



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

Date: Wednesday, 25 October 2017
Time: 3.00pm
Location: Council Chambers
57 Main Street, Minlaton
Minlaton

AGENDA

Audit Committee Meeting

25 October 2017

David Harding
DIRECTOR CORPORATE AND COMMUNITY SERVICES

CONFLICT OF INTEREST

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

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

Each Member of a Audit 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.

Agenda

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	Wednesday 13 December 2017	
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1 WELCOME BY CHAIRPERSON

Meeting declared opened

2 PRESENT

3 LEAVE OF ABSENCE

Nil

4 APOLOGIES

Nil

5 CONFLICT OF INTEREST

6 MINUTES OF PREVIOUS MEETING – FOR CONFIRMATION

Audit Committee Meeting - 13 September 2017

7 VISITORS TO THE MEETING

Dean Newbery and Partners – External Auditors

REPORTS

REPORTS**8 NEW BUSINESS****8.1 AUDIT COMMITTEE 2017 WORK PLAN****Document #:** 17/72488**Department:** Corporate and Community Services**PURPOSE**

To consider the revised 2017 Audit Committee Work Plan.

RECOMMENDATION

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

LINK TO STRATEGIC PLAN**Goal:** 5 Responsible Governance**Strategy:** 5.1 Openness and transparency of reporting Council's performance

5.2 Effective leadership and informed decision making

5.3 Meet all legislative requirements and compliance with Council's internal controls

5.5 Undertake effective risk management

5.8 Continuous improvement of Council processes

BACKGROUND

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

DISCUSSION

The Committee will:

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

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

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

There are no major changes to the work plan since the last Audit Committee meeting. Status via colour coding has been updated as appropriate.

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

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

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

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

- Nil

POLICY IMPLICATIONS

Audit Committee Terms of Reference

BUDGET AND RESOURCE IMPLICATIONS

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

RISKS/LEGAL/LEGISLATIVE/ IMPLICATIONS

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

Local Government Act 1999, Chapter 8

ATTACHMENTS

1. **Workplan 2017**

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

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

Yorke Peninsula Council Audit Committee Work Program 2017						
Activity	Timeframe					Notes
	Completed Current Deferred					
	Mar-17	Jun-17	Sep-17	Oct-17	Dec-17	
7. Strategic, Financial and Management Planning						
7.1 Review Strategic Management Plan						Adopted by Council in July 2016. Next review not due until November 2019.
7.2 Review Long Term Financial Plan	X				X	Updated annually following adoption of Annual Business Plan and Budget
7.3 Review Asset Management Plans/ Strategy			X	X	X	Ongoing as developed and reviewed.
7.4 Review appropriateness of the range and content of Council policies and strategies			X			As per renewal timeframes and legislative requirements
7.5 Review Annual business plan, budget and fees and charges		X				In conjunction with public consultation period
8. Other matters						
8.1 Adopt/review Audit Committee annual workplan	X	X	X	X	X	Updated for each meeting
8.2 Reports on other relevant matters						Ongoing as the need arises
8.3 Appoint Audit Committee Chairperson						Next appointment will be in December 2020

8.2 2016/2017 AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS**Document #:** 17/73348**Department:** Corporate and Community Services**PURPOSE**

To present Council's 2016/2017 audited General Purpose Financial Statements ("Statements") for the Committee's information and consideration.

RECOMMENDATION

That the Audit Committee recommend to Council that the audited General Purpose Financial Statements for the year ended 30th June 2017 be adopted and that:

1. The Chief Executive Officer and Mayor be authorised to certify the General Purpose Financial Statements; and
2. The Chief Executive Officer and the Presiding Member of the Audit Committee sign the Certification of Auditor Independence; and
3. The Chief Executive Officer and the Director Corporate and Community Services be authorised to sign the Management Representation Letter to be provided to the Auditor.

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

As required by the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 Council staff have prepared the General Purpose Financial Statements (Statements) for the year ended 30th June 2017.

The Statements have been prepared using Model Financial Statement templates and comply with the Australian Accounting Standards.

DISCUSSION

The attached Statements and Notes (refer Attachment 1) have been audited by Council's external auditors, Dean Newbery and Partners Chartered Accountants, and confirmation has been received from them that no further audit adjustments or queries are outstanding. Dean Newbery are happy for the Statements to be presented to the Audit Committee in their current form and, pending any minor changes, then presented to Council for adoption..

Council staff are liaising with Dean Newbery to finalise the management representation letter prior to the meeting on 25th October 2017. A copy is attached (refer Attachment 2) for the Committee's consideration. Any major changes that come to light between now and the meeting will be brought to the Committee's attention.

During the audit Dean Newbery raised with Council staff some amendments relating to formatting, disclosures, classifications, asset revaluations and presentation. These amendments have been actioned to the satisfaction of the auditors and did not have any material impact on the Statements.

A brief financial analysis of the Statements is as follows.

Operating Result

Council's Operating Result in 2016/2017 is a surplus of \$111k, which is an improvement of \$2.38m when compared to 2015/2016. While this is a significant improvement the focus should be on the Adjusted Operating Result once timing of payments made for Council's Financial Assistance Grant (FAG) has been taken into account.

In 2014/2015 Council received a FAG payment of \$1.178m in advance for the 2015/2016 financial year. This payment was recognised as operating income in the 2014/2015 financial year, hence making the 2015/2016 Operating Result look worse than it was. The adjusted Operating Result for 2015/2016 is a deficit of \$1.092m (as opposed to the reported deficit of \$2.270m).

In 2016/2017 Council received a FAG payment of \$1.144m in advance for the 2017/2018 financial year. This payment was recognised as operating income in the 2016/2017 financial year, hence making the 2016/2017 Operating Result look better than it was. The adjusted Operating Result for 2016/2017 is a deficit of \$1.033m (as opposed to the reported surplus of \$111k).

On comparing the Adjusted Operating Results (Deficits) for 2016/2017 (\$1.033m) and 2015/2016 (\$1.092m) the improvement is \$59k which is not significant. It is important that the Adjusted Operating Result become the focus of any discussion and measurement of Council's financial performance rather than the reported Operating Surplus which contains extraordinary items.

For more information on variation in timing of FAG payments please refer to Note 1 section 3 of the attached General Purpose Financial Statements (refer Attachment 1).

A more detailed analysis of the movements (compared to 2015/2016) in Council's various income and expenditure streams as shown on the Statement of Comprehensive Income for 2016/2017 is presented in the table below.

	\$ Change	% Change	Comments
Income			
Rates & Service Charges	\$1.271m	6.4%	Net effect of general rate increase adopted by Council, increase to NRM levy by State Government and increase to Waste Management Charges
Statutory Charges	(\$57k)	(14.6%)	> Town planning income down \$29k due to drop in applications and their subsequent values > Animal Registration Fees & Fines down \$8k and Sundry income down \$14k
User Charges	\$234k	7.9%	Increase in caravan parks income
Investment Income	(\$17k)	(6.8%)	> Decrease in cash available for investment due to less grant income and bigger capital works programme > Interest rates remain low

Reimbursements	\$475k	82.3%	Net increase due to government agency reimbursement for storm damage repairs to jetties
Other	(\$59k)	(20.8%)	> Art Exhibition income is biannual > One off Risk incentive reward income not received
Grants, Subsidies and Contributions	\$2.627m	84.9%	> Financial Assistance Grants for 2017/2018 paid in advance in 2016/2017 and recognised in that year > Financial Assistance Grants for 2015/2016 paid in advance in late 2014/2015 and recognised in that year
TOTAL INCOME VARIANCE	\$4.474m	16.2%	
Expenses			
Employee Costs	\$537k	6.5%	> Increase leave expense (taken and paid out): \$266k > Workers Compensation premium increase: \$89k > Reduction in employee costs capitalised: \$206k
Materials, Contracts & Other	\$1.71m	14.7%	> Jetties storm damage repairs (one-off fully reimbursed): \$705k > Increased waste management costs: \$145k > Community seawall contribution: \$209k > Increase to NRM Levy: \$198k > Increased cost of electricity: \$71k > Reduced insurance costs: \$41k > Reduction in sundry expenses: \$159k > Increased roadside vegetation control expenditure: \$472k
Depreciation, Amortisation & Impairment	(\$137k)	(1.4%)	Net reduction due to adjustments in remaining useful lives on plant and equipment assets and other assets, which underwent a detailed review
Finance Costs	(\$17k)	(4.1%)	Reduction in loans outstanding (down \$433k) resulting in lower interest payable

TOTAL EXPENDITURE VARIANCE	\$2.093m	7%	
NET IMPACT ON OPERATING DEFICIT	\$2.381m	104.9%	

For more detail on Council's Operating Result (actual and adjusted), income and expenditure please refer to the Statement of Comprehensive Income, Notes 2 and 3 in Attachment 1.

Capital Expenditure

In 2016/2017 Council spent a total of \$12.355m (2015/2016: \$9.748m) on capital works and projects, of which \$8.32m was spent on renewal and replacement of assets, while \$4.04m was spent on upgrades and new assets. \$2.29m was received in grants and contributions for new and upgraded assets primarily relating to Clinton Road through the Special Local Roads Programme.

Unlike the previous year changes to the revaluation surplus for Council's Infrastructure, Property, Plant and Equipment (IPP&E) assets were minimal. A relatively small increase of \$353k was incurred compared to a decrease of \$35.1m in 2015/2016.

For more detail on Council's capital expenditure, change in depreciation, assets and revaluations please refer to the Statement of Financial Position, Statement of Changes in Equity, Notes 1, 3, 4 and 7 in Attachment 1.

Cash Flows

Council's net decrease in cash held as at 30th June 2017 was \$31k, resulting in a closing cash and cash equivalents position of \$6.93m. When compared to the previous year the closing cash balanced is virtually unchanged.

It should be noted that of the \$6.93m cash and cash equivalents as at 30th June 2017, approximately \$1.4m is specifically for projects not completed in 2016/2017 and carried forward to 2017/2018 for completion while approximately \$1.3m is for grants received in 2016/2017 for expenditure in 2017/2018. The adjusted cash balance is therefore \$4.23m.

For more detail on Council's cash flows please refer to the Statement of Cash Flows and Note 11 in Attachment 1.

Financial Indicators

Operating Surplus Ratio

Council's Operating Surplus Ratio (Indicator 1 in Note 15 of Attachment 1) is 0.35%, however, as mentioned earlier in the this report the focus should be on the Adjusted Operating Surplus Ratio (Indicator 1a in Note 15 of Attachment 1) as this is a better indication of Council's actual financial performance. The adjusted ratio for 2016/2017 is -3.2% which reflects Council's Deficit operating result i.e. its operating income is not sufficient to fund operating expenditure including depreciation of existing assets. This is a slight improvement of 0.7% compared to the previous year. The adjusted ratio recognises the advance payment of Financial Assistance Grants in the year for which it was intended.

Through its LTFP and annual budgets, Council's emphasis should continue to be on returning to a breakeven or surplus position in line with industry targets, in the medium to long term. Council is currently updating its LTFP to get a better understanding of how its current financial performance will impact future financial performance.

Net Financial Liabilities Ratio

Council's Net Financial Liabilities Ratio of 10% (Indicator 2 in Note 15 of Attachment 1) is a 2% decrease on previous year, however, continues to remain well below the industry ceiling of 100%. This means that Council retains capacity to borrow funds for capital expenditure in future years should the need arise, as long as it continues to move towards a breakeven or surplus position on its operating bottom line to support increased loan repayments.

Asset Sustainability Ratio

Council's Asset Sustainability Ratio is 84% which is a 35% increase to previous year indicating that Council has increased its renewal and replacement of existing assets since 2015/2016. The increase is primarily due to Council completing a number of projects budgeted in 2015/2016 but rolled over to and completed in 2016/2017. Additionally, the majority of capital projects budgeted in 2016/2017 were completed and projects rolled over to 2017/2018 for completion amounted to \$1.15m.

Council currently uses total depreciation to calculate this ratio instead of required renewal expenditure levels from Asset Management Plans for individual asset classes.

Council is unable to use required renewal expenditure levels in calculating this ratio as not all asset classes have up to date Asset Management Plans – as Councillors are aware Council is moving toward detailed Asset management Plans for all classes of assets as data is loaded to Conquest.

A mixed use of depreciation and required renewal expenditure levels for the different asset classes (from endorsed Asset Management Plans for some assets) is not permitted when calculating this ratio.

Using depreciation as the base tends to result in a lower ratio because a number of assets (especially roads) have components that are not going to be renewed but are required to be depreciated for accounting purposes. This can result in depreciation possibly being overstated and in turn affecting the calculation of this ratio.

Through its LTFFP, up to date Asset Management Plans, annual budgets and capital works programs, Council's emphasis should be on returning to and maintaining a minimum ratio of 90% in line with industry targets, in the medium to long term. Further, planning for extra funding is required for asset renewal and replacement to address the identified backlog in Asset management Plans already endorsed by Council.

For more detail on Council's financial indicators please refer to Note 15 in Attachment 1.

Report on Financial Results

Regulation 10 of the Local Government (Financial Management) Regulations requires the preparation in each year, for the previous financial year, a report showing the audited financial results compared with the original budget.

This report has been prepared in the format required by the Regulations and recommended in section 3 of the LGA's Financial Sustainability Information Paper 25 – Monitoring Council Budget Performance. The Report on Financial Results is attached (refer Attachment 3) for the Committee's consideration, with reasons provided for any variances greater than 5%.

COMMUNITY ENGAGEMENT PLAN

Level 1 – Inform

The audited Statements and Auditor's Report will be made publicly available via Council's website and as part of Council's 2017 Annual Report.

CONSULTATION PROCESS

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

- Corporate Management Team
- Manager Financial Services

- Accountant – Financial Operations
- Assets Manager

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

- Dean Newbery and Partners Chartered Accountants

POLICY IMPLICATIONS

Not applicable

BUDGET AND RESOURCE IMPLICATIONS

Financial implications are as detailed in the body of this report and the attached Statements, Notes and reports.

RISKS/LEGAL/LEGISLATIVE/ IMPLICATIONS

Local Government Act 1999

1. Local Government (Financial Management) Regulations 2011
2. Model Financial Statements

ATTACHMENTS

1. **Audited General Purpose Financial Statements and Notes - 2016-2017 (under separate cover)**
2. **Management Representation Letter**
3. **Report on Financial Results 2016-2017**

YORKE PENINSULA COUNCIL

CONFIDENTIAL
8 November 2017

Jim Keogh
Partner
Dean Newbery & Partners
Chartered Accountants
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Dear Jim,

Management Representations: External Audit, Financial Year Ended 30 June 2017

This Management Representation letter is provided in connection with your audit examination of the General Purpose Financial Report (2017 Financial Report) of Yorke Peninsula Council ('the Council') for the financial year ended 30 June 2017.

We hereby confirm, at your formal request, that to the best of our knowledge and belief, the following representations relating to the 2017 Financial Report are correct.

In making these representations, we understand that they are provided to you in connection with your external audit of the Council for the year ended 30 June 2017 as prescribed by the Local Government Act 1999, for the express purpose of your expressing an opinion as to whether the 2017 Financial Report is, in all material respects, presented fairly in accordance with all applicable standards and requirements, including statutory. In making these representations, we have read and understood the standard unqualified Audit Opinion that would be normally expressed to the Council by you as is required under Section 129(3) of the Local Government Act 1999 for the financial year ended 30 June 2017. We therefore understand, without exception, the potential ramifications of making any representations to you that are not correct, to the best of our knowledge and belief as of the date of this letter.

We understand and acknowledge that it is the Council management's responsibility for the fair presentation of the 2017 Financial Report and that management, as appropriate, have approved the Financial Report. Accordingly, management of the Council are of the opinion that the 2017 Financial Report is free of material misstatements, including omissions.

1. Compliance with all Applicable Standards, including Statutory

The Financial Report of the Council has been prepared so as to present a true and fair view of the state of affairs of the Council as at 30 June 2017 and of the results of operations of the Council for the financial year ended on that date, including for all post balance date matters, as applicable.

The accounting and financial management policies, practices and records of the Council were at all times maintained in accordance with the requirements of the Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and that the Financial Report was prepared in accordance with the Local Government Act 1999, Local Government (Financial Management) Regulations 2011, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board together with all other mandatory professional reporting requirements in Australia.

BRANCH OFFICES

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

ASSETS**Cash and Cash Equivalents**

- (1) Cash on hand at balance date was represented by cash floats reconciled and on hand as at 30 June 2017.
- (2) Cash at bank at balance date represented the reconciled operating account(s) of the Council.
- (3) Short term deposits represented amounts held with the LGFA by the Council.

Rates and Other Receivables

- (1) Current rate receivables at balance date represented all outstanding amounts owed by rate payers.
- (2) Current other receivables at balance date represented all outstanding amounts owed by debtors other than rate payers.
- (3) Debts due at balance date that are known to be uncollectable have since been written-off and adequate provision has been made for impairment to cover allowances, discounts and losses that may be sustained by Council in the collection of the debts.

Inventories

- (1) All inventories were the property of the Council and have either been paid for or the liability has been brought to account.
- (2) All inventories have been physically counted and valued in accordance with the applicable Australian Accounting Standard.

Other Current Assets

- (1) Prepayments at balance date represented payments for goods and services to be received in the 30 June 2017 financial year.
- (2) There are no non-current assets held for sale.

Financial Assets – Loans to Community Groups

- (1) There are no grounds to provide for any impairment loss for loans to community groups or other organisations.

Investments Accounted using the Equity Method

- (1) Council has complied with all applicable Australian Accounting Standards with regard to Council's equity in subsidiaries, regional subsidiaries and other interests, as applicable.

Infrastructure, Property, Plant & Equipment and Depreciation

- (1) Infrastructure, property, plant and equipment at the 2017 balance date was represented by the following fair values, cost, accumulated depreciation and carrying amounts for each class of asset, in accordance with all prescribed requirements and standards, as follows:

Asset Class (Fair Value Level)	Fair Value (\$'000)	Cost (\$'000)	Accumulated Depreciation (\$'000)	Carrying Value (\$'000)
Work in progress	-	396	-	396
Land (Level 2)	73,572	406	-	73,978
Buildings & other structures (Level 2)	5,253	2,322	1,307	6,268
Buildings & other structures (Level 3)	86,704	1,951	49,769	38,886
Transport infrastructure (Level 3)	225,351	13,949	107,438	131,862
Stormwater drainage (Level 3)	12,050	146	3,588	8,608
CWMS (Level 3)	24,855	853	9,284	16,424
Water scheme infrastructure (Level 3)	3,786	74	909	2,951
Plant & equipment	-	12,256	4,670	7,586
Furniture & fittings	-	2,866	1,233	1,633
Other assets	-	9,718	4,135	5,583

- (2) The additions during the 2017 financial year to Infrastructure, property, plant and equipment general ledger control accounts and asset registers represents the cost of additions and or improvements to existing facilities or replacements thereof. All units of property which have been replaced, sold, dismantled or otherwise disposed of, or which are permanently unusable, have been removed from general ledger and applicable asset register. Adequate provision, determined in a manner consistent with that of the preceding financial year, has been made to write-off depreciable assets over their useful economic working lives.

No circumstances have arisen which render adherence to the existing basis of depreciation misleading or inappropriate and that depreciation expense for the financial year ended 30 June 2017 is reliable.

- (3) All additions to depreciable assets represent actual additions or improvements of a capital nature, based on capitalisation thresholds consistently applied for the 2017 financial year and unchanged from the 2016 financial year.
- (4) Where the recorded carrying amount of any depreciable assets exceeds its recoverable amount as at 30 June 2017, that asset's recorded carrying amount has been written down to its recoverable amount.
- (5) Contractual commitments for capital expenditure(s) included in the Financial Report payable not later than one year are as described in the notes accompanying the Financial Report.

- (6) There are no deficiencies or encumbrances attaching to the title of the assets of the Council at 30 June 2017 other than those reflected in the financial report and those are not greater than the value of the asset.
- (7) No Operating or Finance Lease commitments exist that have not been disclosed in the Financial Report. All Operating Lease expenses have been fully disclosed in the notes to the 2017 Statement of Comprehensive Income. Finance Leasing commitments have been fully disclosed in the notes to the 2017 Balance Sheet.
- (8) The asset revaluations of infrastructure assets undertaken during the 2016 financial year by Tonkin Consulting were based on the principle of written down replacement value. Accordingly, total replacement value, total economic working life, residual economic working life were reliably established for each asset and the financial records of Council were restated in accordance with all applicable Australian Accounting Standards, and the Financial Report reflects all such accounting entries.
- (9) The asset revaluations of all land and buildings owned by Council were undertaken by independent valuation consultants Maloney Field Services, as at 1 July, 2013. Valuations have been formally accepted by Council and recognised in the 2017 Financial Report.
- (10) The resultant increment to the asset revaluation reserve during the year represents the difference between the prior written down value of the assets being valued and the valuations as at 1 July 2016. The \$353k increase in asset value is due to the first time recognition of a small number of transport and community wastewater management scheme assets. Full disclosure regarding the implications and subsequent effect has been made in the General Purpose Financial Statements.
- (11) Depreciation expense reported in the 2017 Statement of Comprehensive Income is reliable, being based on reliable 'whole of life' asset management information for each class of depreciable non-current asset.
- (12) Loan amounts to be repaid to Council via special rate relating to Council contributions for the construction of the seawalls in Chinaman Wells and Point Turton were recognised as contingent assets in the 2017 Financial Report. Full disclosure regarding the implications and subsequent effect has been made in the General Purpose Financial Statements.

LIABILITIES – Current and Non-Current

- (1) All liabilities which have arisen or which will arise out of the activities of the Council to the end of the 2017 financial year have been included in the 2017 Financial Report.
- (2) All outstanding trade payables at balance date have been taken up as at the 2017 balance date.
- (3) All applicable accrued wages and salaries and accrued employee entitlements at the 2017 balance date have been taken up.
- (4) All accrued interest at the 2017 balance date have been taken up.
- (5) All revenue received in advance as at the 2017 balance date has been taken up.
- (6) Provisions for employee benefits, inclusive of on-costs, all discounted as at the 2017 balance date representing long service leave benefits calculated for all valid employees (as at balance date) have been taken up.

- (7) Accrued employee benefits represent annual leave accrued for all valid employees as at the 2017 balance date.
- (8) Borrowings as at the 2017 balance date represented amounts owed to the Local Government Finance Authority. Loans with the LGFA have varying maturity dates and interest rates with details fully provided in the notes to the 2017 Financial Report.
- (9) There were no contingent liabilities including for:
- a) guarantees;
 - b) bills and accounts receivable discounted, assigned or sold and which are subject to recourse;
 - c) endorsements;
 - d) pending law suits, unsatisfied judgements or claims;
 - e) repurchase agreements; or
 - f) contractual disputes between the Council and any contractor / service provider that may result in an increased liability as at 30 June 2017; which are not fully disclosed in the notes to the 2017 Financial Report.

EQUITY

- (1) There have been no adjustments to the Accumulated Surplus other than those allowable under the Australian Accounting Standards.
- (2) There have been no adjustments to the Asset Revaluation Reserve other than those allowable under the Australian Accounting standards and the balance of the reserve has been reconciled to each class of asset.
- (3) All reserve funds required by legislation to be maintained have been at all times maintained in the accounting records of the Council.
- (4) All transfers to and from reserve funds (including the Accumulated Surplus) have been prior authorised by Council.
- (5) The following reserve funds are 'cash backed' and the reasons for such method of accounting (including where it is a prescribed requirement).

'Cash backed' reserve	Balance 30 June 2017	Reason for existence
Minlaton library equipment	\$10,499.61	Funds required to be held for a specific purpose i.e. community libraries, in accordance with grant funding agreement
Yorke town library equipment	\$18,997.67	
Maitland community library	\$8,453.35	
Ardrossan library	\$18,178.73	
Erichsen heritage trust fund	\$10,677.30	Funds held on behalf of community organisation
Minlaton RSL trust fund	\$1,990.13	
Warooka RSL trust fund	\$5,631.41	
Curramulka RSL trust fund	\$1,912.65	
Open space and recreation	\$140,278.33	Developer contributions received for a specific purpose

2017 STATEMENT OF COMPREHENSIVE INCOME

- (1) Please find attached a summary of all variations greater than 10% for all income and expense amounts disclosed in the 2017 Statement of Comprehensive Income, compared to 2016.
- (2) Please find attached a summary of all 2016 amounts that have been re-classified in the 2017 Statement of Comprehensive Income, including the reasons for the reclassification.
- (3) All depreciable physical resources received free of charge have been included in the appropriate asset register and depreciated from the date when Council assumed control (of the asset).
- (4) Depreciation expense for 2017 is in accordance with Council's asset registers and has been determined on the same basis as for 2016.
- (5) Capital grants have been correctly separated from operating grants, in accordance with the requirements of the Model Financial Statements.

KEY FINANCIAL INDICATORS**Operating Surplus Ratio**

Council's operating surplus ratio is 0.35% which is an improvement of 8.59% from the 2016 year resulting mainly due to the advance payment of 50% of Council's 2018 Financial Assistance Grant (FAG) allocation. Council's adjusted ratio (adjusted for advance payment of FAG allocation) is -3.23%, an improvement of 0.73% from the previous year. Through its long term financial plan (LTFP) and annual budgets, Council's emphasis will continue to be on returning to a breakeven or surplus position in line with industry targets, within the life of the LTFP. Council is currently updating its LTFP to get a better understanding of how its current financial performance will impact future financial performance.

Net Financial Liabilities Ratio

The net financial liabilities ratio is 10%, which is a decrease of 2% from the 2016 year. This is well below the industry recommended ceiling of 100%.

Asset Sustainability Ratio

The asset sustainability ratio which measures expenditure on net asset renewals against depreciation expense is 84% for 2017 compared to 49% in 2016. Through its LTFP, up to date Asset Management Plans, annual budgets and capital works programs, Council aims to reach and maintain a ratio of 90% in the short term and get to 110% to address infrastructure backlog, within the life of the LTFP.

CHIEF EXECUTIVE OFFICER'S REPORT

There are no exceptions to the standard Chief Executive Officer's Report for the 2017 Financial Report.

OTHER REQUIRED REPRESENTATIONS

- (1) No events have occurred (or are known to occur) subsequent to the 30 June 2017 that would require any consideration for adjustment to or additional disclosure in the 2017 Financial Report.

- (2) The Council does not have any plans or intentions that may materially affect the carrying value or classification of all assets and liabilities as at 30 June 2017.
- (3) The Council has complied with all aspects of contractual arrangements and agreements that would have a material effect on the 2017 Financial Report in the event of non-compliance.
- (4) There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, other than those disclosed in the 2017 Financial Report.
- (5) There are no violations or possible violations of laws, compulsory standards or regulations whose effects should be considered for disclosure in the 2017 Financial Report or as a basis for recording as an expense or otherwise.
- (6) The Council has full title to all assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (7) All details concerning related party transactions and related amounts receivable or payable (including sales, purchases, loans and guarantees) have been correctly recorded in the accounting records. All related parties have been identified and disclosed to you during your audit.
- (8) The Council reviews annually, the adequacy of insurance cover on all assets and insurable risks. This review has been consistently performed, and where it is considered appropriate, assets and insurable risks of the Council are at all times adequately covered by appropriate insurance.
- (9) The minutes of all meetings of Council and its Committees were made available to you and are complete and authentic records of all such meetings held during the 2017 financial year and to the date of this letter. All other statutory records were properly kept at all times during the year and have been made available to you for audit purposes.
- (10) All audit correspondence has been formally and promptly responded.
- (11) All audit correspondence has been referred to Council and Council's Audit Committee.
- (12) Salaries and wages records together with records for the Goods and Service Tax were at all times fully maintained in accordance with the requirements of the Australian Taxation Office, as applicable.
- (13) All documentation relating to the capture of Related Party Disclosures and Transactions (AASB 124 Related Party Disclosures) including all authorised forms provided by the deemed Key Management Personnel, evidence of review of total related party transactions processed during the financial year by the Council e.g. Transaction reports of payments made by Council to related parties and any working papers of calculation methodologies for the disclosures in the 30 June 2017 financial statements have been made available to the auditors.
- (14) All deemed material transactions relating to Related Party Disclosures and Transactions (AASB 124 Related Party Disclosures) have been included and adequately disclosed in the 30 June 2017 financial statements.
- (15) Council has formally in place and has at all times maintained an appropriate standard of accounting, internal control structure and framework, segregation of duties and risk management structure and framework across the entire organisation, including appropriate controls and mechanisms specifically designed to prevent and detect fraud and error. Further, we advise that there have not been any instances of fraud or error during the

financial year ended 30 June 2017 or to the date of this letter. In addition, there are no matters that should be brought to your attention for the purposes of your making an assessment as to Sections 129(5) and 129(6) of the Local Government Act 1999.

- (16) The 2017 Financial Report has been adjusted for all agreed audit adjustments for the year ended 30 June 2017.
- (17) AASB 2016-4 Recoverable Amount of Non Cash-Generating Specialised Assets of Not-for-Profit Entities has been adopted early in the preparation of these financial reports. This Standard removes the requirement for impairment testing of non-cash generating specialised assets that are carried at fair value. The early adoption of this Standard has not resulted in any changes to any amounts disclosed in these reports. This is the only change in accounting practices and accounting policies made for the financial year ended 30 June 2017 compared to the financial year ended 30 June 2016.
- (18) Council's Audit Committee has addressed all of its prescribed responsibilities and no member of the Committee has undertaken other professional services for the Council.
- (19) In our opinion, there are no grounds to believe that the Council will not be able to pay its debts as and when they fall due, that assets will be at all times maintained to the service standards currently determined by Council and accordingly, the Council is long term financially sustainable.

Yours sincerely

Chief Executive Officer

Director Corporate and Community Services

**Enclosures: 2017 Statement of Comprehensive Income Summary of Variations greater than 10%
2016 Amounts that have been re-classified in the 2017 Statement of Comprehensive Income**

Enclosure 12017 Statement of Comprehensive Income Summary of Variations greater than 10%

	\$ Change	% Change	Comments
Income			
Statutory Charges	(\$57k)	(14.6%)	> Town planning income down \$29k due to drop in applications and their subsequent values > Animal Registration Fees & Fines down \$8k and Sundry income down \$14k
Reimbursements	\$475k	82.3%	Net increase due to government agency reimbursement for storm damage repairs to jetties
Other	(\$59k)	(20.8%)	> Art Exhibition income is biannual > One off Risk incentive reward income not received
Grants, Subsidies and Contributions	\$2.627m	84.9%	> Financial Assistance Grants for 2017/2018 paid in advance in 2016/2017 and recognised in that year > Financial Assistance Grants for 2015/2016 paid in advance in late 2014/2015 and recognised in that year
TOTAL INCOME VARIANCE	\$4.474m	16.2%	
Expenses			
Materials, Contracts & Other	\$1.71m	14.7%	> Jetties storm damage repairs (one-off fully reimbursed): \$705k > Increased waste management costs: \$145k >Community seawall contribution: \$209k > Increase to NRM Levy: \$198k > Increased cost of electricity: \$71k > Reduced insurance costs: \$41k > Reduction in sundry expenses: \$159k > Increased roadside vegetation control expenditure: \$472k
TOTAL EXPENDITURE VARIANCE	\$2.093m	7%	
NET IMPACT ON OPERATING DEFICIT	\$2.381m	104.9%	

Enclosure 22015/16 amounts that have been re-classified in the 2017 Statement of Comprehensive Income

	2015/16 Original (\$'000)	2015/16 Reclassified (\$'000)	Reclassification Amount (\$'000)	Reclassification Comments
Income				
Investment Income	213	251	38	Interest component of loan repayments from community groups (38k) reclassified here from Reimbursements.
Reimbursements	780	577	(203)	Interest component of loan repayments from community groups (38k) reclassified to investment income. Insurance and ATO fuel rebates (\$165k) moved to Other Income.
Other Income	143	284	141	Insurance and ATO fuel rebates (\$165k) reclassified here from Reimbursements. Various contribution amounts (\$24k) moved from here to Grants, Subsidies and Contributions.
Grants, Subsidies and Contributions	5,038	5,062	24	Various contribution amounts (\$24k) reclassified here from Other Income.
Expenses				
Employee Costs	8,136	8,250	114	Income protection insurance (\$114k) provided under EBA reclassified here from Materials, Contracts and Other Expenses.
Materials, Contracts and Other Expenses	11,701	11,652	(49)	Income protection insurance (\$114k) provided under EBA moved to Employee Costs. Bank charges (\$65k) reclassified here from Finance Costs.
Finance Costs	476	411	(65)	Bank charges (\$65k) moved from here to Materials, Contracts and Other Expenses.

Yorke Peninsula Council 2017 Report on Financial Results STATEMENT OF COMPREHENSIVE INCOME					
	2016/17 Adopted Budget \$('000)	2016/17 Audited Actual \$('000)	Variance \$('000)	Variance (%)	Comment
INCOME					
Rates	21,209	21,269	60	0.3%	> Building / Planning Fees: (\$28k) > Animal Registrations: (\$6k) > Other Fines: (\$7k) > Other Registration Fees: (\$4k) > Sundry Statutory Charges: (\$4k) > Town Planning: (\$15k)
Statutory Charges	415	334	(81)	-19.5%	
User Charges	3,115	3,195	80	2.6%	
Grants, subsidies, contributions	2,686	5,721	3,035	113.0%	
Investment Income	193	234	41	21.2%	
Reimbursements	414	1,052	638	154.1%	> Financial Assistance Grant: \$1.144m received in advance > Roads to Recovery Grant: \$1.995m "originally budgeted as amounts specifically for new assets i.e. moved from capital income to operating income" > Interest repayments on Loans to Community Groups \$46k originally budgeted as reimbursements but reclassified in Financial Statements as required under the Model Financial Statements. > Government Agency Reimbursements: \$705k (unbudgeted storm damage jetty repairs) > Rebates received \$168k actual (\$133k budgeted) originally budgeted as reimbursements but reclassified in Financial Statements as required under the Model Financial Statements.
Other Income	55	225	170	309.1%	
Total Revenues	26,087	32,030	3,543	14.0%	
EXPENSES					
Employee costs	8,500	8,787	287	3.4%	> Storm Damage Repairs: Jetties \$705k (unbudgeted expenditure) > Bank charges \$66k actual (\$79k budgeted) originally budgeted as finance cost but reclassified in Financial Statements to Materials, contracts and other expenses as required under the Model Financial Statements.
Materials, contracts & other expenses	12,726	13,362	636	5.0%	
Depreciation	9,075	9,376	301	3.3%	
Finance Costs	477	394	(83)	-17.4%	
Total Expenses	30,778	31,919	1,141	3.7%	
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(2,691)	111	2,802	-104.1%	
Net gain/(loss) on disposal or revaluations	10	(3,201)	(3,211)	-32110.0%	> Disposals and write off of duplicate assets within the Other Assets classification not originally budgeted due to inability to accurately estimate adjustment value prior to being undertaken: \$2.711m > Disposals of: > Transport Infrastructure: \$621k > Plant & Equipment: \$333k > CVMS Infrastructure: \$50k > Furniture & Fittings: \$50k > Water Infrastructure: \$8k were not originally budgeted due to inability to accurately estimate adjustment value prior to being undertaken. > Roads to Recovery originally budgeted as amounts specifically for new assets reclassified as operating grant in accordance with Model Financial Statements: \$1.995m
Amounts specifically for new assets	3,914	2,288	(1,626)	-41.5%	
NET SURPLUS/(DEFICIT)	1,233	(802)	(4,837)	-392.3%	
Other Comprehensive Income					
Changes in revaluation surplus - IPP&E	0	353	353	100.0%	Effects of additional Council assets not previously recognised in the Financial Statements. This was not originally budgeted due to inability to accurately estimate value prior to valuation of assets on addition to asset registers: > Transport Infrastructure: \$263k > CVMS Infrastructure: \$90k
Total Other Comprehensive Income	0	353	353	100.0%	
TOTAL COMPREHENSIVE INCOME	1,233	(449)	(1,682)	-136.4%	

Yorke Peninsula Council 2017 Report on Financial Results STATEMENT OF FINANCIAL POSITION					
	2016/17 Adopted Budget \$(000)	2016/17 Audited Actual \$(000)	Variance (\$)	Variance (%)	2016/17 Adopted Budget \$(000)
ASSETS					
Current Assets					
Cash & Equivalent Assets	3,496	6,926	3,430	98.1%	Higher closing cash balance due to: > Non-completion of projects in 2016/17: \$1.4m > Advance payment of 50% of 2017/18 Financial Assistance Grants allocation: \$1.144m > Higher than anticipated trade and other payables balance at 2016/17 year end: \$278k > Flow on effects of higher than anticipated closing balance at 2015/16 year end
Trade & Other Receivables	1,346	1,986	640	47.5%	Higher closing trade & other receivables balance due to: > \$265k unbudgeted grant and contribution amounts invoiced in late Jun-17 > \$151k increase to rates receivable in comparison to 2015/16 year end > \$87k unbudgeted storm damage repairs; jetties invoiced in late Jun-17 > \$24k in excess water reimbursement invoiced raised in late Jun-17
Inventories	777	758	(19)	-2.4%	
Total Current Assets	5,619	9,670	4,051	72.1%	
Non-Current Assets					
Receivables	910	692	(218)	-24.0%	Balance of community loans to Council lower than anticipated
Financial Assets	339,833	294,175	(45,658)	-13.4%	Budget adopted prior to 2015/16 effects of revaluation of transport asset class were known. Actual 2015/16 IPP&E balance: \$294.52m
Infrastructure, Property, Plant & Equipment	340,743	294,867	(45,876)	-13.5%	
Total Non-Current Assets	340,743	294,867	(45,876)	-13.5%	
Total Assets	346,362	304,537	(41,825)	-12.1%	
LIABILITIES					
Current Liabilities					
Trade & Other Payables	2,379	2,101	(278)	-11.7%	Outstanding contractor invoices at year end not as high as anticipated
Borrowings	629	648	19	3.0%	
Provisions	1,699	2,273	574	33.8%	> Provision for annual leave was historically budgeted as part current liability / part non-current liability. In 2016/17 this was addressed resulting in a shift in the provision from non-current to current totalling \$218k > Budget estimate was only an indication based on best estimates. Year end figure is actual provision outstanding based on staff numbers and makeup.
Total Current Liabilities	4,707	5,022	315	6.7%	
Non-Current Liabilities					
Borrowings	7,317	7,541	224	3.1%	> Provision for annual leave was historically budgeted as part current liability / part non-current liability. In 2016/17 this was addressed resulting in a shift in the provision from non-current to current totalling \$218k
Provisions	606	236	(370)	-61.1%	> Budget estimate was only an indication based on best estimates. Year end figure is actual provision outstanding based on staff numbers and makeup.
Total Non-Current Liabilities	7,923	7,777	(146)	-1.8%	
Total Liabilities	12,630	12,799	169	1.3%	
NET ASSETS	333,732	291,738	(41,994)	-12.6%	
EQUITY					
Accumulated Surplus	(2,480)	(10,082)	(7,602)	306.5%	Budget adopted prior to 2015/16 effects of revaluation of transport asset class were known. Actual 2015/16 Accumulated Surplus balance: \$8.841m
Asset Revaluation Reserve	335,455	300,690	(34,765)	-10.4%	Budget adopted prior to 2015/16 effects of revaluation of transport asset class were known. Actual 2015/16 ARR balance: \$300.34m
Other Reserves	757	1,130	373	49.3%	Budget estimate was only an indicative figure based on best estimates. Year end figure is actual amount in reserve based on actual income received and operating and capital expenditure undertaken during 2016/17.
TOTAL EQUITY	333,732	291,738	(41,994)	-12.6%	

Yorke Peninsula Council 2017 Report on Financial Results UNIFORM PRESENTATION OF FINANCES					
	2016/17 Adopted Budget \$(000)	2016/17 Audited Actual \$(000)	Variance (\$)	Variance (%)	2016/17 Adopted Budget \$(000)
Operating Revenues	28,087	32,030	3,943	14.0%	Refer to reasons in Statement of Comprehensive Income
less Operating Expenses	30,778	31,919	1,141	3.7%	Refer to reasons in Statement of Comprehensive Income
Operating Surplus/(Deficit) before Capital Amounts	(2,691)	111	2,802	-104.1%	
Less: Net Outlays on Existing Assets					
Capital Expenditure on Renewal/Replacement of Existing Assets	6,027	8,315	2,288	38.0%	> Increased expenditure due to completion of outstanding 2015/16 projects in 2016/17 > Approval of additional projects by Council during 2016/17
less Depreciation, Amortisation & Impairment	9,075	9,376	301	3.3%	Budget set prior to full impact of removal of residuals from Transport Infrastructure assets in 2015/16 was known.
less Proceeds from Sale of Replaced Assets	363	472	109	30.0%	Realised better than expected trade-in prices on plant and machinery.
Net Outlays on Existing Assets (b)	(3,411)	(1,533)	1,878	-55.1%	
Less: Net Outlays on New and Upgraded Assets					
Capital Expenditure on New/Upgraded Assets	4,592	4,040	(552)	-12.0%	Several new/upgrade capital projects incomplete at year end and carried forward into 2017/18
less Amounts Specifically for New/Upgraded Assets	3,914	2,288	(1,626)	-41.5%	Refer to reasons in Statement of Comprehensive Income
less Proceeds from Sale of Surplus Assets	0	0	0	0.0%	
Net Outlays on New and Upgrade Assets (c)	678	1,752	1,074	158.4%	
Net Lending / (Borrowing) for Financial Year (a) - (b) - (c)	42	(108)	(150)	-355.3%	
Yorke Peninsula Council 2017 Report on Financial Results KEY FINANCIAL INDICATORS					
Financial Indicator	2016/17 Adopted \$(000)	2016/17 Audited \$(000)	Variance (\$)	Variance (%)	2016/17 Adopted \$(000)
Operating Surplus / (Deficit) - \$'000	(2,691)	111	2,802	-104.1%	Refer to reasons in Statement of Comprehensive Income
Operating Surplus Ratio - %	(12.7)%	0.3%		13%	Result of improved operating result
Net Financial Liabilities Ratio - %	26%	10%		-16%	Result of higher closing cash balance due to non-completion of projects in 2016/17 worth \$1.4m and advance payment of 50% of 2017/18 Financial Assistance Grant payment received in 2016/17
Asset Sustainability Ratio - %	62%	84%		22%	Higher than anticipated completion of asset renewal projects completed in 2016/17

8.3 ASSET MANAGEMENT UPDATE**Document #:** 17/72469**Department:** Assets and Infrastructure Services**PURPOSE**

To update the Audit Committee members on Asset Management activities.

RECOMMENDATION

That the report be received.

LINK TO STRATEGIC PLAN**Goal:** 2 Community Connected through Infrastructure**Strategy:** 2.1 Develop and deliver on Asset Management Plans for all asset classes

2.2 Utilise technology to provide easy access to Council information (e.g. planned infrastructure works, location of public facilities, events etc.)

2.5 Explore provision of new infrastructure

BACKGROUND

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

DISCUSSION**Asset Management Plans**

Asset Management Plans for Community Wastewater Management Schemes (CWMS) and Water Infrastructure were adopted by Council at the October Council meeting.

The Stormwater Asset Management Plan is presented to the Committee at this meeting and is scheduled for adoption by Council at its November 2017 meeting.

Staff have commenced the development of asset management plans for Plant and Equipment and Buildings and Other Structures. The Plant and Equipment plan will include major plant, minor plant, furniture and fittings, while the Buildings and Other Structures plan will include buildings and other assets such as seawalls.

Conquest

Staff have commenced a review of the Minor Plant Register and Other Assets Register, which are currently held in Excel format, so that they can be uploaded to Conquest this financial year.

ATTACHMENTS

Nil

8.4 DRAFT STORMWATER INFRASTRUCTURE ASSET MANAGEMENT PLAN**Document #:** 17/74396**Department:** Assets and Infrastructure Services**PURPOSE**

To advise the Audit Committee that the draft Stormwater Infrastructure Asset Management Plan has undertaken public consultation.

RECOMMENDATION

That the Audit Committee recommend that Council adopt the Stormwater Infrastructure Asset Management Plan after consideration of public consultation feedback.

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

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

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

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

DISCUSSION

The draft Stormwater Infrastructure Asset Management Plan underwent public consultation from 14th September 2017 until 6th October 2017, during which time 2 submissions were received. Advertisements were placed in the Yorke Peninsula Country Times, and on Council's website and Facebook page to inform the public that the draft Stormwater Infrastructure Asset Management Plan was available for public comment. The plan was viewed 44 times on Council's website, while also being viewed 649 times on Facebook.

The first submission raised concerns with stormwater at Progress Park in Hardwicke Bay. Staff have advised that this has been addressed with works undertaken in May of this year, when a new soakage pit was installed and that the area will be monitored and if further work is required this will be undertaken when resources are available.

The second submission raised concerns in regard to stormwater management at Gulfview Road in Stansbury.

The draft Stormwater Infrastructure Asset Management Plan has been developed to demonstrate responsive management of stormwater assets, including the services provided from these assets;

compliance with regulatory requirements; and to communicate the funding needed to provide the required levels of service over the ten (10) year planning period.

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

Yorke Peninsula Council owns and maintains a stormwater drainage network to enable the effective disposal of stormwater runoff throughout its district. In the townships of Ardrossan, Maitland and Minlaton there are also reuse facilities, which allow for stormwater to be captured and then reused in parklands.

Stormwater assets were categorised and uploaded into Conquest, Council's Asset Management Software, as part of a revaluation process in September 2015. These assets have a replacement value of \$12.1 million.

The draft Stormwater Infrastructure Asset Management Plan shows that the projected outlays necessary to provide stormwater services; including operations, maintenance, renewal and upgrade of existing water assets over the ten (10) year planning period is \$2.45 million or \$245,000 on average per year. The estimated available funding included in the LTFP for this period is \$1.82 million or \$182,000 on average per year. This equates to 75% of the cost to provide these services, which results in a funding shortfall of \$75,000 on average per year.

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

COMMUNITY ENGAGEMENT PLAN

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

CONSULTATION PROCESS

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

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

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

- Nil

POLICY IMPLICATIONS

PO128 Asset Management Policy

BUDGET AND RESOURCE IMPLICATIONS

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

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

RISKS/LEGAL/LEGISLATIVE/ IMPLICATIONS

Local Government Act 1999

ATTACHMENTS

1. **Draft Stormwater Infrastructure Asset Management Plan (under separate cover)**

8.5 RISK MANAGEMENT REPORT**Document #:** 17/72727**Department:** Corporate and Community Services**PURPOSE**

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

RECOMMENDATION

That the report be received.

LINK TO STRATEGIC PLAN**Goal:** 5 Responsible Governance**Strategy:** 5.5 Undertake effective risk management

5.8 Continuous improvement of Council processes

BACKGROUND

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

DISCUSSION

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

- Risk Management LGAMLS Review Action Plan (under separate cover)
- Risk Maturity Assessment Action Plan (under separate cover)

This report provides a schedule of activities planned for 2017.

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

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

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

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

- Nil

POLICY IMPLICATIONS

PO091 Risk Management Policy

PR098 Risk Management Procedure

BUDGET AND RESOURCE IMPLICATIONS

Not applicable

RISKS/LEGAL/LEGISLATIVE/ IMPLICATIONS

Local Government Act (SA) 1999

Work Health and Safety Act (SA) 2012

Work Health and Safety Regulations (SA) 2012

ATTACHMENTS

Nil

8.6 INTERNAL AUDIT ACTIVITY REPORT**Document #:** 17/73387**Department:** Executive Services**PURPOSE**

The Business Improvement Officer presents an update on recent Internal Audit Activity.

RECOMMENDATION

That report be received

LINK TO STRATEGIC PLAN**Goal:** 5 Responsible Governance**Strategy:** 5.1 Openness and transparency of reporting Council's performance

5.3 Meet all legislative requirements and compliance with Council's internal controls

5.8 Continuous improvement of Council processes

BACKGROUND

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

DISCUSSION

This report provides a status update on the Internal Audit activity performed in September and October 2017. The following activities have occurred:

- Rates Revenue Review has been completed
- Elected Member Expenses Review completed

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

COMMUNITY ENGAGEMENT PLAN

Not applicable

CONSULTATION PROCESS

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

- Chief Executive Officer
- Corporate Management Team
- Senior Rates Officer / Accounts Receivable
- Manager Financial Services

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

- Nil

POLICY IMPLICATIONS

PO156 Internal Financial Control

BUDGET AND RESOURCE IMPLICATIONS

Not applicable

RISKS/LEGAL/LEGISLATIVE/ IMPLICATIONS

Local Government Act (SA) 1999

ATTACHMENTS

1. Internal Audit Activity Report - attachment - Audit Committee Meeting - October 2017
2. Internal Audit Report - Rates Revenue - attachment - Audit Committee Meeting - October 2017
3. Internal Audit Report - Elected Members Expenses attachment - Audit Committee Meeting - October 2017
4. Implementation of Agreed Actions - attachment - Audit Committee Meeting - October 2017



Internal Audit Activity Report (September – October 2017)

1. INTERNAL AUDIT PLAN

The following table highlights the status of audit projects:

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

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

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

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

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



Internal Audit Report – Rates Revenue

October 2017

For Distribution:

David Harding	Director Corporate and Community Services
Sid Jain	Manager Financial Services
Mark Austin	Senior Rates Officer
Kerry Hage	Rates Officer

For Information:

Andrew Cameron Chief Executive Officer

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Executive Summary

Background

The rate revenue function is an integral part of Council's financial operations; therefore a review of the system was included in the current Internal Audit Plan. In 2013, consulting firm, UHY Haines Norton, assisted Yorke Peninsula Council ('YPC') in developing a detailed set of Rating Procedures. Internal Audit used these procedures to identify key controls and test current rating processes.

Rating Policy

YPC rates represent the most significant source of income for Council, making up approximately 75% of operating income. As per Council's FY18 Annual Business Plan, operating revenue is made up of the following components:

Rates and Charges	\$21.9m
Statutory Charges	\$0.3m
User Pay Charges	\$3.0m
Grants and Subsidies	\$3.9m
Investment, Earnings, Reimbursements and Other Income	\$0.6m

YPC sets rates under the Local Government Act of South Australia 1999 (the Act) and in line with YPC's Rating Policy. YPC uses capital value for valuing land and applies general rates in the dollar across six different categories. The structure of the rating system is as follows:

- Use of a fixed charge;
- Differential rates for various land use categories and;
- A comprehensive set of rebates.

Annually YPC declares rates and adopts property valuations, as supplied by the Valuer-General's Office. Rate payments are due quarterly in September, December, March and June, but can be paid in full at any time. There are various methods rate payers can use to pay rate invoices.

YPC falls within the Northern & Yorke Natural Resources Management (NRM) Board area and as such Council is required, pursuant to the Natural Resources Management Act 2004, to collect funds on behalf of the NRM to assist in funding the operations of the Board. Council does not retain or determine how the funds are spent.

Rate rebates

Mandatory rebates legislated under the Act requires Council to rebate the rates and other services payable on land used for certain purposes. These include health services, community services, religious purposes, public cemeteries, Royal Zoological Society of SA and for education purposes. Discretionary rebates may also be granted by Council in line with Section 166 of the Act.

Late payments

YPC imposes a 2% fine for rates amounts not received by the due date, with additional interest then charged each month for the amount in arrears.

Council has a very stringent policy and procedure to manage and recover overdue debts – PO048 Management & Recovery of Outstanding Debts Policy. Debt collection practices are applied to all debts (rates and sundry debtors) which have been outstanding for 30 days past the due date for payment. This includes reminder letters, demands for payment and legal action. The policy outlines Council's rights in accordance with Section 184 of the Local Government Act 1999, where Council may sell land for the non-payment of rates.

The Director Corporate & Community Services will report to Council in regard to any rate debtors that have remained unpaid following implementation of recovery action, and are in arrears for three years or more, which YPC did in March 2015.

Objectives & Scope

The objective of this review was to assess the rate revenue and rate rebate functions including:

- Processes for correct calculation of rate invoices;
- Application of rebates and charges;
- Rates generation;
- Receipting of payments;
- Collection of overdue amounts;
- Credit notes, adjustments and managing debts write offs; and
- IT Access to the rating and property master file.

Key Findings

Details of *all* findings and recommendations identified during the review are included in Appendix 1; however one moderate finding is highlighted below:

1. Non-rateable properties

There are a number of properties throughout the Council area that are 'non-rateable', predominately Council owned land. A field is used in Authority to flag non-rateable properties, essentially meaning no rates are raised against that land parcel.

Through discussions with the Senior Rates Officer, it was noted that there is no Authority Audit report available which shows *changes* to the non-rateable flag in Authority.

A Non-Rateable Report is produced as part of the declaration of rates, however this only lists the non-rateable properties at a point in time.

Furthermore, it was noted that there is no detailed review of the non-rateable *Council* properties; Rates Officers will review those properties that are owned by others but not those by Council.

A regular review of the non-rateable report should be undertaken to ensure that the information remains pertinent.

Consequence	Likelihood	Risk Level
Minor	Possible	Moderate

Internal Audit Opinion

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

We would like to take the opportunity to thank Mark Austin and Kerry Hage for their assistance and co-operation during the review.

Amanda Pitt

Business Improvement Officer

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Appendix 1 – Detailed Findings

1.1 Non-rateable properties

There are a number of properties throughout the Council area that are 'non-rateable', predominately Council owned land. A field is used in Authority to flag non-rateable properties, essentially meaning no rates are raised against that land parcel.

Through discussions with the Senior Rates Officer, it was noted that there is no Authority Audit report available which shows *changes* to the non-rateable flag in Authority.

A Non-Rateable Report is produced as part of the declaration of rates, however this only lists the non-rateable properties at a point in time.

Furthermore, it was noted that there is no detailed review of the non-rateable *Council* properties; Rates Officers will review those properties that are owned by others but not those by Council.

Internal Audit performed a sample review of the non-rateable property listing to ensure that all those named as Council properties were in fact council amenities and were not being used for other purposes. There are 1168 assessments on this report, internal audit spot checked 50 assessments and found one that appears to have cropping being performed on the land without an attached lease agreement.

A regular review of the non-rateable report should be undertaken to ensure that the information remains pertinent.

Consequence	Likelihood	Risk Level
Minor	Possible	Moderate

1.2 Recommendations

- It is recommended that the Senior Rates Officer work with IT staff to investigate if a report can be developed or is available through Authority that shows *changes* to the non-rateable flag within a time period and this can be reviewed for appropriateness.
- Furthermore, a process to regularly spot check the current non-rateable properties list should be implemented to ensure that information is accurate and current arrangements are in place for any 'Council' land that is being utilised.

1.3 Management Responses

Management Response and Agreed Action: Prior to next rating year the Rates department will be undertaking a full review of all non-rateable properties to make sure that they remain non-rateable and meet the legislative requirements and the statuses of any land have not changed – i.e. churches not being utilised as churches and being sold off etc.

In addition, Prior to the next Rating Year the Rates department will be undertaking a review of all Rate Rebates to ascertain if they are relevant and will be looking at having all Rebate holders to re-apply for rebates as part of this review process (some rebates were approved historically so it is timely that we make sure they are still relevant and still meet rebate provisions).

Responsibility: Mark Austin, Senior Rates Officer

Due Date: 30 June 2018

2.1 Rates Outstanding Debtors

Council has a very stringent policy and procedure to manage and recover overdue debts – PO048 Management & Recovery of Outstanding Debts Policy. Debt collection practices will be applied to all debts (rates and sundry debtors) over \$50 that are not subject to dispute which have been outstanding for 30 days past the due date for payment. This includes reminder letters, demands for payment and legal action.

The Senior Rates Officer has a rigorous process to review and document overdue rates receivables. A report of all outstanding debtors is provided to the Manager of Financial Services as part of end of month reporting which is used to report to external auditors, however there is currently no report provided to Management to ensure they have visibility of outstanding rate debt, the current status and actions occurring for overdue amounts.

There is a risk that outstanding debts are not recovered or followed up in a timely manner and/or Management are unaware of the current levels of outstanding debts or difficulties encountered in recovering debt.

Consequence	Likelihood	Risk Level
Insignificant	Possible	Low

2.2 Recommendations

It is recommended that the Senior Rates Officer implement a quarterly outstanding debts report to be presented to CMT or Finance Management identifying long outstanding debt and current actions taking place.

2.3 Management Responses

Management Response and Agreed Action: An aged debt strategy is being developed which will include:

- Completing a snapshot of our aged debt at present and Categorising into the following:
 - Longer Term Aged Debt (3 + years) and detailing each debt – what recovery action has been undertaken and the strategies moving forward
 - Middle Term aged debt (1-2 years and either stopped payment arrangements or the payment arrangements are not meeting yearly rate (i.e. the debt increasing each year) –what recovery action has been undertaken and the strategies moving forward
 - Short Term Aged Debt (2 quarters to 1 year in arrears) – same as above and if not payment arrangements in place then looking what is required to make sure they are up to date by the end of the current rating year
- From this the Senior Rates Officer is developing a Debt Recovery Strategy and Operation Plan on how we recover aged debts within reasonable timeframes.

Responsibility: Mark Austin, Senior Rates Officer

Due Date: 31 December 2017

3.1 Rates Adjustments, Journals and Reversals

Through discussions with the Senior Rates Officer it was noted that journals are raised from time to time to make 'adjustments' against debtor accounts (including rates accounts), generally to fix incorrect transactions. Journals are raised and the preparer will document the adjustment using a manual journal form which is signed off by an independent reviewer. A similar process is required for reversals of receipts.

This control relies on the preparer documenting the journal and seeking approval, there is no system generated report that identifies all adjustments made to rate debtor accounts that is then independently reviewed.

In addition, Internal Audit confirmed that a review of rates staff accounts is performed on a regular basis, however there is no review of any other staff accounts, primarily to verify that any adjustment or journals are appropriately applied.

Without a system generated journals report being reviewed there is a risk that adjustments, write offs and/or reversals are applied inappropriately.

Consequence	Likelihood	Risk Level
Insignificant	Possible	Low

3.2 Recommendations

1. In the first instance it is recommended that the Senior Rates Officer work with IT staff to investigate if an 'adjustments' type report can be developed or is available through Authority.
2. Further work will need to be undertaken if a system generated report cannot be implemented; Rates Staff should implement a process to regularly review staff accounts on a sample basis and ensure any transactions appear appropriate.

3.3 Management Responses

Management Response and Agreed Action: We presently do not have reporting controls for Rating Journals. We will be implementing a monthly reporting control for these Journals; the same as we do for Credit Notes for Debtors. Therefore all Journals processed for Rates will be reviewed (whilst noting that current paperwork is checked and authorised by the Senior Rates Officer.

Responsibility: Mark Austin, Senior Rates Officer

Due Date: 31 December 2017

4.1 Finance Manual – Rate Revenue Function

In 2012/13, consulting firm, UHY Haines Norton, assisted YPC in developing a detailed set of Rating Procedures. The procedures are extensive and set out each of the tasks required for the generation of rates each year.

Internal Audit reviewed the Finance Manual – Rate Revenue Function and identified the key controls for audit testing from the procedures, however the procedures have not been reviewed since inception and some rating processes have now changed. In particular, Internal Audit noted the following areas require updating:

- How land valuation information is received from the Land Service Group;
- The checklist and timetable in the procedures document is generic and not specific to each year. There is an opportunity to use a checklist and timeline for each year to allocate responsibility and check off that key activities have occurred throughout the rates modelling process;
- The processing of concessions has changed significantly, Council no longer are required to allocate concessions, instead government agencies pay a set amount to all concession holder;
- The 'non-rateable' properties process is not included in the Rating Procedures document.

Consequence	Likelihood	Risk Level
Insignificant	Possible	Low

4.2 Recommendations

It is recommended the Finance Manual – Rate Revenue Function procedures are reviewed and updated in accordance with current processes.

4.3 Management Responses

Management Response and Agreed Action: We will be reviewing and updating our current procedure manual to make sure it is up to date and takes into account any changes in our processes and changes with the Computer Programs.

Responsibility: Mark Austin, Senior Rates Officer

Due Date: 31 March 2018

Appendix 2 – Responsibility Statement

This report was prepared in accordance with the scope document as agreed to by management and the Executive Summary of this report.

The services provided in connection with this engagement comprise an advisory engagement which is not subject to Australian Auditing Standards or Assurance Engagements and consequently no opinions on conclusions intended to convey assurance will be expressed.

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected.

Further, the internal control structure, within which the control procedures that have been subject to the procedures I performed operate, has not been reviewed in its entirety and, therefore, no opinion or view expressed as to its effectiveness of the greater internal control structure.

The procedures performed were not designed to detect all weaknesses in the control procedures as they are not performed continuously throughout the period and the test performed on the control procedures are on a sample basis.

Any projection of the evaluation of control procedures to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The matters raised in the report are only those which came to the attention of the Internal Auditor during the course of performing procedures and are not necessarily a comprehensive statement of the weaknesses that exist or improvement that might be made. The Internal Auditor cannot, in practice, examine every activity and procedure, nor can they be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on the report to identify all weaknesses that exist in the systems and procedures under examination or potential instances of non-compliance that may exist.

Any reliance placed on internal audit reports and associated working papers, by a third party, are that party's sole responsibility.



Internal Audit Report – Elected Member Expenses August 2017

For Distribution:

Andrew Cameron
Jackie Reddaway

Chief Executive Officer
Executive Assistant to the CEO and Mayor

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Executive Summary

Background

Elected Members are eligible for a number of allowances and provisions to compensate them for undertaking their public office position. This eligibility is determined by several documents, including:

- Council Policy PO089– Elected Member Entitlements, Facilities, Services and Expenses;
- Local Government Act 1999 – Part 5 Allowances and Benefits, Section 76-80;
- The Remuneration Tribunal Determination of Allowances for members of Local Government Council – Determination 7 of 2014;
- Various LGA circulars advising annual percentage adjustments.

Elected Member expenses are administered and approved by the Executive Assistant to the Chief Executive Officer ('CEO') and Mayor, and allowances are approved by the Manager Financial Services before being processed by Accounts Payable.

An audit of Elected Member expenses has been approved in the 2017-2019 Audit Plan and seeks to confirm correct payment of allowances, reimbursements of expenses and accurate and timely recording in the legislated Register.

Objectives & Scope

The objective of the review was to ensure:

- All Elected Member expenses are in accordance with the Remuneration Tribunal determinations;
- Expense reimbursement forms are completed when claiming expenses and correctly authorised;
- The Register – R003 Elected Members Allowances and Benefits ('the Register') is maintained by the Executive Assistant to the CEO / Mayor, is publicly available, the level and nature of expenses reimbursed is recorded appropriately; and
- Claims are in accordance with Policy PO089 – Elected Member Entitlements, Facilities, Services and Expenses.

Key Findings

There were a number of controls tested that indicate a sound process in relation to Elected Member reimbursement, including:

- The Register is maintained by the Executive Assistant to the CEO / Mayor on a quarterly basis;
- All Elected Member annual allowances are in line with the Remuneration Tribunal determinations and subsequent adjustments as advised by the LGA circulars;
- The claims reviewed all had the appropriate SF200 form completed and authorised; and
- All claims reviewed by Internal Audit were determined as valid and accurately paid, however a number of test claims were not within the dollar limits set in Policy PO089 - Elected Member Entitlements, Facilities, Services and Expenses, refer to the finding details below.

Details of *all* findings and recommendations identified during the review are included in Appendix 1.

Internal Audit Opinion

Based on the work and testing performed, Internal Audit is of the opinion that the controls relating to Elected Member expenses are mostly effective but there are areas that could be improved and these are highlighted in Appendix 1: Detailed Findings.

We would like to take the opportunity to thank Jackie Reddaway, Mel Hoyle and Chloe Brown for their assistance and co-operation during the review.

Chelly Litster

Business Improvement Officer

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Appendix 1 – Detailed Findings

1.1 PO089 Elected Member Entitlements, Facilities, Services & Expenses Compliance

Council Policy PO089 was generally complied with, however there were some exceptions relating to overspend on travel limits. Samples were taken from the Corporate Purchase Cards and Expense Reimbursements and tested against the limits approved by Council. A number of transactions were found to be over the spend limit, however all exceptions were approved by the CEO as required by the Policy.

Overspend and not adhering to Policy limits creates the risk of negative community perception.

Consequence	Likelihood	Risk Level
Insignificant	Likely	Low

1.2 Recommendations

It is recommended that PO089 is reviewed annually and updated with spend limits set based on current market conditions.

1.3 Management Responses

Management Response and Agreed Action: Agreed, policy will be reviewed and updated.

Responsibility: Andrew Cameron, Chief Executive Officer

Due Date: 31 December 2017

2.1 Elected Member Allowances and Benefits Register

The Register is well documented and updated, however there are a few minor amendments that need to be made:

1. The time travel allowance is not currently reflected for all eligible Elected Members;
2. Reimbursed expenses need to be added to the Register as per the requirements of the *Local Government Act 1999*; and
3. Allowance adjustments are not recorded on the Register as a reference or filed in the document management system for reference.

There is minimal risk associated with this finding, however the requirements of the *Local Government Act 1999* are fairly specific and to fulfil Council's obligation to this Act, all required data should be recorded on the Register.

Consequence	Likelihood	Risk Level
Insignificant	Possible	Low

2.2 Recommendations

It is recommended that the Register is updated to rectify the issues above. The LGA circulars pertinent to allowance adjustments are saved and/or documented for easy reference and auditing purposes.

2.3 Management Responses

Management Response and Agreed Action: The Executive Assistant CEO / Mayor has worked with the Accountant – Financial Management to reconcile FY17 Elected Member expenses from Authority to the register. Going forward, the Accounts Payable Officer is going to provide a copy of all remittances to be added to the register at the point of payment.

Responsibility: Executive Assistant to CEO / Mayor

Due Date: Completed

3.1 Documentation

Every quarter (or monthly for the Mayor), invoices are created by the Finance Team to issue allowances to Elected Members for that time period. Each invoice copy is retained in the payment batch file, however the invoices are created by overwriting the previous quarter's information.

When adjustments are advised, the Team update the template and that is also overridden. No copy is retained electronically, which would assist with auditing requirements and ensuring amounts are accurately calculated and recorded. The Remuneration Tribunal Determination plus all the annual adjustment LGA Circulars could also be kept in this folder to localize the information.

Consequence	Likelihood	Risk Level
Insignificant	Possible	Low

3.2 Recommendations

It is recommended that a new container be created in Council's RM8 document management system specifically related to Elected Member expenses and all invoicing and allowance documentation is retained in that container.

3.3 Management Responses

Management Response and Agreed Action: Agreed, an RM8 container will be set up to retain all documentation relating to Elected Member expenses, allowances and reimbursements.

Responsibility: Executive Assistant to the CEO / Mayor

Due Date: Completed

4.1 Travel and Expense Consistency

It was noted in one instance that kilometres claimed between a principal residence and the Minlaton Council Chambers varied often with up to eight (8) kilometres difference. Checks on other member claims, reflected a standard kilometre distance claimed between the principal residence and Council locations as should be the norm.

It was noted that a phone allowance was in place to one member. This was granted on a historical policy and was appropriate at that time, however current policy does not allow for this and should therefore be revoked.

Consequence	Likelihood	Risk Level
Insignificant	Possible	Low

3.3 Recommendations

It is recommended that the most direct route between all principal residences and the meeting location be determined and then that distance used as the standard claim for meetings at each Council location or regular meeting point. Furthermore, Internal Audit noted that the phone allowance was revoked immediately once identified.

3.3 Management Responses

Management Response and Agreed Action: Agreed and completed

Responsibility: Executive Assistant to the CEO / Mayor

Due Date: Completed

Appendix 2 – Responsibility Statement

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

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



Implementation of Agreed Actions

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

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

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

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

1. Internal Audit Activities

Policy Compliance Audit – July 2016

Undertaken by Minter Ellison (External Legal Firm)

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. PO139 Risk Level Low	Update Treasury Management Policy accordingly.	Manager Financial Services	01/02/17	30/06/17	Completed	An update to the Treasury Management Policy was presented to Audit Committee in September and approved by Council in October.

Equipment Testing and Compliance Cost Review – July 2017

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. In House Resource Comparison Risk Level Low	Corporate Management Team (CMT) consider the benefits and implications of employing an in-house resource to undertake specific inspection and equipment testing activity within Council.	Chief Executive Officer	31/12/17		In progress	This action has been entered onto the CMT agenda for October 2017 and direction will be discussed.
2. Internal Inspection Checklists Risk Level Low	All internal inspection checklists are reviewed and updated, in accordance with relevant legislation or regulations (where required). Staff undertaking inspections are notified and trained in any changes to the inspections and inspection checklists.	Operations Manager	31/01/18			

Rates Revenue Review – September 2017

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. Rates Adjustments, Journals and Reversals Risk Level Moderate	In the first instance it is recommended that the Senior Rates Officer work with IT staff to investigate if an 'adjustments' type report can be developed or is available through Authority. Further work will need to be undertaken if a system generated report cannot be implemented; Rates Staff should implement a process to regularly review staff accounts on a sample basis and ensure any transactions appear appropriate.	Senior Rates Officer	31/01/18			
2. Rates Outstanding Debtors Risk Level Moderate	It is recommended that the Senior Rates Officer implement a quarterly outstanding debts report to be presented to CMT or Finance Management identifying long outstanding debt and current actions taking place.	Senior Rates Officer	31/12/17			
3. Non-rateable properties Risk Level Moderate	It is recommended that the Senior Rates Officer work with IT staff to investigate if a report can be developed or is available through Authority that shows changes to the non-rateable flag within a time period and this can be reviewed for appropriateness. Furthermore, a process to regularly spot check the current non-rateable properties list should be implemented to ensure that information is accurate and current arrangements are in place for any 'Council' land that is being utilised.	Senior Rates Officer	30/06/18			
4. Finance Manual – Rate Revenue Function Risk Level Low	It is recommended the Finance Manual – Rate Revenue Function procedures are reviewed and updated in accordance with current processes.	Senior Rates Officer	31/12/17			

Elected Members Expenses Review – August 2017

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. PO089 Compliance Risk Level Moderate	It is recommended that PO089 is reviewed annually and updated with spend limits set based on current market conditions.	Chief Executive Officer	31/12/17		In Progress	Policy is currently being reviewed and comparison to model policy from LGA. Updated policy will go to November 2017 Council meeting for endorsement.
2. Elected Member Allowances and Benefits Register Risk Level Low	It is recommended that the Register is updated to rectify the issues above. The LGA circulars pertinent to allowance adjustments are saved and/or documented for easy reference and auditing purposes.	Executive Assistant to CEO / Mayor	31/12/17		Completed	Register has been updated accordingly and published on website.
3. Documentation Risk Level Low	It is recommended that a new container be created in Council's RM8 document management system specifically related to Elected Member expenses and all invoicing and allowance documentation is retained in that container.	Executive Assistant to CEO / Mayor	31/12/17		Completed	Action completed immediately once identified.
4. Travel and Expense Consistency Risk Level Low	It is recommended that the most direct route between all principal residences and the meeting location be determined and then that distance used as the standard claim for meetings at each Council location or regular meeting point. Furthermore, Internal Audit noted that the phone allowance was revoked immediately once identified.	Executive Assistant to CEO / Mayor	31/12/17		Completed	Action completed immediately once identified.

External Audit – 2015/2016 Findings

Finding Name	Agreed Action	Responsible Officer	Due Date	Revised Due Date	Status	Comments
1. System Access Review Risk Level High	Review staff system access levels, including network folders and files, to ensure that staff do not have inappropriate access to information.	Manager Financial Services	31/01/16	30/12/17	Completed	IT has rolled out a role based security module in Authority to the business in September 2017. User access was completely reviewed and updated.
2. General Ledger Maintenance Risk Level Moderate	Procedures to be developed that document maintenance processes for GL accounts. Use exception reports to identify and review changes made to GL.	Accountant, Financial Management	31/01/17	31/10/17	Not Started	Due to Finance workload, this will not be completed until 2 nd quarter of FY18.

CONFIDENTIAL AGENDA**9 CONFIDENTIAL ITEMS****9.1 PROVISION OF EXTERNAL AUDIT SERVICES - TENDER 173-2017****RECOMMENDATION****Section 90 (3) (k) Order**

1. That pursuant to Section 90(2) & (3) of the Local Government Act 1999, the Audit Committee orders, that the public be excluded from the meeting with the exception of the Mayor, Chief Executive Officer, Director Corporate and Community Services, Executive Assistant to the Director Corporate and Community Services and Manager Financial Services.

The Audit Committee is satisfied that, pursuant to Section 90 (3) (k) of the Act, the information to be received, discussed or considered in relation to report 9.1 Provision of External Audit Services Tender 173-2017 is confidential information relating to:

(k) tenders for the supply of goods, the provision of services or the carrying out of works.

Accordingly, the Council is satisfied that the principle which states the meeting be conducted in a place open to the public has been outweighed in the circumstances.

Section 91 (7) Order

That having considered report 9.1 Provision of External Audit Services - Tender 173-2017, in confidence under Section 90 (2) and (3) (k) of the Local Government Act 1999, the Audit Committee, pursuant to section 91 (7) of that Act orders that the agenda report, and supporting documentation relevant to report 9.1 Provision of External Audit Services – Tender 173-2017 be retained in confidence for a period of 12 months.

10 GENERAL BUSINESS

11 NEXT MEETING

Wednesday 13 December 2017

12 CLOSURE