



Agriculturally rich-Naturally beautiful

Yorke Peninsula Council

NOTICE OF MEETING

Notice is hereby given that the next ordinary meeting of Council's
AUDIT COMMITTEE

will be held on Wednesday 14th December 2016
in the Minlaton Council Chamber,
57 Main Street, Minlaton commencing at 10:00am

David Harding
DIRECTOR CORPORATE AND
COMMUNITY SERVICES

A G E N D A

ITEM 1 YORKE PENINSULA COUNCIL – AUDIT COMMITTEE

- 1.1 Welcome by Chairperson
- 1.2 Present
- 1.3 Apologies/Leave of Absence
- 1.4 Minutes of previous meeting – for confirmation:
Audit Committee meeting held on 26th October 2016.
- 1.5 Questions without Notice

1.6 Conflict of Interest

CONFLICT OF INTEREST

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

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

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

ITEM 2 REPORTS

1. Appointment of Audit Committee Chair (*CEO delegated as Returning Officer*)
2. 2015/16 External Auditor's Report (Audit Opinion) pages 3 - 14
3. External Audit Activity Update pages 15 - 22
4. Audit Committee Annual Review and Self-Assessment 2016 and Draft Work Program for 2017 pages 23 - 53
5. 2016/17 September Quarterly Budget Review pages 54 - 65
6. Asset Management Update - Verbal
7. Risk Management Update pages 66 - 75
8. Internal Financial Control Policy pages 76 - 83
9. Risk Management Policy pages 84 - 87

ITEM 3 GENERAL BUSINESS

ITEM 4 NEXT MEETING

Wednesday, 22nd February 2017, 3.00pm
Minlaton Council Chamber

ITEM 5 CLOSURE

DIRECTOR CORPORATE AND COMMUNITY SERVICES

2. 2015/16 EXTERNAL AUDITOR'S REPORT (AUDIT OPINION)

INTRODUCTION

To provide to the Committee the external auditor's report (audit opinion) on General Purpose Financial Statements and Internal Controls for 2015/16 and associated letters, reports and declarations.

RECOMMENDATION

That the Audit Committee receive and note the 2016 external auditor's reports (audit opinions) and associated letters, reports and declarations.

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

At its meeting on 26 October 2016 the Audit Committee considered the 2015/16 audited General Purpose Financial Statements and resolved as follows:

Cr Rich moved Cr Stock seconded

- 1. That the CEO and Mayor be authorised to certify the accounts, and*
- 2. The CEO and Presiding Member of the Audit Committee sign the Certification of Auditor Independence, and*
- 3. The CEO and the Director Corporate and Community Services be authorised to sign the Management Representation Letter to the Auditors.*

CARRIED 036/2016 (26/10/2016)

Jim Keogh and Stuart Simpson from Council's external auditors, Dean Newbery and Partners were also present at this meeting and Committee members had the opportunity to meet with them in-camera.

The 2015/16 audited General Purpose Financial Statements were subsequently considered and adopted by Council at its meeting on 16 November 2016.

Dean Newbery and Partners have since issued the following documents (refer Attachments 1-6):

- 2016 Balance Date Management Letter
- 2016 Chief Executive Officer's Audit Letter
- 2016 Certification of Auditor's Independence
- 2016 Mayor's Letter Enclosing Audit Opinions
- 2016 Independent Auditor's Report (Audit Opinion)
- 2016 Internal Controls Audit Report (Audit Opinion)

DISCUSSION

Balance Date Management Letter

This letter (refer Attachment 1) is a summary of audit matters the Auditors wish to bring to the attention of Council and the Administration.

No major issues have been raised by the Auditors, however, they do suggest that Council monitor changes to certain Accounting Standards that come into effect over the next couple of years. What impact they will have on Council is yet to be determined and the Audit Committee will be advised as staff become aware of this through sector wide training and debate.

Letter to the Mayor Enclosing Audit Opinions

This letter (refer Attachment 4) is issued to the Mayor and details the following:

- No matters need to be reported to the Minister
- Action has addressed, or is in the process of addressing, matters previously raised
- The Auditors are satisfied as to the overall standard of Council's accounting practices and financial affairs
- The Auditors are also satisfied that Council's Audit Committee has addressed all prescribed functions
- An Auditor Independence Declaration issued under Section 16A of the Regulations

Independent Auditor's Report (Audit Opinion) on Financial Statements

The Auditor's responsibility is to express an opinion on Council's General Purpose Financial Statements. The attached unqualified Audit Opinion (refer Attachment 5) states that, in the Auditor's opinion, the financial report presents fairly, in all material aspects, the financial position of Council.

Independent Auditor's Report (Audit Opinion) on Internal Controls

The Auditor's are responsible to express an opinion on Council's compliance with Section 129(1)(b) of the Local Government Act 1999 in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on their procedures, have been conducted properly and in accordance with law.

The attached Audit Opinion (refer Attachment 6) states that it is the Auditor's opinion, that without qualification, Council has complied, in all material respects, with Section 129(1)(b) of the Local Government Act 1999 in relation to Internal Controls.

COMMUNITY ENGAGEMENT PLAN

The relevant documents listed in this report have been included as part of the audited General Purpose Financial Statements which form part of Council's 2015/16 Annual Report. The Annual Report is made available to the public via Council's website.

CONSULTATION PROCESS

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

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

POLICY IMPLICATIONS

Not applicable

BUDGET AND RESOURCE IMPLICATIONS

Not applicable

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Local Government Act 1999 - Chapter 8

Local Government (Financial Management) Regulations 2011 – Parts 4 and 6

ATTACHMENTS

Attachment 1: 2016 Balance Date Management Letter

Attachment 2: 2016 Chief Executive Officer's Audit Letter

Attachment 3: 2016 Certification of Auditor's Independence

Attachment 4: 2016 Mayor's Letter Enclosing Audit Opinions

Attachment 5: 2016 Independent Auditor's Report (Audit Opinion)

Attachment 6: 2016 Internal Controls Audit Report (Audit Opinion)

11 November 2016

Mayor Ray Agnew
Yorke Peninsula Council
PO Box 57
MINLATON SA 5573

Dear Mayor Agnew

RE: Completion of Balance Date Audit – Financial Year Ended 30 June 2016

As a result of the work recently completed in connection with our final Balance Date audit of your Council for the financial year ended 30 June 2016, we provide a summary of the audit matters we wish to bring to your attention.

We met with your Council's Audit Committee on 26 October 2016 where the below matters were raised and discussed with the members present. Since our meeting with Council's Audit Committee we have issued an unqualified Auditor's Report on the annual Financial Statements for the financial year ended 30 June 2016.

We wish to highlight to the following matters to you as a result of work recently completed:

1. We have received appropriate explanations for all material variations as between 2014/15 actual and 2015/16 actual (operating and capital).
2. We are confident that all audit matters raised in our Management Letters issued during the 2015/16 financial year audit have, or are in the process of being attended to by the Administration.
3. We recommend Council considers the potential impact of future changes to Accounting Standards existing accounting policies which may have an impact on the Council in future periods. Notably, the following changes introduced are of relevance to the Council for further consideration:
 - AASB 9 Financial Instruments (commencing 1 January 2018)
 - AASB 15 Revenue from customer with contracts (commencing 1 January 2018)
 - AASB 16 Leases (commencing 1 January 2019)
 - AASB 124 Related Party Disclosures (commencing 1 July 2016)

The above changes to Accounting Standards will be required to be reflected in future updates to the industry Model Financial Statements template. Should Council's Administration require further support with addressing this matter, we are happy to provide further assistance

Summary

The comments made above are as a result of our impartial review and this report is prepared under the terms of our engagement, solely for the information of the Council and Administration of the Council.

Should you require any further information, please contact me on 8267 4777 or jimkeogh@deannewbery.com.au

Yours sincerely

DEAN NEWBERY & PARTNERS

A handwritten signature in black ink, appearing to read 'Jim Keogh', is written over the printed name.

Jim Keogh
Partner

C. Council's Audit Committee

C. Council's Chief Executive Officer



11 November 2016

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

Dear Andrew

RE: Completion of 2015/16 Financial Year External Audit

We are pleased to advise that we have completed our audit for the financial year ended 30 June 2016 and have issued our unqualified Audit Report.

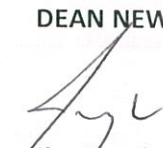
In accordance with Section 129 of the *Local Government Act 1999*, our audit opinion has been separately issued to the Principal Member of the Council, with a copy also sent to Council's Audit Committee.

Our 2016 Balance Date Management Letter has been prepared in accordance with Sections 129 (4) and (5) of the Act and will shortly be issued to both the Principal Member of the Council and to the Audit Committee.

Please contact me on 8267 4777 or jimkeogh@deannewbery.com.au if additional information is required.

Yours sincerely

DEAN NEWBERY & PARTNERS



Jim Keogh
Partner

Certification of Auditor's Independence

I confirm that, for the audit of the financial statements of the Yorke Peninsula Council for the year ended 30 June 2016, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.



Jim Keogh

Partner

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS

Dated this 11th day of November 2016

11 November 2016

Mayor Ray Agnew
Yorke Peninsula Council
PO Box 57
MINLATON SA 5573

Dear Mayor Agnew

COMPLETION OF EXTERNAL AUDIT: PROVISION OF 2016 AUDITOR'S REPORT TO COUNCIL

Please be advised that in accordance with the requirements under the *Local Government Act 1999* (the Act), we have now completed the statutory audit of the Yorke Peninsula Council for the financial year ended 30 June 2016.

We have enclosed the 2016 Auditor's Report which has been signed without reference to any qualification.

As required under Section 129 of the Act, we wish to advise of the following matters in conjunction with the work recently completed.

1. No report is required to the Minister

There is no matter arising from the audit of your Council for the year ended 30 June 2016 which we need to report to the Minister, as would otherwise be required under Section 129(6) of the Act.

2. Audit Correspondence issued during the 2016 Financial Year

Various audit matters have been formally communicated through our issued Management Letters to you from time to time during the year. We are satisfied that action has, or is in the process of addressing all matters previously raised.

3. Accounting Practices and Management of the Council's Financial Affairs

In reaching our audit opinion, we are satisfied as to the overall standard of Council's accounting practices and management of Council's financial affairs.

4. Council's Audit Committee

We are satisfied that Council's Audit Committee has addressed all of its prescribed functions as outlined in Section 126(4) of the Act.

Office:
214 Melbourne Street
North Adelaide SA 5006

All Correspondence:
PO Box 755
North Adelaide SA 5006

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

Liability limited by a scheme approved under Professional Standards Legislation

5. Auditor's Independence Declaration

Please note that our signed Auditor Independence Declaration has been issued as required by Section 16A of the *Local Government (Financial Management) Regulations 2011*.

6. 2016 Balance Date Audit Management Letter

Our 2016 Balance Date Management Letter will be separately issued to you shortly, with a copy forwarded to Council's Audit Committee as is our customary practice.

Please contact me on the details provided below should you require any further information.

Yours sincerely

DEAN NEWBERY & PARTNERS

A handwritten signature in black ink, appearing to read 'Jim Keogh', is written over the printed name.

Jim Keogh
Partner

T: 8267 4777

E: jimkeogh@deannewbery.com.au

C. Council's Audit Committee.

Enc:

Statutory Audit Opinion 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE YORKE PENINSULA COUNCIL

We have audited the accompanying financial report of the Yorke Peninsula Council, which comprises the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Certification of Financial Statements statement.

The Responsibility of the Chief Executive Officer for the Financial Report

The Chief Executive Officer of the Yorke Peninsula Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud and error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for an audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011. We confirm that the independence declaration required by the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011 provided to the Chief Executive Officer, would be in the same terms if provided to the Chief Executive Officer as at the date of this auditor's report.

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Yorke Peninsula Council as of 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and the Australian Accounting Standards (including Australian Accounting Interpretations).

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS



JIM KEOGH
PARTNER

Signed on the 11th day of November 2016,
at 214 Melbourne Street, North Adelaide, South Australia 5006.

Office:
214 Melbourne Street
North Adelaide SA 5006

All Correspondence:
PO Box 755
North Adelaide SA 5006

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

Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE YORKE PENINSULA COUNCIL

We have audited the Internal Controls of the Yorke Peninsula Council (the Council) under the requirements of *Section 129(1)(b) of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2015 to 30 June 2016 have been conducted properly and in accordance with law.

The Council's Responsibility for the Internal Controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with *Section 125 of the Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Auditor's Responsibility

Our responsibility is to express an opinion on the Council's compliance with *Section 129(1)(b) of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures have been conducted properly and in accordance with law. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2015 to 30 June 2016. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Our procedures included obtaining an understanding of controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management's assessment of these controls, assessing the risk that a material weakness exists, and testing and evaluating the design of controls on a sample basis based on the assessed risks.

Limitation on Use

This report has been prepared for the members of the Council in accordance with *Section 129(1)(b) of the Local Government Act 1999* in relation to the Internal Controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on internal controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Independence

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the Council has complied, in all material respects, with *Section 129(1)(b) of the Local Government Act 1999* in relation to Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2015 to 30 June 2016.

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS

A handwritten signature in black ink, appearing to read 'Jim Keogh', is written over the printed name.

JIM KEOGH
PARTNER

Signed on the 11th day of November 2016
at 214 Melbourne Street, North Adelaide, South Australia, 5006

DIRECTOR CORPORATE AND COMMUNITY SERVICES

3. 2015/16 EXTERNAL AUDIT FINDINGS AND RECOMMENDATIONS UPDATE

INTRODUCTION

To provide an update on the findings and recommendations from the 2015/16 external audit conducted in January 2016.

RECOMMENDATION

That the Audit Committee endorse the updated External Audit findings and recommendations report.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance

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

BACKGROUND

At its meeting on Wednesday, 29 June 2016, the Committee considered the interim external audit management report which included twenty (20) findings and recommendations for action by Council. These were the result of an audit conducted by Dean Newbery and Partners Chartered Accountants in January 2016.

At its meeting in June, the Committee endorsed management's response at that time to the findings and recommendations, however, requested that a responsible person and completion date be allocated for each finding and recommendation.

At its meeting on 26 October 2016 the Committee endorsed the updated report.

DISCUSSION

Attachment 1 of this report presents all the findings and recommendations for action from the January 2016 interim audit regarding internal controls. The report also includes extra information relating to responsible officer, expected completion date and the current status of each item.

Once the Committee has considered the 2015/16 Balance Date Management Letter (refer report R2 of today's agenda), any issues raised by the Auditors in that letter will be added to the attached spreadsheet for action as required.

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

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

- CMT
- Manager Financial Services
- Asset Manager
- Manager People and Culture
- Accountant – Financial Management
- Leader - Systems and Technology

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

- Nil

POLICY IMPLICATIONS

Not Applicable

BUDGET AND RESOURCE IMPLICATIONS

Not Applicable

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

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

Local Government Act 1999

ATTACHMENTS

Attachment 1: 2015/16 External Audit Management Report - Findings and Recommendations Status Report

2015/16 EXTERNAL AUDIT FINDINGS AND RECOMMENDATIONS STATUS REPORT

Item	Area	Residual Risk Rating	Comment and Audit Recommendations	Management's Response	Responsible Officer	Completion Date	Status
1	Review System Access Review – Authority Finance System	High	<p>To date, system access reviews have been done on an ad-hoc basis by Council's IT Department. Given the importance of having appropriate segregated duties and system access levels, from an internal control perspective, we recommend that at least annually, all staff access levels and permission levels be reviewed by the IT Department (this includes ensuring all terminated employees no longer have access).</p> <p>Staff access levels can also be reviewed by Council's Internal Auditor to ensure that the review process has been appropriately undertaken and that certification of the access levels granted has been done by an appropriately designated Director and/or Manager.</p> <p>Review of staff system access levels should also extend to a review of network folders and files to ensure that staff do not have inappropriate access to information that is not required for their role(s) (e.g. payroll data, confidential documents, supplier details, etc.).</p>	<p>As part of the year end process, IT will issue a report to internal audit for the purposes of reviewing all aspects of staff permissions and access by internal audit in conjunction with line managers.</p> <p>The employee exit checklist has been implemented and the IT component includes a check for withdrawal of system.</p> <p>An ad-hoc review of active log on details was undertaken during the Dec-Jan period to ensure current access levels were appropriate. This process will be repeated as deemed necessary by Internal Audit.</p> <p>All changes to access must be requested in writing (email) to Support Desk and approved by the relevant Director.</p>	Leader, Systems and Technology	31-Jan-17	IT issued a report (Excel spreadsheet with approximately 100,000 lines) that is currently being reviewed by the Manager Financial Services. Approximately 20% of the access levels have been reviewed, approved by the Director Corporate and Community Services in the absence of the Internal Auditor and amended in the system by IT. Given the time consuming nature and enormity of this task the timeline for completion has been extended to the end of January 2017.
2	Segregation of Duties	High	<p>Our review of system enforced segregation of duties relating to the access and permission levels currently applied within the Authority system identified instances where, from an internal control perspective, staff have been given inappropriate access and permission levels.</p> <p>Staff within the Finance Department were found to have unrestricted access to multiple modules and could process, edit and modify data within Authority without the need for secondary authorisation as well as have access to approve payments via Council's ANZ bank account.</p> <p>We discussed this matter with Council's IT Department at the time of our attendance who advised they would be undertaking a process of gaining a complete report on all user access levels so that a review and update of all user settings could be undertaken.</p> <p>We recommend the completion of this project by Council's IT Department be undertaken as a matter of high priority in conjunction with the additional processes recommended per Item 1 above.</p>	<p>Refer 1 above.</p> <p>Employee system access has been reviewed and appropriate changes made. Access to approve payments has always been restricted to account signatories. All Directors have been added to this group and a more stringent 3 step process with ad hoc selection of authorised approvers for each payment introduced.</p> <p>Refer 1 above.</p>	Leader, Systems and Technology	COMPLETE	All system access has been restricted and modified to ensure that staff only have access to undertake their roles. EFT approval process has been reviewed by Manager Financial Services and meets internal control requirements. Also Refer 1 above.
3	User Password Changes – Authority Finance System	High	<p>It was observed that once a Council staff member logs onto Council's IT network and Authority finance system, the system settings save the passwords entered by staff which are used to access the Authority finance system. When a staff member exits and restarts Authority in the same session (e.g. A user has remained logged on the Council's IT network during the day), Authority automatically populates the password once the user name is entered in. This is due to the Internet Explorer cache settings applied on the network.</p> <p>This presents a security issue whereby any unlocked terminals left by staff at their work stations could potentially be accessed by an unauthorised officer as password are not required to be re-entered to access the Authority System.</p> <p>To address this weakness, it is recommended that the Internet Explorer cache settings be deactivated so that passwords are not automatically populated.</p>	<p>With the trend towards single sign on across IT for applications it is increasingly more important to ensure the security of the initial log on credentials and workstation to which the person is logged onto, this will focus on retaining the credential integrity across all corporate systems rather than focusing on one system at a time.</p> <p>To this end we have implemented a new, more secure password policy and forced a change of password for all active accounts. Additionally we have removed the option requested by a number of employees that meant that the password did not need to be changed every 60 days. The second front has been to Implement a default windows lockout time of 15 minutes inactivity in conjunction with a new acceptable use policy that states that unattended machines should be locked.</p> <p>IT considers the focus on workstation security is preferable to removing the ability to cache passwords which could lead down the path of users entering in a password for each and every system they access, which will reduce efficiency and introduce unnecessary password changes/resets increasing help desk overheads and end user dissatisfaction.</p>	Leader, Systems and Technology	COMPLETE	Completed as per Management response. No further work required at this stage. Policies are currently in place and will be reviewed regularly as per Council's policy review schedule.

Item	Area	Residual Risk Rating	Comment and Audit Recommendations	Management's Response	Responsible Officer	Completion Date	Status
4	IT Backup Procedures	Moderate	<p>The Council's server (located in Maitland) is backed up weekly to tape which is then stored in the Minlaton office. A daily back-up of the server in Maitland is undertaken however that back-up is retained in the Maitland office.</p> <p>To ensure at all times the data on the server is appropriately backed up and can be restored in the event of Council's IT systems being corrupted or damaged, we recommend that back-up data is taken off-site daily and stored at a secure location.</p>	<p>Council IT staff consider we are operating with a maximum acceptable loss of data in the event of the Maitland office being destroyed - being 7 days with the mean being 3.5 days. We currently have IT staff escorting the tapes to the Minlaton safe under lock and key depositing the tapes into another locked container every Thursday. This strategy has the upside of no third party handling our tapes and we can guarantee that the tapes have not been incidentally exposed to any significant electromagnetic interference excepting solar flares.</p> <p>A daily offsite backup will increase the number of tapes we will need and also increase the window for backups (currently all weekly backups are written on the one tape) as well as the necessity to transport tapes to Minlaton daily.</p> <p>IT will investigate an increase in frequency of back up but would suggest that daily back-up tapes be stored in a fire proof container within the Records shed at Maitland rather than at Minlaton or elsewhere off site.</p>	Leader, Systems and Technology	31-Mar-17	<p>After investigating the option of daily backup tapes being stored at Maitland records shed it has been determined that this is not the preferred option because of the high volume of tapes required for our weekly and monthly back ups.</p> <p>In December 2016 Council will acquire hardware which will enable the backing up of data overnight without the need for tapes. The full implementation of this process will be finalised by March 2017.</p>
5	Business Continuity & Disaster Recovery Plan	High	<p>Council does not have a documented Business Continuity & Disaster Recovery Plan. To ensure the operations of the Council are able to function in the event of a disaster that impacts on Council's operations, it is recommended that Council develop and document a comprehensive Business Continuity & Disaster Recovery Plan.</p> <p>The plan should be regularly reviewed (e.g. annually) and appropriate testing of key infrastructure and simulated events should be carried out to ensure it can be implemented and operating as designed in the event a disaster occurs.</p>	<p>The draft Business Continuity Plan was distributed to Departmental Managers and Directors for review which was completed on Friday 13th May 2016. The draft was then presented at the CMT meeting on Tuesday 17th and will be presented to the Council workshop for discussion on 25th May 2016. The draft will be submitted to the June 2016 Council meeting for endorsement. Once endorsed, work will commence on development of all sub servant action plans with completion scheduled by the end of 2016.</p>	Manager, People and Culture	COMPLETE	<p>The Business Continuity Plan (BCP) was endorsed at the June 2016 Council meeting. Continual monitoring and training will need to be undertaken. The Business Recovery Team held their first meeting on 4 July 2016 and position descriptions have been updated to include BRT responsibilities. Work has commenced with respective Council officers on the draft sub plans which need to be developed with training to roll out in early 2017. Appropriate infrastructure testing and simulated events will follow.</p>
6	General Ledger Maintenance	Moderate	<p>Council's Administration have no documented procedures relating to General Ledger maintenance functions (e.g. creation, modification, removal and nature - capital or operating, GST status, etc.) of General Ledger accounts. This presents a weakness whereby transactions could be posted into incorrect accounts, GST could be incorrectly treated, and the nature of the account (e.g. capital or operation accounting) could be inappropriately actioned.</p> <p>To enhance internal controls, it is recommended that procedures be developed that document the maintenance processes for General Ledger accounts.</p> <p>The use of exception reports to identify and review any changes made to the General Ledger should be undertaken (e.g. on a quarterly basis) to ensure all changes are bona fide and done in accordance with approved internal processes.</p>	<p>A standard form has been created for creation, maintenance or deletion of general ledger accounts with a dual sign off requirement to ensure appropriate allocation of account type GST status etc on creation. This form has been implemented and a procedure is under development by the Financial Accountant for inclusion in the finance manual.</p> <p>An account maintenance report is being investigated by the Financial Accountant and will be made available on a quarterly basis to ensure all activity is captured and reviewed by the Manager Financial Services.</p>	Accountant - Financial Management	31-Jan-17	
7	Ability to Override the Overpayment of Duplicate Invoices	High	<p>At the time of our audit, Accounts Payable staff had the ability to override system generated warnings within the Authority finance system when a duplicate invoice (invoice with the same invoice number) has been entered for payment. This presents a situation where Authority will process the invoice for payment given the system control can be overridden by users, i.e. double payment of invoices.</p> <p>It is recommended that the ability to override this function be removed immediately by Council's IT Department.</p> <p>Recommend a formal review is undertaken in which testing is performed internally by Council to determine if any invoices have been paid multiple times.</p>	<p>The ability to lock down the double entry of invoices is not an available function within Authority.</p> <p>The Financial Accountant is undertaking a random check of invoice details to the ANZ report on a monthly basis. This is a random selection of the payment run to ensure appropriate sample is reviewed.</p> <p>A report is under development for duplicate invoices and will be generated on a monthly basis by the Manager Financial Services.</p> <p>An appropriate procedure for this function is under development for inclusion in the Finance Manual.</p>	Accountant - Financial Management	31-Jan-17	<p>Procedure is under development and a draft will be ready by the end of January</p>

Item	Area	Residual Risk Rating	Comment and Audit Recommendations	Management's Response	Responsible Officer	Completion Date	Status
8	Internal Controls Over the EFT Upload File	High	<p>Our testing revealed that the bank file which is uploaded to the ANZ website as part of the Payroll and Accounts Payable functions continues to not be secured and can be manipulated after the relevant EFT payment batches are created and authorised from the Authority system but prior to the release of the funds from the ANZ bank.</p> <p>This situation presents a weakness in internal controls over expenditure where the payment details could be altered and a fraudulent payment either not detected or detected after the event.</p> <p>It is recommended that additional controls be implemented whereby the bank file created from the Authority system cannot be edited prior to upload to the ANZ Bank, for example the file may be;</p> <ul style="list-style-type: none"> - Output as 'non-editable', or - Output to a folder that cannot be accessed directly by staff & an upload batch is written to access this folder & upload to the bank, or - The file is directly uploaded to the ANZ online banking module from Authority. 	<p>A full review of the procedure for Accounts Payable payment runs has been undertaken. As part of this review only IT staff now have edit and save access to the ABA file. Staff processing payments have read only access and MUST rely on available IT staff to correct the fault in the ABA file.</p> <p>IT are continuing discussions with ANZ to determine if the fault lays within the ANZ Transactive import portal. Progress to date has failed to clearly identify whether the fault is with ANZ Transactive or Authority.</p> <p>Once this fault has been rectified all edit access to the ABA file will be removed.</p>	Leader, Systems and Technology	COMPLETE	<p>Council has successfully implemented a process which means that the ABA file does not need to be modified, instead it is automatically moved into a secure folder ready for import into ANZ Transactive. The file is still editable by IT staff should the need arise.</p> <p>Only selected authorised officers (not involved in the Creditors data entry process) have the ability to import the file into ANZ. An officer that imports the file cannot then be the second approver and releaser of the file. The importer and approver are randomly selected from week to week by the Accountant - Financial Management.</p> <p>The file is unable to be put directly into ANZ Transactive due to limitations with the Civica software and ANZ banking software.</p>
9	General Journals and Rates Journals – Internal Controls	High	<p>Finance staff manually assign all General Journal's a journal number when entering a journal into the Authority finance system. Current system settings do not automatically assign a journal number. An exception report is not produced to independently review all general journals processed to ensure they are bona fide and appropriate supporting documentation attached.</p> <p>The is deemed a high risk to the accuracy of financial reporting, as there are weak monitoring controls in place to identify any potential errors or fraudulent journals that are not assigned a correct manual journal number.</p> <p>To strengthen internal controls, it is recommended that system settings be amended to ensure Authority assigns an automatic journal number to each General Journal processed, This will ensure all General Journals processed are sequentially recorded and can be better accounted for.</p> <p>Additional procedures may be implemented whereby a system generated report detailing all General Journals processed for the period (e.g. monthly) should be reviewed. The General Journals recorded on the report should be scrutinised via matching a sample of journal entries to the supporting documentation by an employee independent of whom has the ability to process General Journals. Evidence of this review should be retained.</p>	<p>A report to be included in the end of month process is under development. This report will summarise all journals entered into the system during the month.</p> <p>The Financial Accountant will review this report for duplication of journal numbers and a sub sample will be checked each month for accuracy and completeness. The report will be reviewed on an ad hoc basis by the Manager Financial Services. Once fully implemented and endorsed this process will be added to the Finance Manual.</p> <p>Automatic generation of journal numbers will be investigated when time permits and at a time when a full evaluation can be undertaken. Dependent on controls available it is envisaged that the process outlined above remain in place even if the option of automatic generation of journal numbers is adopted in the future.</p>	Manager Financial Services Leader, Systems and Technology	COMPLETE	Authority has been amended so that now general journal numbers are automatically assigned. Further, each month a system generated audit report is reviewed by the Manager Financial Services and samples verified for accuracy and supporting documentation.
10	Budget Accountability – Evidence of Review	Moderate	<p>It was noted that there was no evidence retained by Finance Department that demonstrates that a review has been completed by relevant Managers or Directors of budget approvals for inclusion in the Council's consolidated budget.</p> <p>Recommend additional controls are implemented that require each Manager or Director to authorise their respective budgets before it is included in the consolidated Council budget and that appropriate evidence is retained of this process (e.g. Budget Approval form attached to each Department's submitted budget).</p>	<p>For the 2016/17 budget it is intended to use the Budget Lock functionality provided by the PowerBudget system. All managers will be required to "lock" their budget for referral to their Director who will in turn "lock" the areas under their control for the review of the CEO. The CEO will "lock" the entire budget once reviewed and approved.</p> <p>Any changes required after "locking", either from Council directives or changes in circumstances will require the relevant budget areas to be unlocked by the CEO to allow the Manager Financial Services to update the relevant item. On completion the budget will again be locked by the CEO.</p> <p>All changes to the budget requested after Council adoption at its July meeting will be made under control of quarterly budget reviews as required by PO142 Budget Reporting and Amendment Policy.</p>	Manager Financial Services & Accountant - Financial Management	COMPLETE	Evidence of access review available on file

Item	Area	Residual Risk Rating	Comment and Audit Recommendations	Management's Response	Responsible Officer	Completion Date	Status
11	Evidence of Independent Review – Fines and Interest Exclusions and Non Rateable Property Listing	Moderate	In our review, there was no evidence that an independent review of the Fines and Interest Exemption report applied against Assessable properties had been undertaken.	Fines & Interest Exemption report –	Senior Rates Officer	COMPLETE	The system is currently unable to generate a Fines and Interest Exemption Report, however, every time fines and/or interest need to be written off the Senior Rates Officer seeks the approval of the Manager Financial Services. The Manager Financial Services undertakes a monthly review of Rates Journals similar to General Journals.
			<p>Whilst Council do not exempt any assessments from Fines and Interest, the Senior Rates Officer will print an exemption report as part of the monthly fines and interest raising process and provide it to the Manager Financial Services for formal review and signing. The Senior Rates Officer is to work with the Manager Financial Services to review and document the monthly fines and interest raising procedure to incorporate this aspect. The Senior Rates Officer is to review the Monthly reporting of Rates with the Manager Financial Services to ensure all relevant reporting has been captured.</p> <p>We also note that at the time of our audit, there was no evidence of an independent review of the Rates non-rateable properties listing relating to the 30 June 2016 financial year had been undertaken.</p> <p>It is recommended that evidence of a formal review is retained for both the Fines and Interest Exemption Report (recommended monthly) and the Rates non-rateable listing (recommended annually when Rates are set).</p>	<p>In relation to the Non-Rateable Listing that forms part of the annual rates raising process – The Senior Rates Officer is to review the annual rates raising and reporting process and procedure with the Manager Financial Services to incorporate the requirement to ensure the non-rateable property listing is formally reviewed by the Manager Financial Services and</p>			Rates non-rateable listing for 2016/17 has been reviewed and evidence retained.
12	Accounts Payable – Internal Control Review	High	<p>In reviewing the internal processes undertaken by Finance staff to review and check supplier details when EFT batches are prepared, we note that Council Finance staff are only checking the 'Account Name' and not the actual BSB and Account Number recorded for each supplier in the ANZ Payment Detail Report.</p> <p>As the Accounts Payable software allows staff to input a 'one-time' BSB and bank account number for payment as an invoice is entered for payment, without overriding the BSB and bank account number on the Creditors Masterfile, this process presents a high risk of incorrect payments being processed.</p> <p>It is recommended that, as a minimum, the supplier invoice details should be checked re Account Name, BSB and bank account number for all payments. As an alternative, a report could be generated reports any payments where the Account Name, BSB and bank account number for a payment is different to the details in the Creditors Masterfile record.</p>	<p>A full review of the AP payment run process has been undertaken and documented.</p> <p>A report is now produced on a monthly basis to identify all changes to the Supplier Master File – this report is reviewed by the Financial Accountant.</p> <p>The Financial Accountant performs a random check of all bank details once a month with any anomalies resolved with Internal Audit.</p> <p>It is not considered effective use of time for officers to check these details for each and every payment run especially now that the ABA file can only be edited by IT staff.</p>	Accountant - Financial Management	COMPLETE	While an automatic comparison file is still being looked into, locking the ABA file so that the ability to edit is only available to IT, means that the risk has been significantly reduced.
13	Purchase Orders – Internal Controls	Low	<p>On a review of a sample of invoices paid during the 2015/16 financial year, we noted that an estimated 50% of Purchase Orders reviewed were created with a recorded date after the date recorded on the invoice.</p> <p>This means that the Council Purchasing & Procurement Policy (last adopted 21 January 2015) is not being adhered to, considering that the Purchase Orders were found to be created after the date of the invoice received from the supplier.</p> <p>It is recommended that the procurement procedures be reviewed and either the Policy amended or steps be taken to ensure that the existing Policy is followed.</p>	<p>The CEO has reiterated the need to follow the Procurement Policy wherever possible and a process has been developed to review all deviations with line managers.</p> <p>This process is being refined by the Financial Accountant and will be included in the Finance Manual by 30 June 2016.</p>	Accountant - Financial Management	31-Jan-17	
14	Customer Credit Card Payments	Low	<p>Customer Service staff process customer credit card transactions by taking customer credit card details over the phone and processing the payment through the point of sale terminal facilities. We note that, at the time of our audit, there were no documented procedures on the handling of customer banking details (e.g. credit card details).</p> <p>To improve internal controls over the handling and processing of customer credit card details, we recommend that Council investigate an automated phone credit card payment process.</p>	<p>A procedure is to be developed by the Manager, People and Culture, the Financial Accountant and the Development Services Manager to ensure appropriate handling of customer credit card details. This procedure will be included in the Finance Manual on completion.</p> <p>Finance are implementing a new online payment gateway, which has the potential to enable staff members to process payments via an online log on. There might be potential of this to be in part implemented for this purpose in which council would not need to hold any credit card details. This project is however still in its infancy and details and functionalities are still being investigated.</p>	Accountant - Financial Management	31-Jan-17	Council's 'Banking and Cash Handling' procedure has been adopted by CMT. Training of staff will follow in the next few weeks and a secure process for dealing with customer credit card details will be implemented.

Item	Area	Residual Risk Rating	Comment and Audit Recommendations	Management's Response	Responsible Officer	Completion Date	Status
15	Banking Security	Low	<p>Customer Service staff perform the daily banking whereby a staff member physically walks to the local branch to deposit cash and cheque transactions from the previous day's trade.</p> <p>This presents a risk to the security and wellbeing of Council staff in transporting cash to the bank as well as a risk to the physical security of Council's funds in transit. This is especially so in periods where high volumes of payments are received for rates and registration payments.</p> <p>To enhance security over cash and Council staff, we recommend Council considers engaging a security company to manage the transport of cash from both Council offices where receipting is undertaken.</p>	<p>A draft Cash Handling and Banking procedure has been developed and is out for consultation with key staff. This procedure incorporates the handling of cash transportation with measures including transportation of the deposits not being undertaken at the same time, to be irregular, subject to change without notice, and specific details only be known by a select few and where possible travel by Council Motor Vehicle rather than on foot. At times when the cash component of bank deposits are \$1500 or higher, two staff to take the bank run in a Council vehicle where possible.</p>	Manager Financial Services & Accountant - Financial Management	31-Jan-17	Council's 'Banking and Cash Handling' procedure has been adopted by CMT. Training of staff will follow in the next few weeks and the revised policy implemented.
16	Customer Service Cash Floats	Moderate	<p>Customer Service staff do not have their daily cash float reconciliations independently checked to confirm the accuracy or completeness of the float at either the start or end of their shifts at the Maitland or Minlaton offices.</p> <p>To enhance the controls and monitoring of cash floats, it is recommended that an independent review of the reconciliation undertaken by Customer Service staff be required to confirm that the reconciliation has been completed and that all cash takings and float balances have been appropriately accounted for.</p>	<p>A draft Cash Handling and Banking procedure has been developed and is out for consultation with key staff. This procedure incorporates training cash custodians at all designated locations. The cash custodian will abide by:</p> <ul style="list-style-type: none"> Counting the float by the Cash Custodian at the beginning and end of each day; Random audits undertaken of floats by Internal Audit; During business hours, all cash should be securely stored in a locked cash register, cash drawer or similar, with access restricted to authorised Cash Custodians; <p>For staff security, during business hours the amount of cash securely stored in a locked cash register, cash drawer, or similar should be monitored. As such, cash levels in tills always be kept at a minimum. Once cash levels exceed the minimum required float level, excess amounts should be regularly re-located to more secure areas such as a locked Council safe or strong room (Minlaton Office only) – this will be done in line with an authorised person independently checking the cash drops until the daily banking is undertaken.</p> <ul style="list-style-type: none"> Maintaining control over the cash float at all times by ensuring that funds are stored in a safe location and no other persons have direct access to these monies. This not only reduces the possibility of monies being lost or stolen, but also provides the Cash Custodian(s) with a guarantee that their accountability will not be inhibited by other people outside members of the particular location being able to access that cash float for which they are responsible; and Cash Custodians must sign a SF227 Petty Cash Custodian Acknowledgement Form, which states the amount of funds held at particular locations and agreement to these directives at the commencement in a position with cash handling and banking responsibilities and/or at any time as requested by the Manager Financial Services. 	Manager Financial Services & Accountant - Financial Management	31-Jan-17	<p>Council's 'Banking and Cash Handling' procedure has been adopted by CMT. Over the next few weeks it will be implemented and staff provided with training.</p> <p>The Petty Cash policy has been completely reviewed and implemented.</p>
17	Asset Condition Assessments – Road Pavement Assets	Low	<p>Council has completed road coring exercises on a sample of road assets to test the assumptions and estimates surrounding the condition data of the Road Pavement assets.</p> <p>Spatial data relating to the physical dimensions and composition of Road Pavement assets will be updated in the Conquest asset database (e.g. depth of pavement, estimated remaining useful life, the physical materials used to construct the asset, etc.).</p> <p>It is recommended that all changes to estimates and assumptions be applied as from 1 July 2015 to ensure depreciation is calculated on the most recent and reliable data for the 2015/16 financial year.</p>	<p>Tonkin Consulting have been engaged to undertake a desktop revaluation of Council's Transport Assets to bring them in line with the Road Categorisation and Levels of Service as detailed in the Transport AMP, which was adopted by Council in October 2015.</p>	Asset Manager	COMPLETE	

Item	Area	Residual Risk Rating	Comment and Audit Recommendations	Management's Response	Responsible Officer	Completion Date	Status
18	Stormwater & Kerbing Assets	Moderate	<p>Given the recent data collection exercise outlined in Item 17 above, additional data has also been collected relating to Council's Kerb and Stormwater asset networks. Physical dimension data is also planned to be updated to Stormwater and Kerb assets as a result of additional data collected which may have an impact on future depreciation and valuation calculations.</p> <p>It is recommended that all changes to assumptions and estimates be applied as from 1 July 2015 to ensure valuation and depreciation estimated included in the 2015/16 Financial Statements are based on the most reliable and up-to-date data available.</p>	Stormwater data has been added to Conquest. A review and development of a Stormwater AMP has now commenced using this data.	Asset Manager	TBC	Stormwater assets were last revalued in 2014/15 and a AMP is under development. All data will be updated and depreciation updated based on the new data, effective 1 July 2016. Kerbing assets are included in the transport asset group revaluations in 2015/16.
19	Landfill Liability Review	Moderate	<p>As noted in our Balance Date Management Letter issued at the completion of the 2014/15 external audit, we recommend a review of all the assumptions and estimates included in the calculation of the future capping and rehabilitation liability.</p> <p>As at the time of our attendance, this review had not commenced and in discussions with Council staff, this review will be completed in time for the 2015/16 financial statements.</p> <p>Further review and updates of work completed by Council to address this recommendation will be undertaken during future audit attendances.</p>	<p>The Director Assets and Infrastructure has communicated with the auditors to advise the current status of expected expenditure for landfill rehabilitation requirements. It was reported that only minor works at closed landfill sites is expected to be undertaken in the future.</p> <p>Future capping, rehabilitation and water monitoring requirements will be reviewed for each site and appropriately funded through the annual budget process.</p>	Director Assets & Infrastructure	COMPLETE	
20	Payroll Personnel Records	Low	<p>All employee personnel records are kept in hard copy form at the Maitland office. There is no electronic archiving or scanning of payroll information (e.g. Tax Declaration Forms, deduction authority forms, superannuation information, leave form records, etc.) which presents a risk that should the Minlaton office be damaged, e.g. fire, these records would also potentially be permanently lost.</p> <p>To reduce the risk of payroll records being lost in the event of the Minlaton office being damaged, recommend consideration of electronic archiving of materials be considered.</p>	<p>All HR files (Maitland) and Payroll files (Minlaton) are kept in hard copy and have also been scanned and saved to our electronic database in a secure folder. All new material is also scanned and saved.</p> <p>Council is currently implementing an EDRMS system and consideration is being given to archiving of all records as requires by the State Records Act.</p>	Manager People & Culture	COMPLETE	RM8 is now being used to maintain electronic copies of employee records

DIRECTOR CORPORATE AND COMMUNITY SERVICES

4. AUDIT COMMITTEE ANNUAL REVIEW AND SELF ASSESSMENT 2016

PURPOSE

For the Committee to review and self-assess its performance for the 2016 calendar year, in accordance with the Terms of Reference (TOR), report the outcome to Council in the form of an annual report and recommend any changes to its Terms of Reference.

RECOMMENDATION

That the Audit Committee:

1. Endorse and adopt the updated Audit Committee Terms of Reference.
2. Endorse the 2016 Audit Committee Annual Review and Self-Assessment for the period 1 January 2016 to 31 December 2016.
3. Endorse the 2016 Audit Committee Annual Report and recommend to Council that it be adopted.
4. Endorse the 2017 Audit Committee Work Plan for the period 1 January 2017 to 31 December 2017.

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

BACKGROUND

Clause 13 of the TOR require the Committee to conduct an annual review and self-assessment of its performance, with the aim being to ensure that the Committee is operating at maximum effectiveness and provides an opportunity to recommend any changes to Council that are considered necessary.

The review should include consideration of the TOR and recommendations for changes to them.

This review is for the period 1 January 2016 – 31 December 2016.

DISCUSSION

Terms of Reference

The TOR of the Committee were last reviewed and considered by the Committee at its meeting on 26 October 2016 and the changes were adopted by Council at its meeting on 16 November 2016. The Committee requested that a clause be inserted to reflect the responsibilities of members under ICAC legislation.

The current TOR are attached (refer Attachment 1) to this report and they include clause 4.10 regarding ICAC responsibilities as requested by the Committee. No further changes are proposed at this stage.

Work Program – 2016

In December each year the Committee endorses a work program for the following calendar year. At each meeting through the year the Committee monitors progress against each activity in the work plan.

The updated 2016 work plan is attached (refer Attachment 2) to this report and shows that all planned activities have been completed prior to today's meeting or will be completed at today's meeting.

Self-Assessment

As part of the annual review each Committee member is asked to complete a self-assessment questionnaire which assists in assessing the effectiveness of the Committee. The questionnaire contains a number of questions across which have been assessed by members using a scale of 1 (poor) to 5 (excellent). The completed questionnaires are attached (refer Attachment 3) to this report. 4 out of the 5 Committee members completed the self-assessment questionnaire with only the outgoing independent member not returning a review.

On examination of the returned questionnaires it is evident that members are satisfied with the operations of the Committee and how they are performing their roles. While some improvements have been suggested, ratings are generally in the 3 to 4 range with one 2 and one 5 awarded. A more detailed evaluation of the responses received is included in the Annual Report prepared for Council (refer Attachment 4).

Annual Report for Council

Clause 13 of the Committee's TOR requires that the outcome of the annual review and self-assessment be reported to Council. The draft Annual Report (refer Attachment 4) has been prepared in the format recommended by the Local Government Association Financial Sustainability Information Paper 3 – Audit Committees.

Any amendments made by the Audit Committee as a result of the annual review will be included in the report to Council.

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

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

- Councillor members of Audit Committee
- Corporate Management Team
- Manager Financial Services
- Asset Manager
- Risk Management Officer

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

- Independent Members of Audit Committee

POLICY IMPLICATIONS

Audit Committee Terms of Reference

BUDGET AND RESOURCE IMPLICATIONS

Costs associated with the operation and administrative support required by the Audit Committee have been included in Council's 2016/17 operating budget.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Medium risk that the annual work plan is not completed within the stated timeframes.

Non-compliance with TOR if annual review and self-assessment not undertaken and/or not reported to Council.

Local Government Act 1999 - Chapter 8

Local Government (Financial Management) Regulations 2011 – Part 5

ATTACHMENTS

Attachment 1: Terms of Reference

Attachment 2: Work Plan - 2016

Attachment 3: Self-assessments

Attachment 4: Annual Report for Council

Attachment 5: Work Plan – 2017 (proposed)



Yorke Peninsula Council

Audit Committee

Terms of Reference

1. Establishment

The Audit Committee (the Committee) is established under Section 41 of the Local Government Act 1999 (the Act) and Local Government (Financial Management) Regulations 2011, to meet the purposes of Section 126 of the Act

2. Objective

The objective of the Audit Committee is to assist the Council in the conduct of its responsibilities for the management of business 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.

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

3. Authority

The Committee is appointed by the Council as part of a sound corporate and financial governance structure.

The role of the Committee is to review, consider and make recommendations to the Council in relation to the activities as described in these Terms of Reference to assist the achievement of the organisation objectives in an efficient and effective manner.

The Committee has the authority to require any information it sees as relevant to its activities from any Councillor, the Chief Executive Officer or Council's External Auditor, each of whom are required to respond to such enquiries.

The Committee is authorised to obtain independent professional advice where considered necessary following consultation with the Chief Executive Officer.

The Committee has no authority to act independently of the Council and has no delegated authority.

4. Membership

4.1. Members of the Committee are appointed by Council. The Committee shall consist of five members, with three Elected Members of Council and two independent members.

4.2. Nominations for membership, from the Elected Members shall be sought by the Council and where the number of nominations is greater than the number of positions available, a vote by secret ballot shall be undertaken using a preferential voting system.

4.3. Independent member(s) of the Committee:

- shall be individuals (not corporations or an organisation);
- have recent and relevant financial, business, accounting, risk management, corporate governance or internal audit skills and experience;
- have no conflicts of interest (as per Division 3 of the Act);
- preferably have experience in formal meeting procedures; and
- have an understanding of the Local Government Act and Regulations

A selection panel of at least four (4) persons shall review and make recommendation for endorsement to Council of the independent member to be appointed. The panel will comprise of at least three (3) Elected Members (preferably those on the Audit Committee), the Director Corporate and Community Services and the Chief Executive Officer.

4.4. Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for decision.

The Chairperson/Presiding Member has a deliberative vote but in the event of an equality of votes, does not have a casting vote.

The Chief Executive Officer and other employees as directed by the Chief Executive Officer may attend any meeting as observers and/or be responsible for preparing papers for the Committee.

4.5. The Council external auditors may be invited to attend meetings of the Committee.

4.6. The appointment of Elected Members to the Committee shall be for the period of the current Council term.

4.7. Independent members shall be appointed for a period of up to four (4) years, commencing part-way through an election cycle, so that their terms overlap each Council election and provide some continuity. Appointees may be reappointed by Council.

4.8. The Council shall appoint the Chairperson/Presiding Member of the Committee from the endorsed members of the Committee. The Principal Member/Mayor of Council cannot be Chairperson/Presiding Member of the Committee.

4.9. All members of the Committee shall be subject to the Register of Interests provisions of the Local Government Act 1999, Chapter 5, Part 4, Division 2.

4.10. Independent members of the Committee are public officers for the purpose of the Independent Commissioner Against Corruption Act 2012 and Division 4 of Part 7 (Offences relating to Public Officers) of the Criminal Law Consolidation Act 1935 and subject to the provisions of those Acts, including reporting requirements.

4.11. All members of the Committee shall act honestly and with reasonable care and diligence, not make improper use of information acquired as a result of being a member of the Committee and must disclose an interest if they have an interest in a matter that is before the Committee in accordance with the Local Government Act 1999, Chapter 5, Part 4, Divisions 1 and 3.

4.12. Where a member resigns or decides not to continue as a member of the Committee, a new member shall be appointed consistent with these Terms of Reference.

5. Administration and Resources

- 5.1. The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.

6. Quorum

- 6.1. The quorum necessary for the transaction of business shall be 50% of the number of members of the Committee plus one. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

7. Meetings

- 7.1. The Committee shall meet at least four (4) times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 7.2. The Chairperson shall call a meeting at the written request of the Council External Auditor or any three (3) Members of the Audit Committee.
- 7.3. In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public. The agenda and minutes of the Committee meetings, subject to any items that are discussed in confidence under Section 90 of the Local Government Act, are also required to be made available to the public.

8. Notice of meetings

- 8.1. Ordinary meetings of the Committee will be held at times and places determined by Council or, subject to a decision by Council, the Committee.
- 8.2. Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee and observers, no later than three (3) clear days before the date of the meeting. Supporting papers shall be sent to Committee members (and to other attendees as appropriate) at the same time.
- 8.3. A special meeting of the Committee may be called in accordance with the Local Government Act 1999.

9. Minutes of Meetings

- 9.1. The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance are minuted and that the minutes otherwise comply with the requirements of the Local Government (Procedures at Meetings) Regulations 2013.
- 9.2. Minutes of Committee meetings shall be circulated within five (5) days after a meeting to all members of the Committee and to all members of the Council and will (as appropriate) be available to the public.

10. Role of the Committee

10.1. Strategic, Financial and Management Planning

- 10.1.1. The Committee shall review and provide information and recommendations in relation to the Council Strategic Management Plan, Long Term Financial Plan, Asset Management Plans and Annual Business Plan.

10.2. Financial reporting

10.2.1. The Committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain and make sure that they present a fair and accurate record of the affairs of the Council.

10.2.2. The Committee shall review and challenge where necessary:

10.2.2.1. the consistency of and/or any changes to accounting policies;

10.2.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;

10.2.2.3. whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

10.2.2.4. the clarity of disclosure in the Council's financial reports and the context in which statements are made;

10.2.2.5. all material information presented with the financial statements;

10.3. Internal controls and risk management systems

The Committee shall:

10.3.1. review the adequacy and effectiveness of the Council's internal controls and risk management systems; and

10.3.2. review and recommend the approval, where appropriate, of any material to be included in the annual report concerning internal controls and risk management.

10.4. Whistle blowing

The Committee shall:

10.4.1. review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrong doing in financial reporting and other matters; and

10.4.2. ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

10.5. Internal audit

The Committee shall:

10.5.1. monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.

10.5.2. consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

10.5.3. review all high level reports on the Council's operations from the internal auditors.

10.5.4. review and monitor management's responsiveness to the findings and recommendations of the internal auditor.

- 10.5.5. where appropriate meet the Internal Auditor at least once a year, without management being present, to discuss any issues arising from the internal audits carried out.

10.6. External audit

The Committee shall:

- 10.6.1. consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.
- 10.6.2. oversee Council's relationship with the external auditor including, but not limited to:
- 10.6.2.1. recommending the approval of the external auditor's remuneration and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
 - 10.6.2.2. recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;
 - 10.6.2.3. assessing the auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services;
 - 10.6.2.4. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business);
 - 10.6.2.5. monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - 10.6.2.6. assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process;
- 10.6.3. meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year, without management being present; to discuss the external auditor's report and any issues arising from the audit;
- 10.6.4. review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 10.6.5. review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
- 10.6.5.1. a discussion of any major issues which arose during the external audit;
 - 10.6.5.2. any accounting and audit judgements; and
 - 10.6.5.3. levels of errors identified during the external audit.
- 10.6.6. review the effectiveness of the external audit.
- 10.6.7. review the management letter and management's response to the external auditor's findings and recommendations.

11. Reporting responsibilities

- 11.1. The Committee shall make whatever recommendations to the Council it deems appropriate on any area within its Terms of Reference where in its view action or improvement is needed.
- 11.2. A copy of the Committee minutes shall be forwarded to Council within five (5) days, for inclusion in the next Ordinary Meeting of Council.

12. Other matters

The Committee shall:

- 12.1. have access to reasonable resources in order to carry out its duties;
- 12.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 12.3. give due consideration to the Local Government Act 1999 and regulations made under the Local Government Act, 1999;
- 12.4. oversee action to follow up on matters raised by the external auditors.

13. Review and Self-Assessment

- 13.1. The Committee shall conduct a review and self-assessment of its own performance, The aim of the review is to ensure that it is operating at maximum effectiveness and provide an opportunity to recommend any changes to Council that are considered as necessary.
- 13.2. The review shall be conducted at least once per year, following the completion of the Annual Audit and report the outcome to Council.
- 13.3. The review is to include consideration of the Terms of Reference and recommendations for changes to them.
- 13.4. The Chief Executive Officer is to furnish the Committee with the information necessary to perform the review.

14. Fee

The sitting fee per meeting to be paid to the independent member(s) of the Committee shall be set by Council and is only payable after attendance of meetings on provision of a tax invoice or statement of claim. In addition to the sitting fee a reimbursement for mileage (kms travelled to and from the meeting) is also payable on provision of a tax invoice or statement of claim. Reasonable charges for attendance (other than mileage) may also be paid provided these charges are approved by the Chief Executive Officer in advance.

Version No	Issue Date	Description of Change
1.0	October 2016	New Document.

**YORKE PENINSULA COUNCIL AUDIT COMMITTEE
2016 WORK PLAN**

Meeting	Item	Comments
<p>Wednesday 24th February</p> <p>Minlaton Council Chamber at 3pm</p>	<ul style="list-style-type: none"> Review 2016 Audit Committee Work Plan Interim External Audit Date Internal Audit Activity Report Internal Controls Project Update Review Final Audit Letter Risk Management Update Long Term Financial Plan Update 2016/2017 Budget Timetable Second Quarter 15/16 Budget Review Asset Management Update EDRMS System Update 	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>
<p>Wednesday 18th May</p> <p>Minlaton Council Chamber at 3pm</p>	<ul style="list-style-type: none"> Review draft Annual Business Plan incorporating 2016/2017 Operating and Capital Budget Third Quarter 15/16 Budget Review Update LTFP Update Fees and Charges Register Internal Audit Activity Report Asset Management Update Risk Management Update 	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>
<p>Wednesday 29th June</p> <p>Minlaton Council Chamber at 3pm</p>	<ul style="list-style-type: none"> Annual Business Plan & 2016/2017 Budget Public Consultation Feedback Receive Council Strategic Plan Interim External Audit Visit Update Rates Options 2016/2017 Update Internal Audit Activity Report Internal Controls Project Update Asset Management Update Risk Management Update Independent Audit Committee Members Tenure 	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>
<p>Wednesday 28th September</p> <p>Minlaton Council Chamber at 3pm (Subject to Balance Date Audit dates)</p>	<ul style="list-style-type: none"> Terms of Reference Review LTFP Update External Audit Activity Update Review 2015/2016 Financial Statements EDRMS System Update Asset Management Update Risk Management Update 	<p>Moved to October</p> <p>Moved to October</p> <p>Moved to October</p> <p>Superseded</p> <p>Moved to October</p> <p>Superseded</p> <p>Moved to October</p> <p>Meeting Cancelled due to severe storm and power outage</p>

<p>Wednesday 26th October</p> <p>Minlaton Council Chamber at 9am</p>	<ul style="list-style-type: none"> • Terms of Reference Review • LTFP Update • External Audit Activity Update • Recommendation to Council regarding 2015/2016 Financial Statements, Audit Opinion and Report on Financial Results • EDRMS System Update • Asset Management Update • Risk Management Update • Audit Committee Self-Assessment - Discussion • Annual "In-Camera" meeting with External Auditors 	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>
<p>Wednesday 14th December</p> <p>Minlaton Council Chamber at 10am</p>	<ul style="list-style-type: none"> • Appointment of Audit Committee Chair – CEO Returning Officer • 2015/16 External Auditor's Report (Audit Opinion) • External Audit Activity Update • Audit Committee Annual Review and Self-Assessment 2016 • Receive First Quarter 16/17 Budget Review • LTFP Update • Asset Management Update - verbal • Risk Management Update 	<p><i>At the time of publishing of the agenda all items were listed to be considered at the Committee meeting on 14th December 2016</i></p> <p>Deferred to 2017</p>

As required:

- Policy Reviews
- Asset Management Plan Endorsements

AUDIT COMMITTEE SELF-ASSESSMENT

SF098

Responsible Officer: DCCS

Issue Date: 06/06/2016

Next Review Date: 06/06/2017

Annual Self-Assessment of Committee Performance – Survey of Members

To assess the effectiveness of the Audit Committee, the following questionnaire may be useful when completed by each member of the Committee. It is important to consider each point carefully in determining strengths and areas in need of improvement.

Rate effectiveness 1 to 5 (1 = Very Ineffective; 2 = Ineffective; 3 = Neither Effective or Ineffective; 4 = Effective; 5 = Very Effective)

The Committee performance using the above rating scale can also be considered from 1 = Poor to 5 = Excellent.

Creating & Running an Effective Committee	Yes / No	Comments
Do you understand and agree with the functions of the Committee as detailed in its Terms of Reference? If not, why?	Yes	
Does the committee collectively have sufficient skills, experience, time and resources to undertake its duties? If not, why?	Yes	
	Rate 1 - 5	
Does the committee work constructively as a team and work well with others attending the meetings? If not, how do you suggest this is addressed?	4	
Does the relationship between committee members strike the right balance between challenge and mutuality? If not, please provide comments.	4	
Do the meeting arrangements enhance the Committee's effectiveness (e.g. frequency, timing, duration, venue and format) to allow sufficient time for the discussion of agenda items?	4	
Are the report for each meeting sufficiently comprehensive and yet understandable enough for you to make informed decisions?	4	
Are the presentations an interesting and helpful way of informing members about various issues?	4	
Are effective minutes prepared, distributed and followed up?	4	
How do you rate the overall efficiency and effectiveness of the Committee? Please provide reasons for your ranking	4	Members work well together and contribute each in

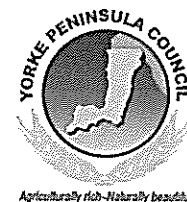
		their own way.
Do staff and members conduct themselves in accordance with high standards of behaviour (e.g. Code of Conduct and Corporate Values)?	5	
How do you rate the performance of the Presiding Member in preparing for and conducting the meetings? What are the reasons for your ranking?	3.5	Understanding, preparation and contribution excellent only reason for mark down is the frustration of chairs availability..
How do you rate the performance of the other members of the Committee in fulfilling their role on the Committee? What are the reasons for your ranking?	4	All contribute in different ways and bring a variety of experience to the committee
How do you rate your performance as a member of the Committee? What are the reasons for your ranking?	4	I appreciate the importance of this role and make every attempt to have an input.
How do you rate the performance of the support staff in facilitating the Committee's role and function? What are the reasons for your ranking?	4	Their input is acceptable..
Overseeing Governance, Risk Management and Internal Control		Comments
Does the Committee assure itself that the Executive take responsibility for risk identification and control, and give formal assurance through reporting that key risks are being adequately managed?	4	Yes I think this is done effectively
Is the Committee satisfied that there is an effective program in place to ensure that risk management becomes an integral part of the way in which Council conducts business?	4	I think over time we have moved towards integration of risk management into everyday business..
Are internal audit findings and recommendations responded to in a timely and appropriate manner?	4	Yes
Overseeing Financial Reporting and External Audit	Yes / No	Comments
Does the Committee review the work of the external auditor?	Yes	
Does the Committee review and discuss the external auditor's management letter?	Yes	This is a crucial mechanism for closing the loop and

		informing the committee and council of its effectiveness.
Is the Committee effective in managing and monitoring the relationship with the external auditor?	Yes	
General	Comments	
Do you have any suggestions for improving any aspect of the Committee's performance, role or functions?	Ensure all info provided is readable	

Please return this questionnaire to the Executive Assistant to the Director Corporate and Community Services via email admin@yorke.sa.gov.au or fax 08 8853 2494, so that responses may be collated for the next Audit Committee Meeting.

PRINCIPAL OFFICE:
8 Elizabeth Street, Maitland
Telephone (08) 8832 0000

ALL CORRESPONDENCE TO:
PO Box 57, MAITLAND, SA 5573
Fax (08) 8853 2494
Email: admin@yorke.sa.gov.au
Website: www.yorke.sa.gov.au



AUDIT COMMITTEE SELF-ASSESSMENT

SF098

Responsible Officer: DCCS

Issue Date: 06/06/2016

Next Review Date: 06/06/2017

Annual Self-Assessment of Committee Performance – Survey of Members

To assess the effectiveness of the Audit Committee, the following questionnaire may be useful when completed by each member of the Committee. It is important to consider each point carefully in determining strengths and areas in need of improvement.

Rate effectiveness 1 to 5 (1 = Very Ineffective; 2 = Ineffective; 3 = Neither Effective or Ineffective; 4 = Effective; 5 = Very Effective)

The Committee performance using the above rating scale can also be considered from 1 = Poor to 5 = Excellent.

Creating & Running an Effective Committee	Yes / No	Comments
Do you understand and agree with the functions of the Committee as detailed in its Terms of Reference? If not, why?	Y	
Does the committee collectively have sufficient skills, experience, time and resources to undertake its duties? If not, why?	Y	
	Rate 1 - 5	
Does the committee work constructively as a team and work well with others attending the meetings? If not, how do you suggest this is addressed?	4	
Does the relationship between committee members strike the right balance between challenge and mutuality? If not, please provide comments.	4	
Do the meeting arrangements enhance the Committee's effectiveness (e.g. frequency, timing, duration, venue and format) to allow sufficient time for the discussion of agenda items?	3	I HOPE THAT THIS WILL BE IMPROVED NOW IT HAS BEEN
Are the report for each meeting sufficiently comprehensive and yet understandable enough for you to make informed decisions?	5	
Are the presentations an interesting and helpful way of informing members about various issues?	5	
Are effective minutes prepared, distributed and followed up?	4	AGAIN ANY SHORT COMINGS SHOULD BE ADDRESSED BY CHAIR ATTENDANCE
How do you rate the overall efficiency and effectiveness of the Committee? Please provide reasons for your ranking	4	
Do staff and members conduct themselves in accordance with high standards of behaviour (e.g. Code of Conduct and Corporate Values)?	5	
How do you rate the performance of the Presiding Member in preparing for and conducting the meetings? What are the reasons for your ranking?	2	HIGHLIGHTED THE IMPORTANCE OF ATTENDANCE

How do you rate the performance of the other members of the Committee in fulfilling their role on the Committee? What are the reasons for your ranking?	4	
How do you rate your performance as a member of the Committee? What are the reasons for your ranking?	Ave: 3	
How do you rate the performance of the support staff in facilitating the Committee's role and function? What are the reasons for your ranking?	4	
Overseeing Governance, Risk Management and Internal Control		Comments
Does the Committee assure itself that the Executive take responsibility for risk identification and control, and give formal assurance through reporting that key risks are being adequately managed?	5.	
Is the Committee satisfied that there is an effective program in place to ensure that risk management becomes an integral part of the way in which Council conducts business?	4	NOW !!
Are internal audit findings and recommendations responded to in a timely and appropriate manner?	5	NOW !!
Overseeing Financial Reporting and External Audit	Yes / No	Comments
Does the Committee review the work of the external auditor?	N	
Does the Committee review and discuss the external auditor's management letter?	Y	
Is the Committee effective in managing and monitoring the relationship with the external auditor?	—	
General		Comments
Do you have any suggestions for improving any aspect of the Committee's performance, role or functions?	CEO SHOULD ATTEND MEETINGS.	

Please return this questionnaire to the Executive Assistant to the Director Corporate and Community Services via email admin@yorke.sa.gov.au or fax 08 8853 2494, so that responses may be collated for the next Audit Committee Meeting.

- 1 APPRECIATE SIDS EXPERIENCE
- 2 WITH IMPROVED ATTENDANCE OF CHAIR EFFECTIVENESS SHOULD BE FURTHER INCREASED.
- 3 HUGE AMOUNT OF WORK & DETAIL PROVIDED IN REPORTING ✓

PRINCIPAL OFFICE:
8 Elizabeth Street, Maitland
Telephone (08) 8832 0000

ALL CORRESPONDENCE TO:
PO Box 57, MAITLAND, SA 5573
Fax (08) 8853 2494
Email: admin@yorke.sa.gov.au
Website: www.yorke.sa.gov.au



AUDIT COMMITTEE SELF-ASSESSMENT

SF098
Responsible Officer: DCCS
Issue Date: 06/06/2016
Next Review Date: 06/06/2017

Annual Self-Assessment of Committee Performance – Survey of Members

To assess the effectiveness of the Audit Committee, the following questionnaire may be useful when completed by each member of the Committee. It is important to consider each point carefully in determining strengths and areas in need of improvement.

Rate effectiveness 1 to 5 (1 = Very Ineffective; 2 = Ineffective; 3 = Neither Effective or Ineffective; 4 = Effective; 5 = Very Effective)

The Committee performance using the above rating scale can also be considered from 1 = Poor to 5 = Excellent.

Creating & Running an Effective Committee	Yes / No	Comments
Do you understand and agree with the functions of the Committee as detailed in its Terms of Reference? If not, why?	Yes	
Does the committee collectively have sufficient skills, experience, time and resources to undertake its duties? If not, why?	Yes	
	Rate 1 - 5	
Does the committee work constructively as a team and work well with others attending the meetings? If not, how do you suggest this is addressed?	4	
Does the relationship between committee members strike the right balance between challenge and mutuality? If not, please provide comments.	4	
Do the meeting arrangements enhance the Committee's effectiveness (e.g. frequency, timing, duration, venue and format) to allow sufficient time for the discussion of agenda items?	4	
Are the report for each meeting sufficiently comprehensive and yet understandable enough for you to make informed decisions?	4	
Are the presentations an interesting and helpful way of informing members about various issues?	4	
Are effective minutes prepared, distributed and followed up?	4	
How do you rate the overall efficiency and effectiveness of the Committee? Please provide reasons for your ranking	4	Committee has a good balance of financial and general local government experience as well as new members who can provide fresh perspective on matters

Do staff and members conduct themselves in accordance with high standards of behaviour (e.g. Code of Conduct and Corporate Values)?	5	
How do you rate the performance of the Presiding Member in preparing for and conducting the meetings? What are the reasons for your ranking?	4	Peter conducts the meetings efficiently and he regularly probes for clarification on matters which is valuable.
How do you rate the performance of the other members of the Committee in fulfilling their role on the Committee? What are the reasons for your ranking?	4	All members of the committee contribute and provide input
How do you rate your performance as a member of the Committee? What are the reasons for your ranking?	4	Although I am not a finance expert I believe that I ask questions that are relevant and valuable
How do you rate the performance of the support staff in facilitating the Committee's role and function? What are the reasons for your ranking?	4	Staff provide efficient reporting and explain the nature of their reports
Overseeing Governance, Risk Management and Internal Control		Comments
Does the Committee assure itself that the Executive take responsibility for risk identification and control, and give formal assurance through reporting that key risks are being adequately managed?	4	Reporting is provided and followed up and explanations are provided where anomalies exist
Is the Committee satisfied that there is an effective program in place to ensure that risk management becomes an integral part of the way in which Council conducts business?	4	Recent events have heightened the awareness of following security and risk management procedures and is now front of mind in the organisation.
Are internal audit findings and recommendations responded to in a timely and appropriate manner?	4	
Overseeing Financial Reporting and External Audit	Yes / No	Comments
Does the Committee review the work of the external auditor?	No	A summary is provided for the committee but the committee does not undertake a detailed review
Does the Committee review and discuss the external auditor's management letter?	Yes	
Is the Committee effective in managing and monitoring the relationship with the external auditor?	N/A	The committee doesn't play a proactive role in managing and monitoring the external auditor.

General	Comments
Do you have any suggestions for improving any aspect of the Committee's performance, role or functions?	Recommendations from the committee are not necessarily passed on to wider council, for example a recent suggestion to amend the format of the council meetings to include time to discuss strategic matters in addition to operational matters.

Please return this questionnaire to the Executive Assistant to the Director Corporate and Community Services via email admin@yorke.sa.gov.au or fax 08 8853 2494, so that responses may be collated for the next Audit Committee Meeting.

AUDIT COMMITTEE SELF-ASSESSMENT

SF098

Responsible Officer: DCCS

Issue Date: 06/06/2016

Next Review Date: 06/06/2017

Annual Self-Assessment of Committee Performance – Survey of Members

To assess the effectiveness of the Audit Committee, the following questionnaire may be useful when completed by each member of the Committee. It is important to consider each point carefully in determining strengths and areas in need of improvement.

Rate effectiveness 1 to 5 (1 = Very Ineffective; 2 = Ineffective; 3 = Neither Effective or Ineffective; 4 = Effective; 5 = Very Effective)

The Committee performance using the above rating scale can also be considered from 1 = Poor to 5 = Excellent.

Creating & Running an Effective Committee	Yes / No	Comments
Do you understand and agree with the functions of the Committee as detailed in its Terms of Reference? If not, why?	Y	
Does the committee collectively have sufficient skills, experience, time and resources to undertake its duties? If not, why?	Y	
	Rate 1 - 5	
Does the committee work constructively as a team and work well with others attending the meetings? If not, how do you suggest this is addressed?	4	
Does the relationship between committee members strike the right balance between challenge and mutuality? If not, please provide comments.	4	
Do the meeting arrangements enhance the Committee's effectiveness (e.g. frequency, timing, duration, venue and format) to allow sufficient time for the discussion of agenda items?	4	Teleconference for shorter meetings should be considered
Are the report for each meeting sufficiently comprehensive and yet understandable enough for you to make informed decisions?	4	
Are the presentations an interesting and helpful way of informing members about various issues?	3	Management presentations to support agenda items will improve information for decision making
Are effective minutes prepared, distributed and followed up?	4	

How do you rate the overall efficiency and effectiveness of the Committee? Please provide reasons for your ranking	4	
Do staff and members conduct themselves in accordance with high standards of behaviour (e.g. Code of Conduct and Corporate Values)?	4	
How do you rate the performance of the Presiding Member in preparing for and conducting the meetings? What are the reasons for your ranking?	4	I am well prepared for meetings and ensure involvement of members, management and staff in discussing agenda items
How do you rate the performance of the other members of the Committee in fulfilling their role on the Committee? What are the reasons for your ranking?	4	Well prepared and all members participate in discussions
How do you rate your performance as a member of the Committee? What are the reasons for your ranking?	4	Noted above
How do you rate the performance of the support staff in facilitating the Committee's role and function? What are the reasons for your ranking?	4	Committee is well supported to ensure meetings are effective
Overseeing Governance, Risk Management and Internal Control		Comments
Does the Committee assure itself that the Executive take responsibility for risk identification and control, and give formal assurance through reporting that key risks are being adequately managed?	Y	Risk presentations from executive will provide additional assurance
Is the Committee satisfied that there is an effective program in place to ensure that risk management becomes an integral part of the way in which Council conducts business?	Y	Process progressing and cultural integration will take time
Are internal audit findings and recommendations responded to in a timely and appropriate manner?	Y	Extensions to complete actions are adequately explained
Overseeing Financial Reporting and External Audit	Yes / No	Comments
Does the Committee review the work of the external auditor?	Y	Management letters reviewed and annual in-camera meeting
Does the Committee review and discuss the external auditor's management letter?	Y	Follow up actions regularly reported
Is the Committee effective in managing and monitoring the relationship with the external auditor?	Y	Independence declaration provided annually
General		Comments

Do you have any suggestions for improving any aspect of the Committee's performance, role or functions?	Noted in comments above
---	-------------------------

Please return this questionnaire to the Executive Assistant to the Director Corporate and Community Services via email admin@yorke.sa.gov.au or fax 08 8853 2494, so that responses may be collated for the next Audit Committee Meeting.

YORKE PENINSULA COUNCIL AUDIT COMMITTEE

ANNUAL REPORT FOR THE PERIOD 1 JANUARY 2016 TO 31 DECEMBER 2016

This report presents a summary of the Committee's activities undertaken and recommendations made during the period 1 January 2016 to 31 December 2016. It includes a review of the Committee's Terms of Reference and the Work Program for the 2016 calendar year.

Conduct of Meetings

The Committee met on five (5) occasions during the year with the meeting in September cancelled due to inclement weather. Attendance including the meeting on 14 December 2016 was as follows:-

Date	No of Members Attending
24 th February 2016	4
18 th May 2016	4
29 th June 2016	4
28 th September 2016	Cancelled
26 th October 2016	4
14 th December 2016	5 (TBC)

Committee Member	No of Meetings Attended
Peter Brass	5 (2 by telephone)
David Hurley	3
Robert Reimann	1
Cr Scott Hoyle	4
Cr John Rich	3
Cr Tania Stock	5

It should be noted that Mr Robert Reimann has been appointed as the second independent member replacing Mr David Hurley effective 1 December 2016.

Committee Activities

The table sets out the principal matters addressed by the Committee during the year.

Principal Issues Examined	Comment(s)	Recommendation(s) to Council
Internal Audit	Review audits undertaken and recommendations actioned	Received and noted
Internal Control	Review updates to internal controls and recommendations actioned	Contents noted
External Audit	Review interim and balance date audits, opinions and reports	Received and endorsement of management response to Audit letter
Long Term Financial Plan	Review updated LTFP	Endorsement for adoption along with comments referred to Council
Budget Reviews	Quarters 1, 2 and 3	Contents noted
EDRMS implantation	Review implementation plan and timelines	Received and noted
Annual Work Plan	Prepare and review progress	Adoption of 2016 work plan
Risk Management	Review and update on various matters, audits and progress on recommended actions	Received and noted. Comments referred to Council and CMT.
Asset Management	Review and update on various matters including asset revaluations and asset management plans	Received and noted. Comments referred to Council and CMT.
Annual Business Plan	Review draft ABP and Budget	Adoption
Strategic Management Plan	Review and provide comments	Adoption
Terms of Reference	Review and update	Adoption subject to review and inclusion of an appropriate ICAC clause
General Purpose Financial Statements	Review statements, notes and management representation letter	<ul style="list-style-type: none"> ➤ CEO & Mayor be authorised to certify accounts ➤ CEO & Presiding Member sign the Certification of Auditor Independence ➤ CEO & DCCS be authorised to sign Management Representation letter to Auditors

Committee Training

None of the members attended training relating to their roles on the Committee during the reporting period.

Audit Committee Evaluation

The Committee undertook a self-assessment of its performance in relation to its Terms of Reference. The opportunity to undertake this was offered to all Committee members in October 2016, however, only four (4) out of five (5) responses were received. It took account of factors such as:-

- Work plan;
- Operating environment;
- Stage of maturity of Committee;
- Council's strategic directions;
- Council's risk and control environment; and
- Current and emerging trends and factors.

The Committee's comments and recommendations resulting from its evaluation are summarised in the following table. For more detailed responses please refer to Attachment 3 of this report.

Item	Comment(s)	Recommendation(s)
Creating & running an effective Committee	<ul style="list-style-type: none">➤ Understand and agree with the functions of the Committee;➤ Committee has sufficient skills, experience, time and resources to undertake duties	Nil
Meeting arrangements enhance Committee's effectiveness	<ul style="list-style-type: none">➤ Teleconference for shorter meetings should be considered➤ I hope this will be improved now that the importance of attendance has been highlighted	Nil
Presentations interesting and helpful way of information	<ul style="list-style-type: none">➤ Management presentations to support agenda items will improve information for decision making	Nil
Overall efficiency and effectiveness of the Committee	<ul style="list-style-type: none">➤ With improved attendance of Chair effectiveness should be further increased➤ Committee has a good balance of financial and	

	<p>general local government experience as well as new members who can provide fresh perspective on matters</p> <ul style="list-style-type: none"> ➤ Members work well together and contribute each in their own way 	
Performance of the Presiding Member in preparation for & conduct of meetings	<ul style="list-style-type: none"> ➤ I am well prepared for meetings and ensure involvement of members, management and staff in discussing agenda items ➤ Highlighted the importance of attendance ➤ Again any shortcomings should be addressed by Chair attendance ➤ Conducts the meetings efficiently and he regularly probes for clarification on matters which is valuable ➤ Understanding, preparation and contribution excellent only reason for mark down is the frustration of Chair's availability 	
Performance of members of the Committee other than yourself	<ul style="list-style-type: none"> ➤ Well prepared and all members participate in discussions ➤ All members of the Committee contribute and provide input ➤ All contribute in different ways and bring a variety of experience to the Committee 	
Your performance as a member	<ul style="list-style-type: none"> ➤ Although I am not a finance expert I believe that I ask questions that are relevant and valuable ➤ I appreciate the importance of the role and make every attempt to have an input 	
Performance of support staff	<ul style="list-style-type: none"> ➤ Committee is well supported to ensure meetings are effective 	

	<ul style="list-style-type: none"> ➤ Staff provide efficient reporting and explain their nature of their reports ➤ Their input is acceptable 	
Committee assures itself that Executive take responsibility for risk identification and control and give formal assurance through reporting that key risk are being adequately managed	<ul style="list-style-type: none"> ➤ Risk presentations from executive will provide additional assurance ➤ Reporting is provided and followed up and explanations are provided where anomalies exist ➤ Yes I think this is done effectively 	
Satisfied that effective program in place to ensure risk management an integral part of way in which Council conducts business	<ul style="list-style-type: none"> ➤ Process progressing and cultural integration will take time ➤ Recent events have heightened the awareness of security and risk management procedures and is now front of mind in the organisation ➤ I think over time we have moved towards integration of risk management into everyday business 	
Internal audit findings and recommendations responded to in a timely and appropriate manner	<ul style="list-style-type: none"> ➤ Extensions to complete actions are adequately explained 	
Review work of external auditor	<ul style="list-style-type: none"> ➤ Management letters reviewed and annual in-camera meeting ➤ A summary is provided for the Committee but the Committee does not undertake a detailed review 	
Review and discuss external auditor's management letter	<ul style="list-style-type: none"> ➤ Follow up actions regularly reported ➤ This is a crucial mechanism for closing the loop and informing the Committee and Council of its effectiveness 	
Committee effective in managing and monitoring	<ul style="list-style-type: none"> ➤ Independence declaration provided annually 	

relationship with external auditor	<ul style="list-style-type: none"> ➤ Committee doesn't play a proactive role in managing and monitoring the external auditor 	
Suggestions for improving any aspect of performance, role or functions	<ul style="list-style-type: none"> ➤ CEO should attend meetings ➤ Recommendations from the Committee are not necessarily passed on to wider Council, for example a recent suggestion to amend the format of the council meetings to include time to discuss strategic matters in addition to operational matters ➤ Ensure all info provided is readable 	
Other	<ul style="list-style-type: none"> ➤ Appreciate Manager Financial Services' experience ➤ Huge amount of work and detail provided in reporting 	

Work Plan – 2017 (Proposed)

A proposed work plan for the period 1 January 2017 to 31 December 2017 is attached (refer Attachment 5) to this report. The format of the proposed work plan is different to previous years and is based on the LGA template provided in Local Government Association Financial Sustainability Information Paper 3 – Audit Committees.

The proposed work plan schedules five (5) meetings of the Committee in 2017 in the months of February, May, August, October and December. This will allow the Committee to undertake the activities as listed in the attached work plan.

As has been current practice, the proposed work plan when endorsed, will continue to be reviewed and updated at each Committee meeting.

Yorke Peninsula Council Audit Committee Work Program 2017

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

Yorke Peninsula Council Audit Committee Work Program 2017

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

Yorke Peninsula Council Audit Committee Work Program 2017

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

DIRECTOR CORPORATE AND COMMUNITY SERVICES

5. 2016/17 SEPTEMBER QUARTERLY BUDGET REVIEW

PURPOSE

For the Committee to receive and note the review of Council's 2016/17 Budget and associated financial statements and ratios, adopted by Council at its meeting on Wednesday, 16 November 2016.

RECOMMENDATION

That the Audit Committee receive and note the changes to the 2016/17 Budget as endorsed by Council at its meeting on 16 November 2016 and presented in the following financial statements and reports:

- i. budgeted statement of comprehensive income; and
- ii. budgeted statement of financial position; and
- iii. budgeted statement of changes in equity; and
- iv. budgeted statement of cash flows; and
- v. budgeted uniform presentation of finances; and
- vi. budgeted financial indicators.

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 than required by the Regulations. This is the first of the three (3) quarterly budget reviews for the 2016/17 financial year.

DISCUSSION

Budget managers in all directorates completed a review of their 2016/17 budgets as at 30 September 2016 and all adjustments allowed in accordance with policy PO142 were included

in the attached Statements (refer attachments 1-6). Also the revised budgeted Statements opening balances were adjusted to reflect audited 2015/16 year end results.

Budgets were 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 between adoption of the original budget and 30 September 2016
- Status of capital projects taking into account projects carried forward from 2015/16 for completion in the current financial year (refer previous Council decision in August 2016)
- Income and expenditure to date and forecasts for the remainder of the year

A full list of adjustments with reasons for the changes are attached to this report (refer Attachment 7).

Budgeted Operating Surplus/ (Deficit)

As a result of the first quarterly budget review adjustments and previously adopted budgets for carry forward projects, Council's proposed Operating Deficit for the 2016/17 financial year is \$2.697m, which is an increase of \$6k to that originally budgeted. This minimal increase is a result of the net impact of carried forward budgets (\$148k increase) approved by Council in August 2016 and adjustments proposed in this budget review (\$142k decrease).

More detailed information on the changes to Council's proposed Operating Deficit (and income and expenditure budgets) is available in the Updated Statements in particular the Budgeted Statement of Comprehensive Income (refer Attachment 1).

Budgeted Capital Expenditure

Council's revised capital expenditure budget after the first quarterly budget review adjustments and previously adopted budgets for carry forward projects is \$14.725m. This includes the initially adopted budget of \$10.619m to which carry forward projects adopted by Council worth \$4.057m were added in August 2016. Adjustments of \$49k were made in this budget review, details of which can be found in the Updated Statements in particular the Budgeted Statement of Cash Flows (refer Attachment 3).

Of the revised budget of \$14.725m, \$9.323m is budgeted to be spent on renewal and replacement of existing assets, which is an increase of \$3.296m to what was originally budgeted. This is mainly due to \$3.266m carried forward to 2016/17 from 2015/16 for projects not completed as at 30 June 2016.

Budgeted Cash Flow & Net Lending/ (Borrowing)

Following adjustments in this budget review, previously adopted carry forward expenditure being included in this year's budget and adjustment of opening balances in line with 2015/16

audited General Purpose Financial Statements, Council's proposed closing cash and cash equivalents as at 30 June 2017 is \$2.474m which is a decrease of \$1.022m to the originally adopted budget.

The proposed end of year Net Lending/ (Borrowing) has changed from a net lending amount of \$42k to a net borrowing amount of \$4.14m due to budgets adopted by Council for projects not completed as at 30 June 2016 and carried forward to 2016/17.

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 5).

Budgeted Financial Indicators (Ratios)

As a result of changes in this budget review, Council's Financial Indicators have had minimal movement, with the Net Financial Liabilities Ratio increasing by 2.4% to 28.2%. This increase is due to the opening balances for provisions, cash and cash equivalents and other items on the Statement of Financial Position, now reflecting actual closing balances as per the audited 2015/16 year end accounts. This indicator remains well below the industry ceiling of 100%.

Council's Operating Surplus Ratio remains the same at -12.7% and below the industry minimum target of breakeven or 0%.

Council's Asset Sustainability ratio is 99% and remains unaffected as a result of minor adjustments in this budget review. This ratio will be achieved if Council completes all capital renewal projects in 2016/17.

More information on Council's Financial Indicators can be found in Attachment 6.

COMMUNITY ENGAGEMENT PLAN

Level 1 Inform – included in Council meeting agenda and minutes which are published on Council's website.

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 financial statements and indicators.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

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

Attachment 1: Budgeted Statement of Comprehensive Income 2016/17

Attachment 2: Budgeted Statement of Financial Position 2016/17

Attachment 3: Budgeted Statement of Cash Flows 2016/17

Attachment 4: Budgeted Statement of Changes in Equity 2016/17

Attachment 5: Budgeted Uniform Presentation of Finances 2016/17

Attachment 6: Budgeted Financial Indicators (Ratios) 2016/17

Attachment 7: Proposed Summary of Changes – September 2016/2017 Budget Review

YORKE PENINSULA COUNCIL
2016/17 BUDGET
BUDGETED STATEMENT OF COMPREHENSIVE INCOME



	2016/17 Adopted Budget \$('000)	2016/17 Carry Forward Projects Adjustments \$('000)	2016/17 September Budget Adjustments \$('000)	2016/17 Revised Budget \$('000)	2016/17 <i>Notes</i>
INCOME					
Rates	21,209			21,209	
Statutory Charges	415		10	425	1
User Charges	3,115			3,115	
Grants, subsidies, contributions	2,671	50	12	2,733	2 - 4
Investment Income	193			193	
Reimbursements	414		100	514	5 - 6
Other Income	70	15		85	
Total Income	28,087	65	122	28,274	
EXPENSES					
Employee costs	8,500		(68)	8,432	7 - 8
Materials, contracts & other expenses	12,726	283	37	13,046	9 - 21
Depreciation	9,075	(70)		9,005	
Finance Costs	477		11	488	22
Total Expenses	30,778	213	(20)	30,971	
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(2,691)	(148)	142	(2,697)	
Net gain/(loss) on disposal or revaluations	10			10	
Amounts specifically for new assets	3,914			3,914	
NET SURPLUS/(DEFICIT)	1,233	(148)	142	1,227	
TOTAL COMPREHENSIVE INCOME	1,233	(148)	142	1,227	

YORKE PENINSULA COUNCIL
2016/17 BUDGET
BUDGETED STATEMENT OF FINANCIAL POSITION



	2016/17 Adopted Budget \$('000)	2016/17 Carry Forward Projects Adjustments \$('000)	2016/17 September Budget Adjustments \$('000)	2016/17 Revised Budget \$('000)	2016/17 <i>Notes</i>
ASSETS					
Current Assets					
Cash & Equivalent Assets	3,496	(38)	(984)	2,474	
Trade & Other Receivables	1,346		(116)	1,230	
Inventories	777			980	
Total Current Assets	5,619	(38)		4,684	
Non-Current Assets					
Financial Assets	910		223	1,133	
Infrastructure, Property, Plant & Equipment	339,833	174	(40,195)	299,812	
Total Non-Current Assets	340,743	174		300,945	
Total Assets	346,362	136		305,629	
LIABILITIES					
Current Liabilities					
Trade & Other Payables	2,379	(38)	(441)	1,900	
Borrowings	629		48	677	
Provisions	1,699		8	1,707	
Total Current Liabilities	4,707	(38)	(385)	4,284	
Non-Current Liabilities					
Borrowings	7,317		(14)	7,303	
Provisions	606		10	616	
Total Non-Current Liabilities	7,923			7,923	
Total Liabilities	12,630	(38)	(385)	12,207	
NET ASSETS	333,732	174	385	293,426	
EQUITY					
Accumulated Surplus	(2,480)	174	(5,296)	(7,602)	
Asset Revaluation Reserve	335,455		(35,118)	300,337	
Other Reserves	757		(66)	691	
TOTAL EQUITY	333,732	174		293,426	

YORKE PENINSULA COUNCIL
2016/17 BUDGET
BUDGETED STATEMENT OF CASH FLOWS



	2016/17 Adopted Budget \$('000)	2016/17 Carry Forward Projects Adjustments \$('000)	2016/17 September Budget Adjustments \$('000)	2016/17 Revised Budget \$('000)	2016/17 <i>Notes</i>
CASH FLOWS FROM OPERATING ACTIVITIES					
<u>Receipts</u>					
Operating Receipts	27,894	65	122	28,081	
Investment Receipts	162		(11)	151	
<u>Payments</u>					
Operating Payments to Suppliers and Employees	(21,028)	(321)	336	(21,013)	
Finance Costs	(477)		(11)	(488)	
Net Cash provided by (or used in) Operating Activities	6,551	(256)	436	6,731	
CASH FLOWS FROM INVESTING ACTIVITIES					
<u>Receipts</u>					
Amounts Specifically for New/Upgraded Assets	3,914			3,914	
Sale of Renewed/Replaced Assets	363			363	
Repayments of Loans by Community Groups	107		34	141	
<u>Payments</u>					
Expenditure on Renewal/Replacement of Assets	(6,027)	(3,266)	(30)	(9,323)	23 - 28
Expenditure on New/Upgraded Assets	(4,592)	(791)	(19)	(5,402)	29 - 32
Loans Made to Community Groups	0			0	
Net Cash Provided by (or used in) Investing Activities	(6,235)	(4,057)	(15)	(10,307)	
CASH FLOWS FROM FINANCING ACTIVITIES					
<u>Receipts</u>					
Proceeds from Borrowings	0			0	
<u>Payments</u>					
Repayments of Borrowings	(648)		6	(642)	
Net Cash provided by (or used in) Financing Activities	(648)			(642)	
				0	
Net Increase/(Decrease) in cash held	(332)	(4,313)	421	(4,218)	
Opening cash, cash equivalents or (bank overdraft)	3,828	4,275	(1,411)	6,692	
Closing cash, cash equivalents or (bank overdraft)	3,496	(38)	(990)	2,474	

YORKE PENINSULA COUNCIL
2016/17 BUDGET
BUDGETED STATEMENT OF CHANGES IN EQUITY



	2016/17 Adopted Budget \$('000)	2016/17 Carry Forward Projects Adjustments \$('000)	2016/17 September Budget Adjustments \$('000)	2016/17 Revised Budget \$('000)	2016/17 <i>Notes</i>
ACCUMULATED SURPLUS					
Balance at end of previous reporting period	(3,713)	322	(5,368)	(8,759)	
Net Result for Year	1,233	(148)	142	1,227	
Transfers to Other Reserves	0			0	
Transfers from Other Reserves	0			0	
Balance at end of period	(2,480)	174		(7,532)	
ASSET REVALUATION RESERVE					
Land	73,286			73,286	
Buildings and Other Structures	48,995			48,995	
Transportation Infrastructure	186,712		(35,817)	150,895	
Plant & Equipment	0			0	
Furniture & Fittings	0			0	
CWMS Infrastructure	14,481			14,481	
Water Scheme Infrastructure	1,374		699	2,073	
Other Assets	0			0	
Office Building	0			0	
Stormwater Drainage	10,607			10,607	
Balance at end of period	335,455			300,337	
OTHER RESERVES					
Balance at end of previous reporting period	757		(66)	691	
Transfers from Accumulated Surplus	0			0	
Transfers to Accumulated Surplus	0			0	
Balance at end of period	757			691	
TOTAL EQUITY AT END OF REPORTING PERIOD	333,732	174		293,426	

YORKE PENINSULA COUNCIL
2016/17 BUDGET
BUDGETED UNIFORM PRESENTATION OF FINANCES



	2016/17 Adopted Budget \$('000)	2016/17 Carry Forward Projects Adjustments \$('000)	2016/17 September Budget Adjustments \$('000)	2016/17 Revised Budget \$('000)	2016/17 <i>Notes</i>
Operating Revenues	28,087	65	122	28,274	1 - 6
<i>less Operating Expenses</i>	30,778	213	(20)	30,971	7 - 22
Operating Surplus/(Deficit) before Capital Amounts	(2,691)	(148)	142	(2,697)	
Less: Net Outlays on Existing Assets					
Capital Expenditure on Renewal/Replacement of Existing Assets	6,027	3,266	30	9,323	23 - 28
<i>less Depreciation, Amortisation & Impairment</i>	9,075	(70)		9,005	
<i>less Proceeds from Sale of Replaced Assets</i>	363			363	
	(3,411)	3,196	30	(45)	
Less: Net Outlays on New and Upgraded Assets					
Capital Expenditure on New/Upgraded Assets	4,592	791	19	5,402	29 - 32
<i>less Amounts Specifically for New/Upgraded Assets</i>	3,914			3,914	
<i>less Proceeds from Sale of Surplus Assets</i>	0			0	
	678	791		1,488	
Net Lending / (Borrowing) for Financial Year	42	(4,135)	112	(4,140)	

YORKE PENINSULA COUNCIL
2016/17 BUDGET
BUDGETED FINANCIAL INDICATORS (RATIOS)



	2016/17 Adopted Budget	2016/17 Carry Forward Projects Adjustments	2016/17 September Budget Adjustments	2016/17 Revised Budget	2016/17 <i>Notes</i>
Operating Surplus Ratio - %	(12.7)%	-0.3%	0.3%	(12.7)%	
Net Financial Liabilities Ratio - %	25.9%	-0.1%	2.4%	28.2%	
Asset Sustainability Ratio - %	62.4%	36.6%	0.0%	99.0%	

YORKE PENINSULA COUNCIL 2016/17 BUDGET SUMMARY OF CHANGES



Type	Note #	Amount Increase/ (Decrease)	Reason for Variance
OPERATING INCOME			
Statutory charges	1	\$ 9,950	Higher than expected Land Division income
Grants, subsidies, contributions	2	\$ 20,000	Youth Advisory Committee successful grant: Stronger Communities - Outdoor Gyms
Grants, subsidies, contributions	3	-\$ 17,000	Youth Advisory Committee general grant revenue incorrectly budgeted
Grants, subsidies, contributions	4	\$ 9,000	Traineeship funding not included in original budget
Reimbursements	5	\$ 91,414	Insurance scheme special distributions not originally budgeted
Reimbursements	6	\$ 8,849	Net increase after review of reimbursements by Community groups for loan repayments (\$10,970) and insurance premiums (-\$2,121)
OPERATING EXPENDITURE			
Employee costs	7	-\$ 66,861	Cover for permanent staff on maternity leave to be undertaken by agency/contract staff. Budget removed and transferred to materials, contracts and other expenses classification to reflect expenditure patterns and payments made and forecast.
Employee costs	8	-\$ 1,150	Minor adjustments (individually less than \$5k) across several budget lines to reflect expenditure to date & forecast expenditure
Materials, contracts & other expenses	9	\$ 66,861	Refer Note 7
Materials, contracts & other expenses	10	\$ 6,250	Maitland backup generator connection works to ensure entire office remains operational during blackouts
Materials, contracts & other expenses	11	-\$ 15,000	Transfer from boat ramp maintenance budget to Edithburgh Boat Ramp capital budget to cover difference between budget and tender price. In accordance with Council decision 199/2016 on 14/9/2016.
Materials, contracts & other expenses	12	\$ 5,000	Allocation of budget for bush camping reserves maintenance not initially allocated
Materials, contracts & other expenses	13	-\$ 5,508	Allocated to bush camping reserves - Refer Note 12 above.
Materials, contracts & other expenses	14	-\$ 6,250	Funds from major hall maintenance budget used for Maitland backup generator upgrade connection works - Refer Note 10 above.
Materials, contracts & other expenses	15	-\$ 10,508	Reallocation of Point Pearce grant funded works contractual budget in line with grant funding amount received
Materials, contracts & other expenses	16	-\$ 47,456	Review of overall insurance premiums budget in line with actual paid for 16/17
Materials, contracts & other expenses	17	\$ 10,150	Increase HR Legal Fees budget to reflect higher than normal ongoing Industrial Relations issues
Materials, contracts & other expenses	18	-\$ 5,690	Reallocation of Point Pearce grant funded works materials budget in line with grant funding amount received
Materials, contracts & other expenses	19	\$ 5,690	Increase to Parks & Gardens materials budget - Refer Note 18 above.
Materials, contracts & other expenses	20	\$ 20,000	Allocating budget for Youth Advisory Committee successful grant: Stronger Communities - Outdoor Gyms - Refer Note 2 above.
Materials, contracts & other expenses	21	\$ 13,016	Minor adjustments (individually less than \$5k) across several budget lines to reflect expenditure to date & forecast expenditure
Finance Costs	22	\$ 10,970	Repayments on additional community loans not included in original budget. Balanced by income at Note 6 above.

**YORKE PENINSULA COUNCIL
2016/17 BUDGET
SUMMARY OF CHANGES**



Type	Note #	Amount Increase/ (Decrease)	Reason for Variance
CAPITAL EXPENDITURE - RENEWAL			
Information Technology	23	-\$ 3,900	Reallocation to Records Management capital for RM8 records management software
Cemeteries	24	\$ 9,000	Budget for signage installation not in original budget
North Coast Road	25	-\$ 100,904	North Coast Road - review and correction of budget in line with funds carried forward and balance of contract remaining.
Corny Point Road	26	\$ 154,984	Corny Point Road - review and correction of budget in line with funds carried forward and balance of contract remaining.
Patch sheeting	27	-\$ 54,080	Patch sheeting - review and correction of budget in line with funds carried forward and balance of contract remaining.
Minlaton School car park	28	\$ 25,000	Resurfacing of Minlaton School car park in accordance with Council decision 159/2016
CAPITAL EXPENDITURE - NEW/UPGRADE			
Records Management	29	\$ 3,900	Not enough funds carried forward to finalise last payment for Records Management software. Refer Note 23 above.
Edithburgh Boat Ramp extension	30	\$ 15,000	Tender price greater than originally budgeted. Reallocation from operating to capital budget line. Refer Note 11 above.
Pt Turton Caravan Park	31	-\$ 25,000	Reallocation of Topographical Surveys & Caravan Park design for various parks to correct budget line
Caravan Parks - Other	32	\$ 25,000	Refer Note 31 above

RISK MANAGEMENT OFFICER

7. RISK MANAGEMENT REPORT

PURPOSE

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

RECOMMENDATION

That the report be received.

LINK TO STRATEGIC PLAN

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

BACKGROUND

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

DISCUSSION

This report provides a status update on risk management activity performed from September – November 2016, including:

- Risk Management Policy updated;
- Risk Management LGAMLS Review Action Plan;

This report provides a schedule of activities planned for 2016, including:

- 2016/2017 Risk Review Action Plan

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

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

- Manager People and Culture.
- Risk Management Officer

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

- Nil

POLICY IMPLICATIONS

PO091 Risk Management Policy
PR098 Risk Management Procedure

BUDGET AND RESOURCE IMPLICATIONS

Not applicable

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Local Government Act (SA) 1999

Work Health and Safety Act (SA) 2012

Work Health and Safety Regulations (SA) 2012

ATTACHMENTS

Attachment 1: Risk Management Activity Report

Attachment 2: 2016/2017 Risk Profile Review Action Plan

Risk Management Framework

2016

1. Risk Management Activity Report – September – November 2016

No.	Project	Scope Overview	Project Status
1	Local Government Association Mutual Liability Scheme (LGAMLS) Risk Profile	Monitoring continues of the actions of the 2016/2017 Risk Management Action Plan. Updated action plan attached.	In Progress
2	Strategic Risk Management Plan	The draft 2016 – 2020 Strategic Risk Management Plan is currently being reviewed and assessed against the 2016-2020 Strategic Management Plan. Final draft of the Strategic Risk Management Plan will be submitted for review by the Corporate Management Team (CMT).	In Progress
3	Risk Maturity Assessment (RMA)	The RMA is currently being reviewed and actions to be determined as a result of findings from the assessment. Actions defined from the RMA will be incorporated into the 2016/2017 Risk Review Action Plan. RMA will be submitted for reviewed by the CMT.	In Progress
4	Business Continuity Plan (BCP)	Business Continuity Sub Plans to be developed.	In Progress
5	PO091 - Risk Management Policy	Council commissioned an independent governance policy audit. The Risk Management Policy was compliant a minor alteration recommended. The minor alteration have been updated in the Policy and will be tabled for endorsement at the December 2016 Council meeting.	In Progress
6	5-year Risk Maturity Plan	Development of a 5-year risk maturity plan to map Council's approach to all elements of its risk management framework.	On Hold
7	Risk Portfolios	Review Council's Departmental risk portfolios. Findings to be reported back to the Audit Committee.	On Hold
8	Business Continuity Planning Manual	Development of a Business Continuity Planning Manual.	On Hold

Actions Completed
Action Overdue
Action Due Date Pending

ACTION #	Risk Review	RISK PROFILE STANDARD REFERENCE	PROGRAM/ RECOMMENDATIONS	ACTION REQUIRED	RESPONSIBILITY	DUE DATE	COMMENTS / PROGRESS
1	Jul-15	1.1 - Risk and Governance Please provide elements/details of Council's Risk Management framework and/or general procedure to assess & manage core/strategic risks	Partial- as limited information on Risk Register status/population and linked controls.	Develop Risk Framework	Risk Management Officer/Risk Officer	30/06/2016 30/09/2016 30/06/2017	Draft 2015-2020 Strategic Risk Management Plan (Plan) was completed but the strategic risk in the Plan will need to be reviewed and aligned with the 2016-2020 Strategic Management Plan (once it has been endorsed and adopted). Endorsement and adoption is scheduled for approximately April 2016. Final draft of the Plan will be reviewed by the Corporate Management Team (CMT). Now, endorsement and adoption is scheduled for approximately July 2016. Strategic Plan adopted June 2016
3	Jul-15	1.6 - Risk and Governance Has Council developed and implemented a process to manage requests from Emergency Control Agents (SAPol, CFS, SES, etc.) for use of defined Council plant/staff in the event of an emergency.	Documented but not implemented. Is requirement to have adopted and signed off Policy, if decided on by Council additionally to have in place a Plant and Staff list signed off/endorsed by CEO and training to have been undertaken by Council stakeholders?		Risk Management Officer	30/09/2016 30/06/2017	Emergency Response Procedure is under review. I-Responda framework from the LGA is under review and was tabled at the WHS Committee meeting (09/02/2016). This framework looks at council employees role in the event of an emergency
4	Jul-15 May-16	3.12 - Procurement and Contract Management Systems Council has a process to ensure compliance with Section 48 of the Local Government Act – Prudential Requirements for defined / certain activities. 3. Procurement and Contract Management Systems 3.2 - Describe Council's process and ongoing maintenance, ensuring compliance with S48 of the Local Government Act – Prudential Requirements for defined/certain activities.	July 2015 Partial system. This is a requirement of LG Act Legislation-must be formalised system May 2016 a) Develop prudential policies, practices and procedures, (refer to LGA 'Financial Sustainability' Information Paper No. 27: Prudential Management) b) Define triggers for prudential reviews/due diligence reports, (other than those defined in the Local Government Act) and how reports will be considered by Council c) Identify persons who require training/ awareness of prudential requirements and include on the training needs analysis d) Arrange training/awareness session(s) for all persons who require a knowledge of prudential requirements	Prudential Management Policy to be developed, review and endorsed and procedure and templates to be developed.	Risk Management Officer Manager Financial Services	30/09/2016 01/12/2016 30/06/2017	Draft document with Director Corporate and Community Services for review. Draft Prudential document with Manager Financial services to manage the process of review, consultation and issuing as current. 29/09/2016 - email received from Sid Jain request due date to be extended (to 01/12/2016) as policy which is draft has to be reviewed by managers and CMT and then endorsed by Council. 23/11/2016 - The policy won't be considered for adoption by Council until January 2017 at the earliest. Due date extended
6	Jul-15	3.16 - Procurement and Contract Management Systems Provide a Superintendent's/Council representative's work site inspection report example provided within a (Council) contractual arrangement.	Partially provided. Difficult to discern if this is part of regular documented and retrievable system.		Risk Management Officer	31/12/2016	Contractor Management Procedure (endorsed Nov 2015) Contractor inspection/review process to be reviewed and streamlined Training for contractor managers to be undertaken
17	Jul-15 May-16	5.21 Operations / Services / Functions Provide Council's general tree management policy/procedure (or strategy) for trees on roads and / or Community land. (Including significant & regulated trees where relevant). 6.1 Environment / Vegetation / Trees In accord with your Tree/Vegetation Management Policy or Strategy does your Council have established procedures and processes attaching the various enquires relating to trees/vegetation, such as a claim, notification of a safety issue, non-compliance issue and/or request for managing a tree (including removal).	July 2015 Partially provided. Information supplied indicates although there are associated documents and systems in place it appears that there is not a specific Policy/Procedure for tree management. May 2016 a) Develop and implement (or review) tree management policy and procedures, (refer to Tree Management Guidelines on Member Centre) b) Develop and implement (or review) process/checklist for responding to (and prioritising) requests for planting, removing or maintenance of trees, based on risk c) Develop and implement (or review) tree inspection checklist and maintenance, (e.g. pruning) requirements d) Develop and implement (or review) process for engagement of specialists to provide advice in relation to significant and regulated trees, or trees of cultural significance e) Develop and implement (or review) planning policies in relation to existing vegetation and planting of new trees in developed areas f) Key stakeholders to attend/ participate in SA Power Networks Vegetation Management information session/workshop g) Develop (or adapt) tree planting guide to identify trees most suited to local conditions	Create a Tree Management Policy/Procedure.	Natural Environment & Sustainability Officer	31/12/2016	Currently Council staff members are trained in tree care, pruning and maintenance and garden staff undertake the majority of tree pruning requests. Tree Management Policy to be drafted for review an endorsement by Councils Elected Members. Policy will address tree management based on the following principles: Value of trees Enhancing Biodiversity Risk Management and Resources Availability Tree Planting Tree Maintenance Tree Removal Tree Replacement Tree Vandalism Tree on Private Land Seed and Fruit Collection Roadside Timber Climate Change
18	Jul-15 May-16	5.21 Operations / Services / Functions Council has reviewed its tree management strategy in line with climate variation & extreme weather patterns/climate impacts. Provide details in relation to the Council's assessment. 6. Environment / Vegetation / Trees 6.2 - There has been a noticeable increase in tree/vegetation related incidents/claims likely as the result of Climate Variation. Has your Council reviewed its Tree/Vegetation Management Policy in accord with its Climate Adaptation report to incorporate Climate Change?	July 2015 No. Noted that this has been identified and will be considered in future planning requirements. May 2016 a) Review Climate Adaptation Report to identify issues relating to management of trees b) Incorporate recommendations from Climate Adaptation into tree management policy, procedures and checklists c) Review recent incidents and/or relating to trees to identify issues/ trends that may be attributable to climate variation and develop treatment plans to prevent recurrence	Development of Climate Change Adaptation Plan.	Natural Environment & Sustainability Officer	31/12/2017	Climate change to be included as a Principle of a Tree Management Policy.

ACTION #	Risk Review	RISK PROFILE STANDARD REFERENCE	PROGRAM/ RECOMMENDATIONS	ACTION REQUIRED	RESPONSIBILITY	DUE DATE	COMMENTS / PROGRESS
21	May-16	1. Reputation and Integrity 1.1 - Has your Council completed a Risk Assessment process, identifying Strategic Risks, in your Strategic Management Plan?	May 2016 a) Review strategic management plans, (e.g. Strategic Plan, Business Plan, Long Term Financial Plan, Infrastructure and Asset Management Plan) to ensure they are consistent with Council's risk management policy/ framework. b) Review Strategic Management Plan objectives – identifying risks to opportunities/ objectives c) Review strategic management plans in line with risk management policy/framework to identify: • Risks and opportunities associated with strategic priorities • Treatment plans • Resource requirements d) Develop strategic risk register e) Implement process of monitoring and review of strategic risk register by executive leadership team	Review Strategic Management Plan in line with Risk Management Framework.	Risk Management Officer	30/06/2017	
22	May-16	1. Reputation and Integrity 1.2 - As the Risk Management Framework ensures a consistent approach to Risk Management practices across Council – have your Elected Members been introduced to the Framework, if so how, and was this successful?	May 2016 a) Include awareness of Council's risk management framework on Elected Member's training needs analysis b) Arrange training in risk management principles and application of Council's risk management framework c) Incorporate risk management into strategic decision making process, (e.g. inclusion of risk management considerations in all reports to Council)	Review training completed by Elected Members and include in the Training Needs Analysis (TNA) Risk Management Framework Awareness session if not previously undertaken.	Risk Management Officer	30/06/2017	
23	May-16	2. Strategic Risk and Governance 2.1 - How would you rate the value of your Risk Management Framework in underpinning Council's operations? Is the framework successfully utilised across all functions and activities of Council. 5 People 5.2 - The Risk Management Framework is a tool that can be used throughout the Council to support the development of a risk culture. How is the Risk Management Framework promoted to employees, volunteers and contractors? How is implementation monitored and measured?	May 2016 2.1 a) Develop Risk Management framework, (including policy, procedure, templates & operational/strategic risk register which includes risk treatment plans). Refer to LGA 'Financial Sustainability' Information Paper No. 22: Understanding Risk Management b) Identify Council employees who require an understanding of the risk management framework and include on training needs analysis c) Arrange training in risk management principles and application of Council's risk management framework 5.2 a) Develop a Risk Management Framework tailored to Council b) Review Council's processes for employees, volunteers and contractors to include awareness of Council's risk management principles; where applicable c) Develop and implement a process to monitor and review the implementation of Council's risk management framework, (e.g. measure training/awareness sessions completed, risk treatment plans in progress/completed, etc.) d) Following executive leadership team endorsement of risk management framework, provide awareness sessions in workshop format to demonstrate practical application of the framework	Develop, endorse and implement Risk Management Framework.	Risk Management Officer	31/12/2016	
24	May-16	2. Strategic Risk and Governance 2.2 - A Strategic Risk Management plan that aligns with the Operational Risk plan is an essential tool for Council decision-making. Do the Council agenda reports insist on a risk assessment process to inform decision makers of opportunity vs risk?	May 2016 a) Implement/conduct risk management training across all business units and identified stakeholders b) Include links to Risk Matrix into Council Reports in order for a consistent risk assessment process c) Risk Management reporting system/process to be introduced for executive leadership team/ Council d) Incorporate risk management into strategic decision making process, (e.g. inclusion of risk management considerations in all reports to Council), including alignment of activities to Council's strategic plan(s) e) Include risk management, (e.g. review of strategic risk register and outcomes of risk profile review) in the Audit Committee's annual work plan.	Schedule and complete general awareness training on Risk Management Framework to relevant employees.	Risk Management Officer	30/06/2017	
25	May-16	3. Procurement and Contract Management Systems 3.1 - On the premise that Council does have a Procurement Framework; has this been affectively implemented across all aspects of Council?	May 2016 a) Develop and implement (or review) a procurement policy and supporting procedure(s) b) Develop and implement a system of recording and monitoring procurement activities, (to assist with forward procurement planning) c) Develop and implement a formal process for considering requests for limitation of liability by contractors, (may form part of contract negotiation process) d) Develop (or review) standard documents, (e.g. purchase/works order terms and conditions, RFQ/RFT/contract templates) to make sure that they are consistent with Council's policies and procedures and legislative requirements and address key risks associated with procurement of goods and/or services, (as relevant) e) Provide awareness sessions on Limitation of Liability to employees required to negotiate/ sign-off on contracts f) Develop and implement contractor selection and monitoring processes, (in line with One System Contractor Management procedure, available via LGRS Member Centre)	Review Vendor Panel Program as part of Councils procurement process and provide a report on the suitability of the program and if it should be adopted by Council.	Risk Management Officer	31/05/2017	
26	May-16	5. People 5.1 - What processes does your Council have in place to identify Operational Risks and how is this process incorporated into your day to day business. Who is responsible for this process? How have Senior Management been engaged with the Operational Risk Register?	May 2016 a) Develop operational risks in line with Councils Organisational Structure and departmental managers (risk owners) b) Develop operational risk register in consultation with executive leadership team and other key stakeholders c) Implement process of monitoring and review of operational risk register by executive leadership team h) Define organisational responsibility for management/oversight of operational risks and communicate to all relevant business units	Develop Operational Risk Register.	Risk Management Officer	30/06/2017	

ACTION #	Risk Review	RISK PROFILE STANDARD REFERENCE	PROGRAM/ RECOMMENDATIONS	ACTION REQUIRED	RESPONSIBILITY	DUE DATE	COMMENTS / PROGRESS
27	May-16	7. Emergency Management 7.1 - How has Council planned for major community disruption as the result of an "emergency" utilising a Business Continuity Plan (BCP) or similar. How effective/ responsive was the BCP in supporting both the Council internally and the community.	May 2016 a) Review Business Continuity to ensure that it meets the requirements of AS 5050:2010 b) Develop Business Continuity Plan that addresses key roles and responsibilities, critical functions and recovery strategies c) Endorse and implement Business Continuity Plan, (including identification of training needs) d) Schedule testing of BCP e) Schedule regular reviews/ updates of BCP to ensure currency and relevance f) Develop a documented review process to capture opportunities for improvement, identified through the testing or enacting of the BCP	Monitor, evaluate and report upon effectiveness of Emergency and Business Continuity Plans and testing arrangements. (Action (#21) included from 2014 PSSI KPI Audit)	Risk Management Officer	31/12/2016	
28	May-16	7. Emergency Management 5.2 - Please rate the success of the understanding and implementation of the iResponda programme within your Council (and Region).	May 2016 a) Endorse and implement i-Responda policy and framework b) Identify training needs for all relevant employees and include on training needs analysis c) Arrange training/awareness/ refresher training sessions for all relevant employees d) Develop and maintain registers of plant and employees available (and willing) to participate in i-Responda programme e) Undertake a review of the relevance/ success of i-Responda and provide feedback to LGA/MLS	Review iResponda Program and provide report on the suitability of the program and if it should be adopted by Council.	Risk Management Officer	30/04/2017	
31	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	
32	May-16	9. Road and Footpath Management 9.1 - Council has responsibilities regarding permitting any alterations of road (s221) which involves identifying risks associated with the request. How does Council incorporate Risk Management into this process? 9.2 - Council must have an Asset Management Plan/ Program that incorporates the management/ maintenance in relation to roads and footpaths. How is Risk Management principles incorporated into this process?	May 2016 9.1 a) Develop and implement (or review) policy or procedure relating to alterations of roads/footpaths to incorporate risk management into assessment of applications, (e.g. impact on other users, existing infrastructure or road safety, WZTM) b) Establish (or review) permit system for Authorisation to Alter a Public Road to make sure it meets the requirements of Section 221 of the LG Act and includes indemnity/ insurance provisions, (template available via Member Centre) c) Document decision making process – reviewing the request in line with Risk Management principles (formal risk assessment process) 9.2 a) Develop Asset Management and Service Range policies that capture the assessment of risk - including current and future expectations and service levels, (refer to LGA 'Financial Sustainability' Information Paper No. 6: Infrastructure and Asset Management) and LGA 'Financial Sustainability' Information Paper No. 26: Service Range and Levels) b) Develop (or review) Asset Management Plan(s) to demonstrate that risk management principles have been incorporated into the process, (e.g., priority is based on risk) c) Develop and implement inspection and maintenance schedules and checklists for roads and footpaths and a process for monitoring their outcomes/ effectiveness d) Review priority order for inspection/maintenance utilising the Risk Management Framework	Review and update form SF039 – Applications to Lay Underground Services to include references to indemnity/insurance conditions.	Assets Manager	30/04/2017	

Risk Management Review Parts and Categories:							
Part I – Governance/Finance/People							
Categories							
	Risk & Governance						
1.1	provide elements/details of Council’s Risk Management framework and/or general procedure to assess & manage core/strategic risks						
1.2							
1.3							
1.4	Provide details of Council’s Business Continuity Plan, in the event of business interruption to critical functions or services.						
1.5							
1.6	Has Council developed and implemented a process to manage requests from Emergency Control Agents (SAPol, CFS, SES, etc) for use of defined Council plant/staff in the event of an emergency.						
2 Statutory Responsibilities / Provision of information							
3 Procurement and Contract Management Systems							
3.1							
3.2							
3.3							
3.4							
3.5							
3.6							
3.7							
3.8							
3.9							
3.10							
3.11							
3.12	Council has a process to ensure compliance with Section 48 of the Local Government Act – Prudential Requirements for defined / certain activities.						
3.13							
3.14							
3.15	Provide Council’s documentation when considering its tendering requirements pursuant to S49 of the Local Government Act.						
3.16	Provide a Superintendent’s/Council representative’s work site inspection report example provided within a (Council) contractual arrangement.						
4 Volunteers/Vulnerable Groups / Committees							
4.1							
4.2							
4.3							
4.4							
4.5							
4.6							
4.7							
4.8							
4.9							
4.10							
4.11							
4.12							
4.13							
4.14							
4.15							
4.16							
4.17	Provide Council’s formal management structure and/or system to manage volunteer programmes.						
4.18	Provide a component of Council’s (central) Volunteer Registration process for all volunteer programmes.						
4.19	Does Council have a process for dealing with enquiries relevant to vulnerable groups?						
Part II – Operations/Services/Functions							
Categories							

5	Environment/Vegetation/Trees						
5.1							
5.2							
5.3							
5.4							
5.5							
5.6							
5.7							
5.8							
5.9							
5.10							
5.11							
5.12							
5.13							
5.14							
5.15							
5.16							
5.17							
5.18							
5.19							
5.20							
5.21	Provide Council's general tree management policy/procedure (or strategy) for trees on roads and / or Community land. (Including significant & regulated trees where relevant).						
5.22							
5.23							
5.24	Council has reviewed its tree management strategy in line with climate variation & extreme weather patterns/climate impacts. Provide details in relation to the Council's assessment.						
6	Recreational/Leisure Services – Community Land						
6.1							
6.2							
6.3							
6.4							
6.5							
6.6							
6.7							
6.8							
6.9							
6.10							
6.11							
6.12							
6.13							
6.14							
6.15							
6.16							
6.17							
6.18							
6.19							
6.20							
6.21							
6.22							
6.23							
6.24							
6.25							
6.26							
6.27							
6.28							
6.29	Council incorporates risk management principles into planning proposals for design/construction of other recreational assets, such as BMX Tracks, Skate Parks or recreational trails. Please provide an example of the approach.						
7	Road Management						

8	Third Party Use of Facilities/Land						
8.1							
8.2							
8.3							
8.4							
8.5							
8.6							
8.7							
8.8							
8.9							
8.10							
8.11							
8.12							
8.13							
8.14							
8.15							
8.16							
8.17							
8.18							
8.19							
8.20							
8.21							
8.22							
8.23							
8.24							
8.25							
8.26							
8.27							
8.28							
8.29							
8.30							
8.31							
8.32							
8.33							
8.34							
8.35							
8.36							
8.37							
8.38							
8.39	Provide the assessment / checklist process to ensure a 'one-off' hire of facility is left in a condition for the next use.						
8.40	Provide Council's Risk Assessment Process to assess a third party (lessee / licensee) activity is suitable / appropriate for a piece of land.						

DIRECTOR CORPORATE AND COMMUNITY SERVICES

8. INTERNAL FINANCIAL CONTROL POLICY

PURPOSE

To seek endorsement of the Internal Financial Control Policy.

RECOMMENDATION

That the Audit Committee recommend to Council that the Internal Financial Control Policy, as presented, be endorsed and adopted.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance

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

BACKGROUND

Recently Council commissioned an independent governance policy audit with a focus on policies specifically required under the *Local Government Act* (the Act).

Thirteen (13) policies were assessed by legal firm Minter Ellison and a comprehensive report returned with recommendations provided to achieve legislative compliance.

Of the policies audited two (2) were considered fully compliant requiring no changes, four (4) were compliant with minor alterations recommended, three (3) were deemed non-compliant until suggested alterations were made and four (4) were deemed non-compliant with the recommendation to adopt the LGA model policy verbatim.

DISCUSSION

Council currently has an Internal Control Project Framework, Implementation Plan and various Internal Control procedures, guidelines and schedules, however, does not have an overarching Internal Financial Control Policy as required by Section 125 of the Local Government Act 1999. The review by Minter Ellison found that Council was non-compliant in this area and recommended that Council use the LGA Internal Financial Control Policy template to develop and adopt its own policy.

Council's proposed draft Internal Financial Control Policy is attached to this report for the Committee's consideration.

COMMUNITY ENGAGEMENT PLAN

Level 1 Inform – through Council's website once the policy is adopted.

CONSULTATION PROCESS

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

- Manager Financial Services

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

- Nil

POLICY IMPLICATIONS

Not applicable

BUDGET AND RESOURCE IMPLICATIONS

Not applicable

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

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

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

ATTACHMENTS

Attachment 1: PO156 Internal Financial Control Policy (Draft)

COUNCIL POLICY

Internal Financial Control Policy

Policy Number:	PO156		
Strategic Plan Objective	Responsible Governance		
Policy Owner:	Director Corporate and Community Services	Record Number:	TBC
Responsible Officer:	Manager Financial Services	Minute Reference:	TBC
Date Adopted:	14 December 2016	Next Review Date:	December 2018

1. POLICY OBJECTIVES

This Internal Financial Control Policy establishes a framework to ensure:

- Risks relating to the stewardship of public resources are adequately managed through effective internal controls.
- Managers are made aware that they are responsible for ensuring that internal controls are established, documented, maintained and adhered to across the council and conveyed to all employees that they are responsible for adhering to those internal controls.
- The propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

2. SCOPE

Internal control is part of Council's corporate governance framework and covers areas such as strategic management, business development, project management, financial management and human resource management. It comprises procedures to mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded, legislation and council policies/rulings are complied with and financial reporting is accurate and reliable.

As a first step towards developing a complete risk management and corporate governance framework the financial component of internal controls will be addressed and these are required to ensure Council resources are used prudently and in an efficient, effective and economical manner. Examples of the types of activities addressed are accounts payable, payroll, budgeting, management reporting, banking and contracting. Financial internal controls are critical to effective risk management of a Council's operations and promote the achievement of its goals and objectives.

This Policy operates as a direct consequence of the provisions of Section 125 (Internal Control Policies) of the LG Act 1999. In addition Section 129 (Conduct of Audit) of the LG Act 1999 requires an external auditor to form an opinion as to whether there is sufficient evidence providing reasonable assurance that the transactions undertaken by Council have been conducted properly and in accordance with law.

This has been further elaborated upon within the Local Government (Financial Management) Regulations 2011 (the Regulations) at Part 6 – Audit clause 19(b) which states an audit of the internal controls must be carried out in accordance with Standards

set out by the Auditing and Assurance Standards Board, established under the Australian Securities and Investment Commission Act 2001.

The Regulations state in forming this opinion the auditor must assess internal financial controls of the Council based on the criteria contained in the Better Practice Model – Internal Financial Controls.

The Better Practice Model (BPM) has been agreed and adopted by peak local government financial management and auditing bodies as the framework by which all local government Councils in South Australia self-assess risk management areas of their business and establish control measures to mitigate inherent risk associated with the services they provide the public and administrative operations.

In addition to the BPM, the LGA has published Financial Sustainability Information Papers (FSIP) as part of its ongoing Financial Sustainability Program (FSP) with the aim of harmonising high-level policy positions for Council administration adoption and use.

While the Information Papers are not statutory measures, they are considered best practice for Council to commit to. The two papers referenced in this policy are:

- LGA FSIP No. 21 – Internal Financial Controls and;
- LGA FSIP No. 18 – Financial Policies and Procedures.

Council is committed to maintaining an effective Internal Control environment.

3. DEFINITIONS

Internal Financial Control	Risk Management framework that manages the risk to the organisation from error or fraud and therefore assists in the achievement of a Council's objectives.
Better Practice Model (BPM)	Internal Control and Risk Management framework that Local Government bodies in SA have adopted to self-assess, apply and monitor measures in order to minimise risk when undertaking all financial transactions. This is commonly known as the Better Practice Model – Internal Financial Controls.
Framework	A layered structure that underpins and informs the financial reporting policies and procedures for Council.
Corporate Management Team (CMT)	Includes the CEO and Directors.
Employee	Includes persons employed by Council, volunteers, trainees, work experience placements, independent consultants and contractors and other authorised personnel offered access to the Council's resources.

4. POLICY STATEMENT

4.1 Risk Management Approach

Council will maintain an internal control framework, which will be based upon a proactive risk management culture. The types of risks identified in the framework will

be those which may prevent council from meeting its objectives or not maximising its opportunities. The first risk area covered by Council is financial management, for which internal controls will be identified, documented and managed. It is recognised that all risks cannot be eliminated, however the internal controls applied should reduce the likelihood of the risk occurring to within acceptable limits of risk.

Council will develop a culture that emphasises integrity, ethical values and competence.

4.2 Roles and Responsibilities

The Council (Elected Members) are responsible for approval of the Internal Control Policy.

The Chief Executive Officer is responsible for developing and maintaining an Internal Control Framework, which ensures Council objectives are achieved efficiently and effectively. Updates on changes to the framework will be presented to the Audit Committee.

The Council Audit Committee is responsible for review of any proposed changes to this policy and the framework as part of its role to review the effectiveness of the Internal Control system, in accordance with its Terms of Reference.

The Chief Executive Officer and Mayor must also sign the financial statements in regard to Internal Controls as required by the Local Government (Financial Management) Regulations 2011 Regulation 14.

The Corporate Management Team, Managers and Supervisors must adopt a risk management approach to identifying and assessing risks and apply cost/benefit analysis in the development of internal controls.

Council employees must conduct their duties in accordance with internal control policies, procedures and practices of Council and are expected to undertake training in aspects of control that directly affect their own work procedures and also maintain an awareness of other control practices within the Council.

4.3 Elements of an Internal Control Framework

The essential elements of an effective internal control framework are:

- Structure and culture of Council;
- Delegations of Authority;
- Policies and procedures;
- Trained and properly qualified staff;
- Information Technology controls;
- Review process e.g. internal audit;
- Liaison with auditors and legal advisors;
- Senior Management compliance assurance;
- Risk identification and assessment.

4.4 Nature of Internal Controls

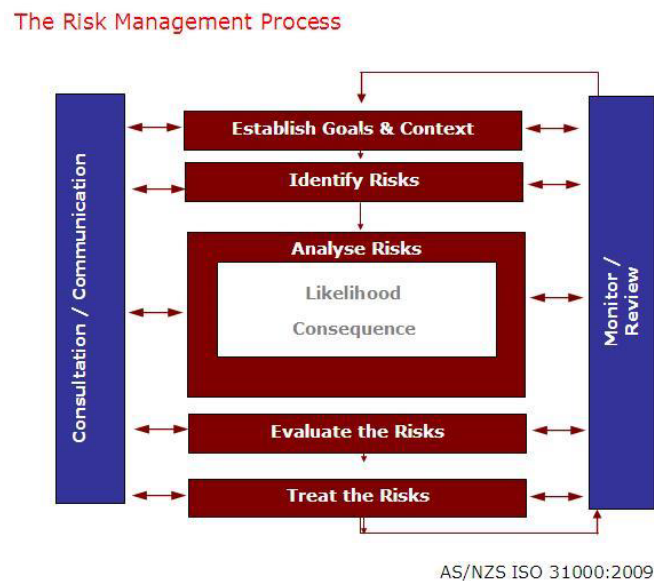
Policies and procedures which have been put in place as an Internal Control are either proactive or reactive in nature. They can be described as follows:

- Preventative – processes are put in place to avoid undesirable events from occurring

- Directive – processes are put in place to encourage a desirable event to occur e.g. treasury management policy
- Detective – processes are put in place to detect and subsequently correct undesirable events that have already occurred e.g. two signatories for all cheques disbursed

4.5 Risk Management Process

The process followed by Council in developing the framework appears below in diagrammatic form extracted from Australian/New Zealand Standard AS/NZS ISO 31000:2009.



- Establish Goals & Context – Effective risk management requires a thorough understanding of the goals and context of Council to assist in establishing the assessment criteria for risk management.
- Identify Risks – Identify the risks most likely to impact on the achievement of Council's objectives.
- Analyse Risks – Assess effectiveness of risks in terms of likelihood and consequence to identify the current risk level.
- Evaluate Risks – Determine whether the risks are acceptable or unacceptable and document findings.
- Treat Risks – Treat risks by one of the following methods - discontinuing activity that generates it, reducing likelihood of occurrence, reducing consequence of occurrence, transfer the risk or retain the risk.
- Consultation/Communication – These are important elements to ensure that all stakeholders understand why actions are required. These stakeholders include all staff and elected members.
- Monitor/Review – Responsible officers must be identified for each internal control and provide feedback to managers on progress with controls. The Managers monitor the effectiveness of risk treatments and report progress to the Senior Management Team and the Audit Committee at regular intervals.

5. COMPLAINTS

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

6. REVIEW

An ongoing program of review should be implemented to monitor and identify any changes in the level of type of risk exposure. A risk review should also be undertaken in response to a process or system change.

The aim of a review is to:

- Assess reliability and integrity of system information
- Ensure that system procedures comply with policies, standards, laws and regulations
- Evaluate system compliance to written procedures and work practices
- Determine overall effectiveness
- Identify issues
- Plan & implement changes

Major task of a review program are to:

- identify key issues
- assess whether associated control are effective and
- determine whether additional or different controls are needed

The assessment of risks should consider aspects of internal control including:

- relevant principles
- recommended practices
- key issues
- options for improvement

The Corporate Management Team is to be informed of the outcome of each review and updated regularly on progress with action plans identified during the reviews.

The Audit Committee is to be updated regularly on progress with action plans identified during the reviews.

This policy will be reviewed and updated every two (2) years.

7. TRAINING

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

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

8. RELATED COUNCIL POLICIES AND DOCUMENTS

- Council's Delegations Register
- PO148 Fraud and Corruption Prevention Policy
- PO134 Whistleblower's Protection Policy
- PO58 Purchasing and Procurement Policy
- PO84 Corporate Purchase Card Policy
- PO95 Cheque Signatories
- PO139 Treasury Management Policy
- PO72 Sale and Disposal of Land & Other Assets Policy
- PO91 Risk Management Policy
- Banking and Cash Handling Procedure

9. REFERENCES AND LEGISLATION

- Local Government Act 1999 – *Sections 125, 126, 128, 129 and 130*
- Local Government (Financial Management) Regulations 2011 – *Regulations 14, 17 and 19*
- Australian/ New Zealand Standard AS/ NZS ISO 31000:2009
- Better Practice Model – Internal Financial Controls
- Australian Securities and Investment Commission Act 2001
- LGA FSIP No. 21 – Internal Financial Controls
- LGA FSIP No. 18 – Financial Policies and Procedures
- Local Government Code of Conduct for Council Employees

10. VERSION HISTORY

Archived Policy Name	Policy Number	Date Adopted	Last Reviewed
Internal Financial Control Policy	PO156	14/12/2016	NA

DIRECTOR CORPORATE AND COMMUNITY SERVICES

9. PO091 RISK MANAGEMENT POLICY

PURPOSE

To seek endorsement and approval for the updated PO091 Risk Management Policy.

RECOMMENDATION

That the Audit Committee recommend to Council that the updated PO091 Risk Management Policy as presented, be endorsed and adopted.

LINK TO STRATEGIC PLAN

Goal: 5 Responsible Governance

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

BACKGROUND

Recently Council commissioned an independent governance policy audit with a focus on policies specifically required under the *Local Government Act* (the Act).

Thirteen (13) policies were assessed by legal firm Minter Ellison and a comprehensive report returned with recommendations provided to achieve legislative compliance.

Of the policies audited two (2) were considered fully compliant requiring no changes, four (4) were compliant with minor alterations recommended, three (3) were deemed non-compliant until suggested alterations were made and four (4) were deemed non-compliant with the recommendation to adopt the LGA model policy verbatim.

DISCUSSION

The PO091 Risk Management Policy was categorised as compliant with minor alterations recommended.

The minor alteration included altering Clause 6 to specify the requirement that the Policy be passed by at least a two-thirds majority of Elected Members. The minor amendments have been marked using track changes.

COMMUNITY ENGAGEMENT PLAN

Level 1 Inform – through Council's website once the policy is adopted.

CONSULTATION PROCESS

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

- CEO
- Governance Officer
- Manager People and Culture
- Risk Management Officer

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

- Minter Ellison

POLICY IMPLICATIONS

PO091 Risk Management Policy.

BUDGET AND RESOURCE IMPLICATIONS

Not applicable

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

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

Local Government Act 1999

ATTACHMENTS

Attachment 1: Updated PO091 Risk Management Policy



COUNCIL POLICY

Risk Management

Policy Number:	PO091		
Strategic Plan Objective	Corporate Governance and Leadership 2. Organisation Efficiency and Resource Management 2.4 Effective Risk Management Goal 5 Responsible Governance 5.3 Meet all legislative requirements and compliance with Council's internal controls 5.5 Undertake Effective Risk Management		
Policy Owner:	Chief Executive Officer	File Number:	18.63.1
Responsible Officer:	Risk Management Officer	Minute Reference:	040/2015 (11/03/2015)
Date Adopted:	11/03/2015	Next Review Date:	March 2018

1. POLICY OBJECTIVES

This policy aims to develop, implement and maintain an organisational risk management plan, incorporating Work Health and Safety (WHS) and Injury Management (IM) and internal controls for the Yorke Peninsula Council (the Council).

2. SCOPE

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

4. POLICY STATEMENT

4.1 Section 134(4)(b) of the Local Government Act 1999 (the Act) requires the Council to adopt risk management policies, controls and systems.

4.2 The Council is committed to applying risk management principles across all of its operations and functions in order to effectively realise Council's Strategic Plan.

4.3 Risk management involves adopting systematic procedures and practices to identify, evaluate, treat and monitor risk in all Council activities so that risks associated with these activities are controlled and opportunities maximised. Council will maintain a risk management system consistent with the guidelines and principles of risk management (as set out in AS/NZ ISO31000 – Risk Management Principles and Guidelines) and the Council's Strategic Risk Management Plan.

4.4 The **Chief Executive Officer** is responsible for ensuring the oversight and implementation of risk management.

4.5 The **Audit Committee** is delegated responsibility by Council to review and monitor the implementation of risk management.

The **Corporate Management Team** (CMT) have primary responsibility for managing risk within the business and are accountable to Council for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the business.

The **Risk Management Officer** is responsible for the ongoing development, communication and oversight of risk management, including systems capable of identifying, reporting and monitoring risks across the Council; and reporting the status of the risk management system and risk profiles to the Audit Committee, CEO and CMT.

All **personnel** (employees, volunteers and contractors) are responsible for identifying and managing potential risks as part of their employment or contractual 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 Council's Complaints Policy.

6. REVIEW

This policy will be reviewed every three (3) years and ~~also~~ as necessary (in consideration of any changes to legislation and relevant standards, codes and guidelines) by being passed by at least a two-thirds majority vote of the Elected Members.

7. TRAINING

Risk Management training is encompassed within Council's risk management system. Training needs will be reviewed as part of Council's Training Plan and as necessary in consideration of performance reviews, changes to legislation and relevant standards, codes and guidelines.

8. RELATED COUNCIL POLICIES AND DOCUMENTS

- PR098 Risk Management Procedure
- Yorke Peninsula Council Strategic Risk Management Plan
- Yorke Peninsula Council Internal Controls Project - Framework & Implementation Plan

9. REFERENCES AND LEGISLATION

- Section 134(4)(b) of the Local Government Act 1999
- Section 125 of the Local Government Act 1999
- Civil Liability Act, 1936
- Risk Management is prudent in order to address other risks identified in other legislation such as the Emergency Management Act 2004 and Work Health and Safety Act (SA) 2012.
- AS/NZS ISO 31000 Risk Management - Principles and Guidelines

10. COUNCIL DELEGATION

Delegate:	CEO
Sub Delegate:	Risk Management Officer

11. VERSION HISTORY

Archived Policy Name	Policy Number	Date Adopted	Last Reviewed
Risk Management Policy	PO091	14/4/2004	8/6/2010
Risk Management Policy	PO091	11/12/2013	11/03/2015
<u>Risk Management Policy</u>	<u>PO091</u>	<u>11/03/2015</u>	