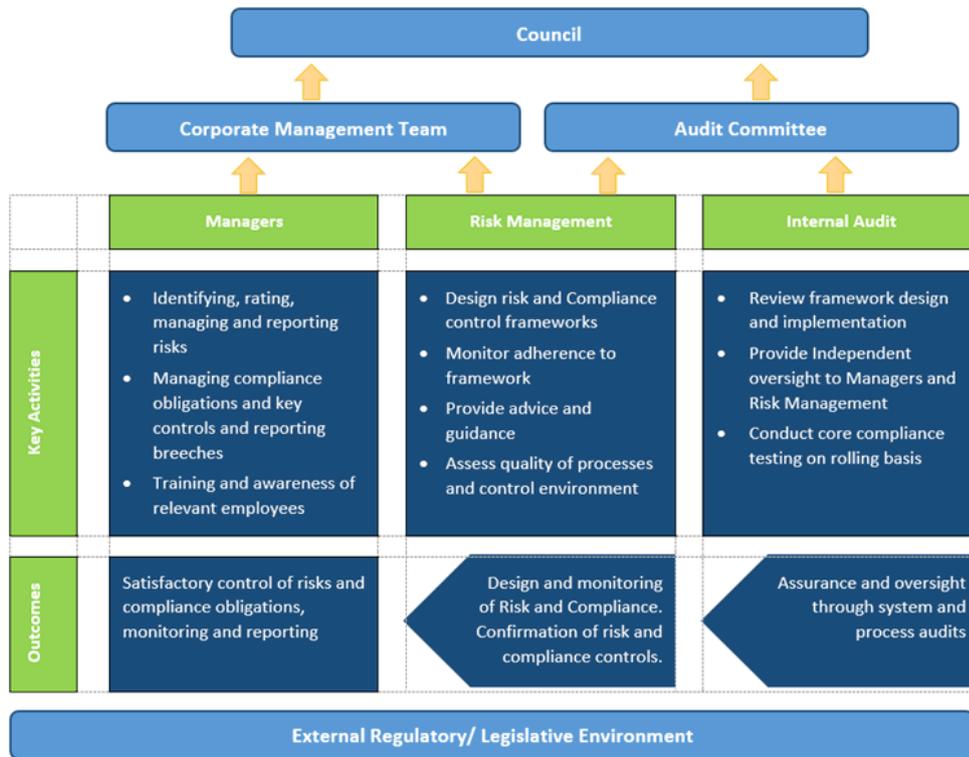
## 2. Purpose

This Framework provides details of the requirements and processes supporting Councils Risk Management Policy in order to maximise opportunities whilst minimising risks that may prevent Council from achieving its objectives:

- Enhancing Councils governance and corporate management processes;
- Ensuring roles and responsibilities for managing risk;
- Establishing a standardised, formal and structured process for the assessment and treatment of identified risks;
- Ensuring all risks are assessed and escalated to relevant managers as appropriate to the risk level;
- Ensuring reporting protocols are established for information dissemination across Council;
- Assisting the integration of risk management principles into the strategic and operational processes across Council;
- Assist in the development of a continuous improvement culture by integrating risk management processes into Council functions.

## 3. Organisational and Operating Environment

To ensure this framework is embedded into the organisation and integrated into Council's strategic and business planning cycles, Council has determined the essential roles and duties to enhance communication on risk management and control:



**3.1. Departmental Managers**

Each Department is responsible for the ownership and management of their risks. They are also responsible for implementing corrective actions to address process deficiencies. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdown, inadequate processes and unexpected events.

**3.2. Risk Management Functions**

The risk management function ensures the framework is fully embedded, operational and monitoring department managers controls to ensure risks are being effectively managed.

It is a risk management function that facilitates and monitors the implementation of effective risk management practices, with assistance being provided to risk owners in defining the risk exposure and reporting risk-related information.

**3.3. Internal Audit**

Internal Audit provides independent assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which risk management and control objectives are being achieved. They will also provide Council and CMT with comprehensive assurance based on the highest level of independence and objectivity.

An effective Risk Management Framework is integrated into business planning processes. To enable the integration, the nature of the organisation and the environment in which it operates needs to be fully understood. This understanding is important when designing the content of the risk management framework and the future application of the defined risk management processes.

### 3.4. Strategic Objectives

Council strategic direction is outlined in Councils 2016-2020 Strategic Management Plan:

- Goal 1 - Economically Prosperous Peninsula
- Goal 2 - Community Connected through Infrastructure
- Goal 3 - Valued and Restored Environment
- Goal 4 - Community Engaged and Supported
- Goal 5 - Responsible Governance

Our performance is affected by a range of external factors including the values, beliefs and expectations of external stakeholders or changes in our social, political, cultural or economic standards.

The Strategic Objectives are essential elements in relation to identifying, analysing and managing risk particularly at the strategic level.

### 3.5. Operational Objectives

When risk assessing at an operational or process level, is necessary to take into consideration the unique objectives and operating environment relevant to risk being assessment.

## 4. Risk Appetite

Risk appetite can be explained as 'how much risk does the Council need to take on in order to attain appropriate or sought after return? Or in other words, the total impact of the risk the Council is prepared to accept in the pursuit of achieving its objectives.

Risk appetite has two components to it:

- Risk Tolerance: How much risk can the Council choose to accept?
- Risk Capacity: How much risk can the Council afford to take?

## 5. Risk Tolerance

The CMT is responsible for considering the nature and level of risk Council is willing to undertake in order to achieve its strategic objectives.

Not all of Councils risk types are the same in terms of their acceptability. Once a risk has been analysed, it needs to be compared to Councils tolerance levels. Tolerance can be described as the amount of uncertainty Council is prepared to accept, either in total or as it relates to a specific business unit or risk category.

The acceptance for Residual Risks levels, are based on the consequence table and specific to Council objectives, as stated below:

Risk Rating	Minimum Treatment Required	Description
Extreme Risk	Reject and Avoid or mitigate	Immediate action required in consultation with CMT to either avoid the risk entirely or to reduce the risk to a low, moderate or high rating.
High Risk	Accept and Mitigate	These risks need to be mitigated with actions as required and managers need to be assigned these risks.
Moderate Risk	Accept	Manage by specific monitoring or response procedures.
Low Risk	Accept	Manage by routine procedures.

If the assessed risk level is above the tolerable level for that category of risk then treatment may be required. If it is equal to, or below, the tolerable level for that category of risk then the risk can be accepted (provided the controls are implemented).

**6. Understanding Risks**

When understanding risk, it is also important to understand how it fits within the Councils objectives. Is the risk impacting on Councils strategy or operations?

Risk is the probability or threat of damage, injury, liability, loss, or any other negative occurrence caused by external or internal factors and may be avoided through preventative action. It is a potential for something to happen/ a possibility not an actuality.

With greater risk uncertainty it can translate into greater risk exposure or less than desired outcomes. In general, risk exposure can be grouped into two (2) groups:

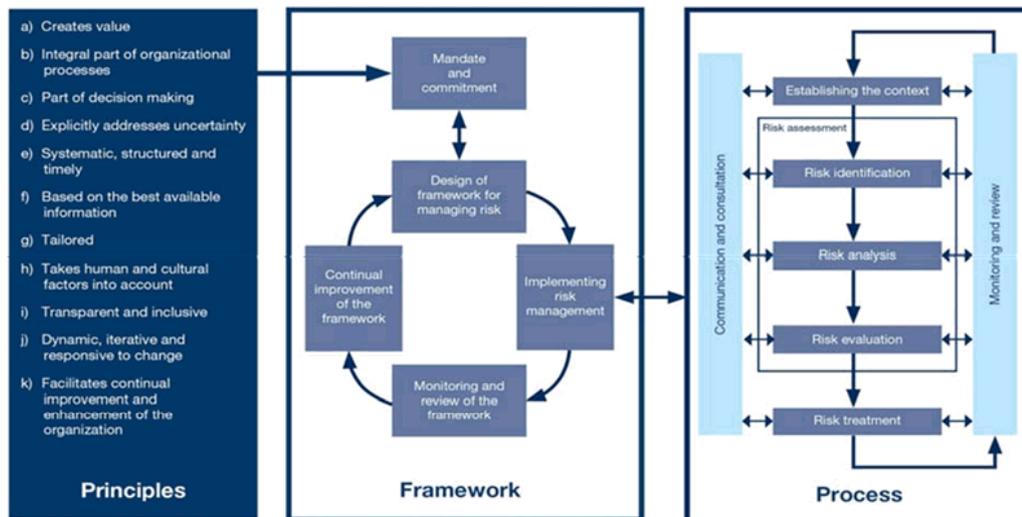
<b>External Risk</b>	Arises when external forces can affect the Councils performance or makes its choices regarding strategies, operations, customers and supplier relationships, organisation structure or financing.
<b>Internal Risk</b>	Arises when internal processes do not achieve the objectives they were designed to achieve in supporting the Councils business model. For example, this could be dissatisfied customers and inefficient operations.

**7. Risk Management Process**

The risk management process ensures risk management activities are applied across Council consistently in line with AS/ANZ ISO 31000 to enable Council to minimise losses and maximise opportunities.

AS/ANZ ISO 31000 process includes the following elements:

1. Communication and Consultation
2. Establishing the Context
3. Risk Identification
4. Risk Analysis
5. Risk Evaluation
6. Risk Treatment
7. Monitor and Review



**7.1. Communication and Consultation**

Communication and consultation with internal and external stakeholders is essential, ensuring that those responsible for implementing or with a vested interest in risk management, understand the basis on which risk management decisions are made and why particular actions are required.

By engaging stakeholders this will ensure:

- Risk is incorporated into all business processes.
- Providing risk management awareness sessions for workers to develop an understanding of risk management methodology and the value of risk management to the Council.
- Diversity of knowledge, opinions and experience from stakeholders will enhance the identification and management of risks and opportunities;
- Encouraging and supporting workers to use Council provided risk management tools and resources.

**7.2. Establish the Context**

Council shall establish the strategic, organisational and risk management context in which the risk management process will take place. Criteria against which risk will be evaluated shall be established and the structure of the analysis defined by considering the following:



**8. Risk Assessment Process**

**8.1. Risk Identification**

Risks are identified to develop an inclusive list of events that may occur. The purpose is to identify all risks: the what, when, why and how incidents might impact on the achievement of objectives. Council identifies, assesses and treats risks in the following two (2) groups:

<b>Strategic</b>	Risks associated with high level strategic goals that align to Councils Strategic, Annual and Business Plans. Strategic risks may affect the achievement of Council’s corporate objectives. These risks can be triggered from within the business or externally.
<b>Operational</b>	Risks associated with departmental functions and daily operations to deliver essential services.

Risk identification flows on from the context discussion and is a process of formally documenting potential risk events.

The identification process should engage as many stakeholders as possible. Develop a description of the risk and enter it into the General Risk Assessment Template (SF285). The risk description should contain a statement of the risk and where appropriate, include those factors which cause or contribute to the risk event.

During the identification process, there are a number of questions that need to be asked to capture the information required:

1. What might happen or what could go wrong?
2. What is the cause?
3. How does this affect the objective?

Organisational strategic risks are developed in conjunction with the CMT and Elected Members, using Council's strategic objectives and plan as a starting point.

The organisational operating risks are identified in conjunction with department Managers which are facilitated by People and Culture staff. Operational risks that are identified will be categorised under the Council Risk Breakdown Structure (refer Appendix 1) and captured in the Councils Operational Risk Register. As part of this process Risk Owners will be identified and allocated the accountable for managing their risks within their areas of responsibility.

**8.2. Risk Analysis and Evaluation**

Risk analysis involves understanding the risks being assessed, the likelihood of the risk occurring and the consequence to Council. Identification of the likelihood and consequence is not a scientific process but based on perception and history.

The Risk Consequence and Likelihood Matrices sets the criteria for responses to different levels of risk.

Description	Consequence Rating				
	Safety	Reputation	Legal and Regulatory	Environmental	Financial
<b>Catastrophic</b>	Fatality.  Severe injury or illness giving rise to a disability or impairment.  Litigation.	State negative media coverage.  Irreparable damage to reputation.  Public outcry.	Significant prosecution for organisation and individuals.  Fines.  Very serious litigation.	Extensive, very serious and long-term impairment of the environment.  EPA involvement or investigation.	> \$1 mil
<b>Major</b>	No fatality.  Serious (but non-life threatening) injury or illness. Critical failure of internal controls.	Extensive local negative media coverage. Loss of reputation that will require external resources.  Public concern.	Major breach of legislation or regulation.  Prosecution.  Fines.  Litigation.	Serious (>6months) impairment of the environment.	> \$250k to  < \$1 mil
<b>Moderate</b>	No fatality.  Non-life threatening injury/illness. Medical treatment and/or hospitalisation required. Serious breach involving statutory	Significant local media attention.  Significant number of complaints.	Serious breach of legislation or regulation with investigation and/or report to relevant authority. Limited fine or other penalty possible.	Moderate damage or impairment of the environment.  Repairable in 1 to 6 months.	> \$50k to  < \$250k

Consequence Rating					
Description	Safety	Reputation	Legal and Regulatory	Environmental	Financial
	authority investigation. Significant failure of internal controls.				
Minor	Minor reversible injury requiring medical treatment by doctor. No hospitalisation. Contained non-compliance with short term significance.	Heightened negative local media attention.  Low number of complaints.	Breach of legislation or regulation with noted compliance failure. Requirement for report to regulator or authority.	Limited damage or impairment of the environment. Repairable within 1 month.	< \$50k
Insignificant	A minor injury that is treated on site. Near miss or incident that does not give rise to any injury.	A number of complaints.	Minor non-compliance.  Minimal failure of internal controls.	Minor containable incident with no measurable impairment or impact of the environment.	< \$20k

Likelihood Rating	
<b>Almost Certain</b>	Incidents will occur frequently each year
<b>Likely</b>	Incidents will almost certainly occur each year
<b>Possible</b>	Incidents will possibly occur every 2 to 3 years
<b>Unlikely</b>	Incidents are unlikely; every 3 to 5 years
<b>Rare</b>	May only occur in exceptional circumstances

A “risk rating” is then determined by Plotting the likelihood (Likelihood Matrix Table) and the consequence rating (Consequence Matrix Table) using the risk matrix (Risk Matrix Table). The risks are to be assessed against all consequence categories and the highest consequence rating shall be used.

Risk Matrix						
Consequence and Reporting Action						
Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
	Almost Certain	Low	Moderate	High	Extreme	Extreme
	Likely	Low	Moderate	High	High	Extreme
	Possible	Low	Moderate	Moderate	High	High
	Unlikely	Low	Low	Moderate	Moderate	High
	Rare	Low	Low	Low	Moderate	Moderate

When undertaking the risk assessment process, the first rating obtained will be the Inherent Risk Rating which is ‘the level of risk at time of the assessment with existing/ current controls in place’. Depending upon the inherent risk rating this will determine if additional controls (risk treatments) are required to reduce the risk.

Once the risk level has been established, decisions in relation to prioritising responses (treatment and/or controls) to those risks can be made. It should be noted that there can be some circumstances where, despite the risk level, the risks cannot be treated.

### **8.3. Risk Treatment**

Risk treatment involves identifying the most appropriate responses to reducing the risk level to a status acceptable in line with Councils risk tolerance.

Both controls and treatments are designed to mitigate the risk by reducing the likelihood of negative risks occurring and/or reducing the impact of risks should they occur.

Often more than one response may be necessary to address an identified risk and in those cases a combination of responses (controls/mitigations) should be taken into consideration.

List the treatment proposed to further mitigate each risk and allocate responsibility for the implementation of the proposed treatments.

The risk will be rated again to ascertain the Residual Risk which is 'the level of risk remaining after risk treatment'.

There are a variety of treatments available.

#### **8.3.1. Low Risk**

If the assessed risk level is "low", no further action may be required. A watching brief should still be maintained to ensure the status of the risk does not alter.

#### **8.3.2. Risk Avoidance**

Avoid the risk by deciding not to start or continue with the activity that gives rise to the risk. At times this may not be practical, but still should be considered in the overall response strategy. If an organisation's culture is risk averse, this can often be used inappropriately.

#### **8.3.3. Changing the "likelihood" of the risk occurring**

It is possible to change likelihood, particularly for those risks which are affected by internal influences. Examples of some treatments which can be used include design changes, process modification or implementation, compliance monitoring, training.

#### **8.3.4. Changing the "consequence" of risk**

Where the event occurs, it is possible to reduce its effect through appropriate pre-planning. Examples of some treatments which can be used include inventory reduction, development of contingency and business continuity plans, implementation of protective technology/hardware.

### 8.3.5. Sharing Risk

Sharing risk involves another or other parties carrying or sharing some part of the risk. This occurs by mutual consent and includes vehicles such as contracts, insurance arrangements, outsourcing or other organisational partnerships.

### 8.3.6. Transfer Risk

It is almost impossible to transfer risk completely. In almost all risk sharing arrangement, a degree of the original risk remains and there is inevitably financial or other consideration for the sharing of the risk. In addition, a new risk is inherited; that of being dependent on a third party to manage the original risk.

## 8.4. Risk Registers

The Risk Registers enables Council to document, manage, monitor and review strategic and operational risk information. This assists in building a risk profile and provide direction on how to improve risk management processes.

## 8.5. Monitor and Review

Monitoring and review shall be a formal part of the risk management process and involves regular checking or surveillance of the effectiveness and efficiency of the risk management processes implemented.

A monitoring and review process will:

- a) Ensure implemented controls are effective and adequate;
- b) Provide the opportunity to improve risk assessment and treatment plans;
- c) Allow for the identification of emerging risks;
- d) Identify new activities that may influence established strategies.

Monitoring all activities and processes will capture any new or emerging risks arising from the changing environment (both internal and external) and the activities undertaken by Council.

The Strategic Risk Register shall be reviewed by Risk Management Officer in conjunction with CMT and Audit Committee.

The Operational Risk Register shall be reviewed at regular intervals by Risk Owners.

## 9. Risk Reporting

Risk Reporting will draw data from the Risk Register and provide monitoring and profile information to Council, Audit Committee and the CMT.

Reports will be generated on Risk Management in order to:

- a) Understand the risk exposure of the Council;
- b) Identify risks that require increased attention and action;
- c) Provide risk information to the Council;

- d) Provide information to all workers at all levels to assist with making risk informed decisions; and
- e) Improve the Risk Management awareness and culture at Council

The schedule below indicates the reporting responsibilities and timeframe associated with the Framework.

Report	Author	Recipient	Timeline
Strategic Risk Status Report	Manager People and Culture Risk Management Officer	CMT Audit Committee	Annually
Risk Management Status Report	Risk Management	Audit Committee	Annually
Operational Risks Status Report	Risk Owners	CMT Audit Committee	Annually

## 10. Risk Training

To ensure the successful implementation of risk management throughout the organisation, appropriate training in risk management will be provided to all employees.

Training content is to encompass the risk management process, application of risk management tools, assistance with identification and analysis of Councils risk exposures, risk profiling and reporting.

The People and Culture Team shall ensure, in line with the Training Needs Analysis (TNA):

- Induction training will include Risk Management and Governance at applicable levels to the employee.
- Employees receive Risk Management awareness training as applicable to the employees role.
- Elected Members received Risk Management and Governance training within 12 months of Council Elections.

## 11. Roles and Responsibilities

It everyone's responsibility within Council to manage risk. The accountability for managing specific risk, sits with the most appropriate employee to manage that risk (i.e. Risk Owner).

Councils Risk Management Framework has specific elements which require defined alignment of roles and responsibilities. The responsibilities for each of the roles identified are as follows:

### 11.1. Council (Elected Members)

The role of Council is:

- Adopt the Risk Management Policy and note the Risk Management Framework.
- Appoint Audit Committee Members.

- Be satisfied strategic risks are identified, managed and controlled appropriately.
- Apply risk management principles in decision making processes.

#### 11.2. Audit Committee

The role of the Audit Committee is:

- Review and endorse the Risk Management Policy and Framework.
- Review the effectiveness of Councils internal controls and risk management systems.
- Monitor and review the effectiveness of Councils external and internal audit function in the context of Councils overall risk management systems.

#### 11.3. Corporate Management Team

The Chief Executive Officer (CEO) is ultimately responsible for the effective implementation of risk management throughout Council with the support of Councils Directors (CMT).

The role of the CMT is:

- Endorse the Risk Management Policy and Framework.
- Commitment to, and promotion of, the Risk Management Framework and systems.
- Ensure all Council reports include Legal and Risk implications.
- Review Councils Strategic Risks
- Regularly review risks on the Risk Registers (at least annually).
- Ensure Managers have the necessary knowledge and skills to effectively fulfil their risk management responsibilities and are accountable for risk arising from their activities of their departments.
- Empower staff to actively be involved in managing risk.

#### 11.4. Internal Audit

The role of the Internal Audit is:

- Evaluate the use and effectiveness of key treatment plans identified through the risk management process.
- Ensure internal audit plan takes into consideration identified strategic and operational risks and associated response activities.
- Report to CMT and Audit Committee.
- Independently review and analysis of Councils internal control systems.
- Evaluate effectiveness of relevant internal controls.

**11.5. Managers**

The role of Managers are:

- Ownership of risk management within their department or as delegated by the CEO in accordance with this policy and the Risk Management Framework.
- Championing risk management within their department and appropriate risk management practice by staff, volunteers, contractors, and service providers.
- Ensure that the Risk Management Framework is implemented at department level.
- Provide reports on a timely basis.
- Ensure all Council reports include Legal and Risk implications.

**11.6. Risk Management Officer**

The role of Risk Management Officer is:

- Ensure relevant risk information is reported and escalated to the CMT and Audit Committee or cascaded to staff, as relevant.
- Maintain the Risk Management Policy and Framework to ensure its currency and accuracy.
- Maintain the Risk Register and timeframes as required.
- Provide support and advice to Managers and staff in the application and use of the Risk Management Framework and reporting within the Risk Registers.

**11.7. Employees, Volunteers and Contractors**

The role of Employees, Volunteers and Contractors are:

- Understand the risk management processes that are integrated into all Council activities
- Identify, evaluate, report and manage risks in their daily activities and projects.

**12. Review**

In line with Councils Document Management Policy (PO019) this policy shall be reviewed every four (4) years or more frequently if changes to Councils requirements or legislation occurs.

**13. Complaints**

Complaints about this policy can be made in writing to the Risk Management Officer. All complaints will be managed in accordance with Councils Complaints Policy (PO147).

**14. References and Related Documents****14.1. References**

- AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines

**14.2. Related Documents**

- Document Management Policy (PO019)

- Risk Management Policy (PO091)
- Complaints Policy (PO147)
- Training Needs Analysis (TNA)

SIGNED:

\_\_\_\_\_

CEO

\_\_\_\_\_

Chairperson, Audit Committee

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

**15. Document History**

Version No	Issue Date	Description of Change
01	DD/MM/YYYY	New Document

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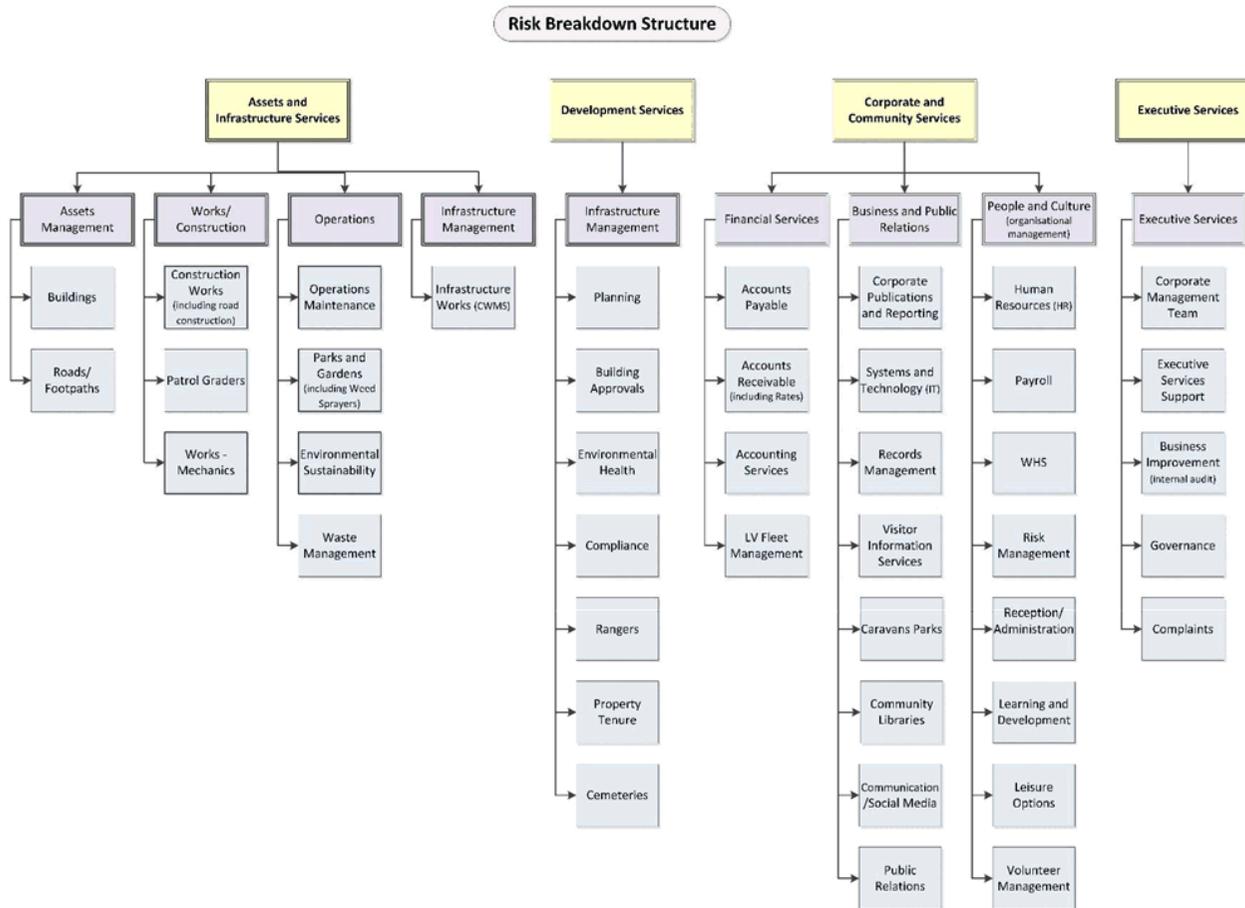
**16. Appendix 1 - Definitions**

Term/Reference	Definition
Assurance	A process that provides a level of confidence that objectives will be achieved within an acceptable level of risk.
Consequence	Outcome of an event affective objectives.
Controls	A measure that modified risks and increases the likelihood that objectives and goals of an organisation will be achieved.
Event	Occurrence of a particular set of circumstances.
External Context	External environment in which the organisation seeks to achieve its objectives.
Inherent Risk	Risk at time of risk assessment (consequence multiplied by likelihood) with current controls in place.
Internal Audit	An independent, objective assurance and consulting activity designed to add value and improve organisation operations.
Internal Context	Internal environment in which the organisation seeks to achieve its objectives.
Likelihood	Chance of something happening.
Operational risks	Risks associated with Councils functions and daily operations to deliver essential services.
Residual Risk	Rating of the risk remaining after risk treatment(s) and/or control(s) have been applied.
Risk	An event or uncertainty that will stop an organisation achieving its objectives.
Risk Appetite	Is the amount of risk an organisation is prepared to accept or avoid.
Risk Appetite	The statement articulates the organisations approach to risk and includes both risk appetite and risk tolerance. The risk appetite is board pursuit of risk whereas risk tolerance is operational and more tactical
Risk Assessment	An overall process of risk identification, risk analysis and risk evaluation.
Risk Avoidance	Eliminating the risk by preventing exposure to future possible events from occurring.
Risk Exposure	Qualitative value of the sum of the consequence of an event multiplied by the probability of that event occurring.
Risk Management	Coordinated activities to direct and control an organisation with regard to risk.
Risk Management Framework	Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.
Risk Owner	Employee with the accountability and authority to manage a risk.
Risk Rating	Risk priority based on consequence and likelihood assessments.

Term/Reference	Definition
Risk Register	Register of identified risks, their consequences, likelihood, rating and treatments.
Risk Tolerance	An organisation's or stakeholder's readiness to bear the risk after risk treatment(s)/control(s) have been applied in order to achieve its objectives.
Stakeholder	Person or organisation that can affect, be affected by, or perceive themselves to be affected by, a decision or activity
Strategic risks	Risks associated with high level strategic goals that align to Councils Strategic, Annual and Business Plans.

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17. Appendix 2 - Yorke Peninsula Council Risk Breakdown Structure



**9 GENERAL BUSINESS**

**10 NEXT MEETING**

Wednesday 26 September 2018

**11 CLOSURE**