AGENDA

FOR THE

AUDIT COMMITTEE

TO BE HELD ON

THURSDAY 14 MAY 2020

COMMENCING AT 5:00PM

Due to the current restrictions on public gatherings as a result of COVID19 the public will not be able to attend the meeting of the Audit Committee at the Council Chambers. The public are invited to observe the non-confidential agenda items electronically via the online meeting provider, Zoom. Access to the meeting can be obtained through the following web address (14 May 2020 Audit Committee Meeting). If you have any problems accessing the meeting, please contact the Council Office on (08) 8372 8811.

The public can access this Committee Agenda on the City of Mitcham website at: www.mitchamcouncil.sa.gov.au?u=1947
Notice to Secure Compliance with
South Australian Public Health Act 2011
Issued pursuant to Section 92 South Australian Public Health Act 2011

TO: City of Mitcham (‘the Council’)

ATTENTION: Matthew Pears

Please be advised, the following order made on 23 March 2020, pursuant to Section 92 of the South Australian Public Health Act 2011 REQUIRES Council, to take the following action to secure compliance with the obligations under Section 56 of the Act and to avert, eliminate or minimise a risk, or a perceived risk to public health:

1. Not permit or allow any member of the public to enter the public gallery in the Council Chamber on the premises or remain in the premises for the Committee meeting scheduled for 5:00pm on Thursday 14 May 2020.

2. Direct all non-essential employees and contractors of the Council not to attend the Committee meeting scheduled for 5:00pm on Thursday 14 May 2020.

3. Take reasonable steps to ensure that all employees, Elected Members and contractors on the premises for the duration of the Committee meeting scheduled for 5:00pm on Thursday 14 May 2020 comply with the latest Information for Employers and Social Distance Guidance issued by the Australian Government Department of Health available online at: https://www.health.gov.au/resources/collections/novel-coronavirus-2019-ncov-resources

And Council is required to comply with requirements 1 – 3 for the duration of the Committee meeting scheduled for 5:00pm on Thursday 14 May 2020.
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WADE REYNOLDS
GENERAL MANAGER CORPORATE SERVICES AND INNOVATION
AGENDA FOR A MEETING OF THE AUDIT COMMITTEE TO BE HELD IN THE VIRTUAL MEETING ROOM OF THE COUNCIL CHAMBERS, 131 BELAIR ROAD, TORRENS PARK ON THURSDAY 14 MAY 2020 AT 5:00PM.

MEMBERSHIP:  Mr Tim Muhlhausler (Chair), Ms Paula Davies, Mr Todd Davies, Cr Darren Kruse and Cr John Sanderson (Proxy)

PRESENT:

APOLOGIES:

LEAVE OF ABSENCE:

ABSENT:

STAFF IN ATTENDANCE:

WELCOME

BUSINESS

1. MEMBERS’ DECLARATIONS OF INTERESTS

The Presiding Member will ask if any Committee Member wishes to disclose an interest in relation to any item being considered at the meeting.

2. CONFIRMATION OF MINUTES

2.1 AUDIT COMMITTEE MEETING - 13 FEBRUARY 2020

RECOMMENDED that the Minutes of the Audit Committee Meeting held on 13 February 2020 be confirmed.
3. PRESENTATIONS

3.1 BROWN HILL KESWICK CREEK STORMWATER BOARD
Attending: Peta Mantzarapis, Project Director, Brown Hill Keswick Creek Stormwater Board

PURPOSE

To provide the Audit Committee with an overview of the subsidiary; governance arrangements, risk profile and actions being taken to mitigate risk to Council.
3.2 AUDIT PROGRAM - DEAN NEWBERY AND PARTNERS COVID-19
RESPONSE
Attending: Samantha Creten, Partner, Dean Newbery and Partners

PURPOSE

To provide the Audit Committee with an update of the impact that the COVID-19 pandemic has had on the City of Mitcham's audit program.
3.3 2020/21 DRAFT ANNUAL BUSINESS PLAN AND BUDGET UPDATE
Attending: Luke Harris, Manager Finance and Procurement, City of Mitcham

PURPOSE

To provide the Audit Committee with a brief overview on the 2020/21 Draft Annual Business Plan and Budget community consultation process.
4. CONFIDENTIAL ITEMS

Nil

5. DECISION REPORTS

Nil
6. INFORMATION ONLY REPORTS

6.1 BUSINESS CONTINUITY PLANNING AND COVID19

Report Author/Manager: Lynda Macphail & Kate O’Neill
General Manager: Kate O’Neill
(Meeting Date: 14 May 2020)
(Location: Council Wide)
(Consultant Used: $Nil)

PROPOSAL

To provide information to Audit Committee Members on Council’s Business Continuity Plan and the City of Mitcham’s response to COVID-19 to date.

BACKGROUND

Following the cyber breach that occurred late 2019, the Audit Committee requested an update on Council’s Business Continuity Plan be provided at the May 2020 Audit Committee.

Following this, on 15 March 2020, the Chief Executive of the Department for Health and Wellbeing in the State of South Australia, pursuant to section 87 of the South Australian Public Health Act 2011, declared that an emergency which threatens to cause the death of, or injury or other damage to the health of any person is occurring or about to occur in relation to the transmission of COVID-19, and declared the emergency to be a public health emergency.

On 22 March 2020, the State Co-ordinator for the State of South Australia declared, pursuant to section 23 of the Emergency Management Act 2004, that a major emergency is occurring in respect of the outbreak of the Human Disease named COVID-19 within South Australia.

This emergency declaration has provided Council with the ability to test and review the Business Continuity Plan in a real scenario and dynamically adjust as required.

During the COVID-19 public health emergency, the City of Mitcham has responded with a focus on community and staff safety, preservation of employment and continuation of service delivery to the community.

Attachments:

Nil

STRATEGIC OBJECTIVES

Goal 1 - Accessible, Healthy & Connected Community

Theme 1.2 Heath & Wellbeing: We build capacity for people to be active, healthy and connected, and provide inclusive and safe environments for all.

Goal 4 - Excellence in Leadership
Theme 4.2 Organisational Improvement: We are efficient and effective with a culture of positive change and innovation to deliver sustainable outcomes and value-for-money services that meet community needs.

DISCUSSION

Business Continuity Plan

The City of Mitcham’s Business Continuity Plan (BCP) was developed in October 2014 and has been on a regular maintenance program with Local Government Risk Service (LGRS) for a number of years.

A review of the BCP was flagged in early 2019, with consultation undertaken internally in relation to scope of the project and officers to be involved.

The review of the BCP was put on hold pending the finalisation of Stage 2 of the Council Ready Program.

Following the storm events in 2016 and feedback from the Local Government sector, the Local Government Association with funding from the Natural Disaster Resilience Program has developed the Council Ready Program.

In 2018, the City of Mitcham participated in Stage 1, with the rest of SA Local Government via a workshop and survey assessing our Emergency Management capability.

The results of Stage 1 informed the development of Stage 2, which enables councils to work with the Local Government Association Council Ready program to develop tools and templates (from the list below), to help address gaps identified during Stage 1:

- Local Government Emergency Management Framework
- Emergency Management Planning Guide for SA Councils
- Council Emergency Management Policy
- Council Emergency Management Plan
- Incident Operations Arrangements (Emergency Management Arrangements)
- Recovery Arrangements

The City of Mitcham has now progressed the development of an Emergency Management Policy, which was endorsed by Council on 25 February 2020 and is currently finalising the Emergency Management Arrangements.

Once the Emergency Management Arrangements have been finalised, the BCP project will be reinitiated – this is to ensure the plans talk to each other and that there is no duplication or conflicts between the documents.

Once the project is reinitiated, a further report will be brought to the Audit Committee providing an update on process and timeline.

Prior to the declaration of the Public Health Emergency, the Organisational Risk Officer commenced a process of conducting risk assessments and revisiting BCP plans with operational areas to ensure they were appropriate and up to date.
In addition, in the week commencing 30 March 2020 the Leadership Team were taken offline to undertake service and resource planning to support the BCP and ensure that essential services continue to be delivered to the community in these uncertain times.

The information learned from the Public Health Emergency will help inform the review of the BCP following the finalisation of the Emergency Management Arrangements.

Response to COVID-19

The City of Mitcham took a proactive and early response to ensure the safety of the community, staff and preservation of jobs (both within Council and the City of Mitcham community) in the rapidly developing / changing COVID-19 environment.

Early on a Health, Safety and Wellbeing Working Group was established to monitor announcements from the Department of Health / Prime Minster and implement strategies and communication to protect the health and safety of workers. These included:

- Staff communications in relation to overseas travel and the requirements to self-isolate
- Communication and awareness of appropriate hand and cough / sneeze hygiene
- Provision of hand sanitiser

Following the announcement of restrictions in relation to mass gatherings (500 people at the time) and social distancing protocols on Friday 13 March 2020, Administration undertook a risk assessment of services and work arrangements and implemented a number of strategies, including:

- Alternative service delivery models for non-essential services were implemented
- Increased provision of protective personal equipment including hand sanitiser, ISO wipes, gloves, etc
- Staff that had the technology and could complete meaningful work were provided with the opportunity to work from home immediately
- Data in relation to the technology capability and ability to work remotely, health and caring status of staff was compiled to inform the deployment of the indoor workforce to work from home or remotely.
- Strategies were put in place to isolate key positions and separate teams to dedicated sites to decrease the risk and degree of an infection impacting on service delivery.
- Introduction of virtual meetings.

Following the increase directives in relation to 4m² per person, additional controls were put in place, including:

- Assessing meeting room capacity and limiting the number of people per room.
By Friday 27 March 2020 197 of the indoor workforce, who were able to work remotely were set up to work from home and commenced on Monday 30 March 2020. As part of this work, new technology and training was put in place to mitigate the increased cyber risk in the remote working environment.

The Leadership Team also met remotely and progressed scenario service planning, the identification of projects that Council be progressed by staff whose substantive roles and level of meaningful work was impacted by COVID-19 and changes to service delivery.

**RATES HARDSHIP POLICY**

On 14 April 2020 Council endorsed the following:

**DECISION 1 – DEFERRAL OF RATES FOR COVID-19 AFFECTED RATEPAYERS**

That Council allows rate payers experiencing financial hardship as a result of the COVID-19 pandemic to, on application, defer outstanding rates and charges until 15 December 2020.

a. That Council allows eligible rate payers experiencing financial hardship as a result of the COVID-19 pandemic to, on application, defer outstanding rates and charges per property until 15 December 2020.

b. That eligible ratepayers are considered to be:
   - Commercial ratepayers (direct or indirect) who have been required to close.
   - Commercial ratepayers (direct or indirect) that are eligible for the “JobKeeper” payment.
   - Non-Commercial ratepayers (direct or indirect) who are eligible for either the “JobSeeker” or “JobKeeper” payment.
   - Any other ratepayer (direct or indirect) that satisfies administration that they are experiencing financial hardship as a result of the COVID-19 situation, via a reduction in income of 15% or greater.

**DECISION 2 – WAIVING INSPECTION FEES FOR COVID-19 AFFECTED BUSINESSES**

The Council waive inspection fees and charges associated with food businesses until 31 October 2020.

**DECISION 3 – 2020/21 RATE FREEZE FOR COVID-19 AFFECTED RATEPAYERS**

a. That Council endorse in principle, the inclusion of a rates rebate scheme for eligible rate payers, for the 2020/21 Draft Financial Business Plan, such that those rates have a 10 percent reduction from the standard rate level set for 2020/21.

b. That eligible ratepayers are considered to be:
   - Commercial ratepayers (direct or indirect) who have been required to close
   - Commercial ratepayers (direct or indirect) that are eligible for the “JobKeeper” payment
Non-Commercial ratepayers (direct or indirect) who are eligible for either the “JobSeeker” or “JobKeeper” payment

Any other ratepayer (direct or indirect) that satisfies administration that they are experiencing financial hardship as a result of the COVID-19 situation, via a reduction in income of 15% or greater.

On 5 May 2020 Council endorsed the following business and community support package as a further part of its COVID-19 response:

- A 100% waiver/credit of Qtr4 rates for all commercial and other ratepayers that have been forced to close and stop trading as a result of Federal or State Government directive
- A 100% waiver/credit of the proportionate Qtr4 rates for all commercial and other ratepayers on behalf of any tenant who has been forced to close and stop trading as a result of Federal or State Government directive, on the condition that the benefit is directly passed on to the affected tenant.
- A 50% waiver/credit of Qtr4 rates as well as the ability to defer payment of the remaining 50% to December 2020 for all commercial and other ratepayers that are eligible for the “JobKeeper” payment, but otherwise do not qualify for the 100% waiver above
- A 50% waiver/credit of the proportionate Qtr4 rates as well as the ability to defer payment of the remaining 50% to December 2020 for all commercial and other ratepayers on behalf of any tenant that is eligible for the “JobKeeper” payment, but otherwise do not qualify for the 100% waiver above, on the condition that the benefit is directly passed on to the tenant.

STIMULUS

On 14 April 2020 Council endorsed the following:

DECISION 1
(1) That Council endorse bringing forward the projects listed at Attachment A, Table 1 (with the removal of the waste trucks), from future years of Council’s Long Term Financial Plan to the 2019/20 budget to enable these projects to start immediately and stimulate the local economy.

(2) That these changes be reflected in Budget Review 3.

DECISION 2
(1) That Council endorse the letter to the Premier and the Prime Minister outlining potential projects and works within the City of Mitcham (Attachment A) to stimulate the economy, and create jobs in response to the COVID-19 pandemic.

(2) That Council gives the CEO discretion to amend the letter as required.
DECISION 3 – ENDORSEMENT OF DOMESTIC WASTE TRUCKS RENEWAL

(1) That Council endorses bringing forward funds currently allocated within 2020/21 of its Long Term Financial Year into 2019/20 to allow for the immediate commencement of the procurement process associated with four (4) of Council’s Domestic Waste Collection Vehicles during the 2019/20 financial year.

(2) That the 2019/20 budget adjustments be reflected in Council’s 2019/20 Third Budget Reconsideration, ie Budget Review 3.

COUNCIL SERVICES

The following section provides an overview of what services have been impacted and alternative service provision models that have been put in place.

Essential Services – Business as Usual

The following services have been deemed essential services and will continue to be provided to the community:
- Accounts Payable / Receivable
- Building Inspections
- Bushfire Mitigation
- Call Centre (see Civic Centre below)
- Communications
- Development Assessment
- Environmental Heath (see Environmental Health – Approach to Social Gathering Monitoring below)
- Emergency Response
- Immunisation
- Network and Connectivity
- Payroll
- Personal Transport (see Community Wellbeing Services below)
- Public Toilets
- Street Sweeping
- Tree Management
- Waste
- Workshop

As essential services, these services will continue to be provided to the community with strategies put in place to mitigate risk and ensure ongoing service provision is maintained with minimal disruption.

Centennial Park Cemetery Authority

Mitcham has met (virtually) with the Chairperson and Chief Executive Officer (CEO) of Centennial Park Cemetery Authority (CPCA) and the Mayor and CEO of the City of Unley to review their response to the COVID-19 emergency.
CPCA has developed a plan under four headings:
1 Health and Wellbeing (customers, staff and visitors)
2 Operational Capacity
3 Financial management
4 Leadership

This has included planning for a range for scenarios.

CPCA is as well positioned and prepared as is possible in the circumstances.

**CC Hood Dog Park**

The CC Hood Dog Park continues to remain open at this time, with users encouraged to observe appropriate hand hygiene and observe social distancing protocols.

**City Operations – Alternative Service Delivery**

In light of the COVID-19 pandemic rapid escalation during March 2020, City Operations reviewed operational processes and protocols and established a number of new operating protocols to maintain delivery of Council Outdoor Services safely in line with, and exceeding where feasible, current COVID-19 restrictions and guidelines. The new protocols enable service delivery safely for both staff and the community, provides continuity plans and contingency for key service areas should these be directly impacted by COVID-19 in future. Some of the key measures implemented include the following:

- Core functions and operational service areas have been identified and detailed business continuity plans reviewed and updated.
- Key role separation – contingency in place for Management and Leadership of the Waste and Response, Operations Support and tree assessment functions.
- Staggered shifts commenced for Council’s Outdoor Workforce to reduce staffing numbers and intensity present at Council’s Melrose Park Depot.
- Sanitisation stations implemented at all Melrose Park Depot entrances.
- Sanitiser made available for Council vehicles and wipe down procedures implemented.
- Revised workforce vehicle management – moved from centralised (Store) management to decentralised model (Team Leaders) to control and maintain consistent vehicle allocations.
- Social Distancing and Personal Hygiene messaging communicated to staff and regularly reinforced (signage on display at sites for each crew).
- One operative per vehicle implemented (exception being community buses which have temporarily been repurposed to transport operatives to site).
- Government ‘indoors gathering’ space requirements have been identified and capacities placed on all depot meeting rooms.
- Depot lunchroom reconfigured to prevent staff gathering.
As a result of the above, currently all City Operations (Outdoor Workforce) functions are continuing, the only exception being Council’s Lynton Green Organics Drop-off Facility as detailed separately. Specific functions will continue to be reviewed in light of changing circumstances. Recognising that the COVID-19 situation changes daily, and restrictions imposed by the Government can alter day by day, we continue to monitor the situation and as things change respond and act accordingly to manage outdoor operations.

Additionally, signage has been erected throughout the City of Mitcham advising on playground, outdoor gym equipment, water fountains and barbeques. The signage advises of COVID-19 precautions and informs that the various apparatus and equipment is not sanitised and is out of use. Council water fountains and barbeques are all being temporarily switched off as a matter of priority.

Civic Centre – Alternative Service Provision

The business and transitions of the Civic Centre including, Customer Service and the Call Centre are continuing to be provided. Customers in the first instance are being encouraged to transact with us online, over the phone or via email.

Where these options do not meet the needs of the customer, they are invited to make an appointment to carry out their transaction on a case by case basis.

Bio bags and the Messenger Newspaper have been placed at the door of the Civic Centre for customers to collect.
Deliveries and the like will be received via the staff door by the kitchen, customers will be brought through the main Civic Centre doors.

Signs have been placed on the Civic Centre doors inviting customers to call a dedicated mobile number to speak to a member of the Customer Service Team to provide assistance.

**Environmental Health – Approach to Social Gathering Monitoring**

Staff will not be approaching groups of people or undertaking dispersing of gatherings, this will be left to the South Australia Police (SAPOL). Our approach is in situations where we can inform and direct one person responsible for a café, or gathering, where it is a gathering in a reserve or the like – SAPOL will be advised to address.

**Community Centres – Alternative Service Provision**

The decision was made to temporarily suspend the hire of our community facilities (including the Local History Service and Community Shed) as at 9am on Thursday 19 March until Thursday 30 April 2020, with all hirers holding bookings during this period being notified of this decision and invited to contact Administration if the user was aggrieved with this decision, for it to be reconsidered on a case by case basis.

These facilities are heavily used and enjoyed by a vast cross section of the community, including members of the public that are in the high-risk category of contracting the virus, with over 500 people visiting and using the centres on a daily basis. Administration was also not able to absolutely guarantee that appropriate hygiene standards have been met by all users of the facility.

This decision was also within the ambit of the Conditions of Hire which provide for the cancellation of bookings where a situation is considered to be of an emergency nature or there is a risk of a lack of safety or in exceptional circumstances.

On Sunday 22 March 2020 as part of the ‘Phase 1’ announcement by the Prime Minister, which was confirmed in the SA Police Commissioner's Directives, these facilities are now closed to the public until further notice.

To help support our regular hirers (small businesses, community groups and service providers), the Mitcham Community Centres Facebook page is now being used as virtual community centre, enabling Administration to support these groups, by sharing and promoting services and programs that they have made available online for the community to access. For example, Turning Point Yoga had been hiring the Cumberland Park Community Centre offering classes on Thursday and Saturday for a number of years, but as a result of COVID-19 is now offering classes online from her home. Administration will continue to work with our regular hirers to see how we can best help them adapt their programs and services, for our community to access.
Administration is also working with our community centre volunteers and participants of Council programs that were once enjoyed from our centres. In an endeavour to continue to provide a platform for these groups to share areas of interest, Administration is developing alternative methods (projects delivered to the door, video sharing, virtual meetings, etc) enabling participants to remain socially connected with each other.

Community Shed
Administration has been checking in with volunteers and shed members since this time and are currently developing alternative methods to keep members socially connected and continue to work on woodworking projects in their own homes.

Local History Service
Staff at the LHS continue to provide customer service via telephone and email. Staff are also continuing to work on the development of a web-based history database to make collection accessible online and are updating and making available a greater number of history resources online.

School Holiday Program – Breaking the Boredom
The Breaking the Boredom campaign will run from Thursday 9 to Sunday 26 April 2020, involving a fun and easily accessible activities for kids of all ages that can be completed at home.

Participants will be encouraged to take on a different daily activity / challenge, including Easter themed craft activities, dance challenges, backyard challenges, nature activities, baking, photography etc. Participants will then be encouraged to send in a picture / video of their completed work (email or via Facebook) by 9am the next morning for their chance to win one of a number of art and craft vouchers for different age groups.

The Mitcham’s Community Centres Facebook page and City of Mitcham’s website to promote the Breaking the Boredom School Holiday program.

Citizenship Ceremonies
COVID-19 has impacted upon the delivery of the ceremonies due to the mass gathering and social distancing requirements the March Citizenship Ceremony was cancelled. Following this, one in-person emergency Citizenship Ceremony has been held by the Mayor for five conferees, with hand hygiene and social distancing protocols observed.

Staff have been working with the Department of Home Affairs to investigate alternative delivery methods for conferees to receive their Australian Citizenship, with the acting Minister for Immigration, Citizenship, Migrant Services and Multicultural Affairs now issued a statement confirming that citizenship ceremonies will be held online during the COVID-19 pandemic.

Community Grants
The March Community Grant closed on 31 March 2020. At the conclusion of this Round, 4 applications for Community Development Grants with a total value of over $28,000 was received as well as seven applications for Special Community Events / Special Projects Grants with a total value of over $56,000.
A report was brought to the 28 April 2020 Full Council Meeting seeking temporary amendments to the Grants Committee Delegations via the Terms of Reference and the Grants Policy Accountability Section to provide increased flexibility for the Committee to award grants to stimulate the economy and support the community as well as amend the Grants Policy – Accountability section to extend the expenditure and acquittal timeframe to 12 months after the conclusion of the Public Health Emergency.

The Grants Committee meeting is scheduled to meet on Wednesday 6 May 2020, which will be held electronically.

**Children / Youth Activities**
Administration is working with service providers to transfer their workshops to an online platform for the community to access from home, for example learn to skateboard, BMX skills, bike maintenance, music lessons, art and craft, performing arts workshops.

**Community Wellbeing Services – Alternative Service Delivery**

**Personal Transport (Essential Services) – Continuing as Normal**

Personal Transport services continue but have been modified for safety and compliance with new distancing measures. The service is now conducted by staff in Council’s Community Wellbeing People Mover, with one resident transported at a time, with additional hygiene and safety measures in place to protect staff and residents. Priority is given to medical appointments, shopping, bank visits and other essential appointments.

**Community Bus – Alternative Service Provision**

The decision was made to suspend the Community Bus service and transition users to alternative service provision from 9am Tuesday 17 March 2020. Each resident was contacted by phone to conduct a personal risk assessment determining their level of natural supports, vulnerability, and options for alternate assistance. Priority has been given to those with little or no alternative support to access the Personal Transport service.

Staff are assisting residents by phone to register with the Woolworths Priority Vulnerable Online shopping and delivery option and are referring residents to other service providers, such as chemists who will deliver, Meals on Wheels, Foodbank, My Aged Care for social work support, or the Australian Red Cross.

Staff are making regular welfare calls to the residents on a weekly basis to monitor client wellbeing and personal situation and to determine alternate actions as required.

Users of the library bus runs have been contacted by Library Home Delivery service and have temporarily transferred to this service.

Bus volunteers, also residents over the age of 65 who are now increasingly vulnerable to isolation are being contacted regularly by staff by phone to monitor wellbeing and maintain connection and commitment to the program.
Social Programs – Alternative Service Provision
The decision was made to suspend the Community Wellbeing Social Participation Group activities held on buses and in community centres from 9am Tuesday 17 March 2020.

Staff are making friendly welfare calls to the residents on a weekly basis on the day that their service would have occurred to monitor their wellbeing and personal situation and determine alternate actions as required.

Group activity is being replaced with alternatives to keep clients engaged and connected during isolation, for example:

- Members of the disability friendship and skills group and members of the colouring group were posted Easter craft and colouring packs with a letter from staff and volunteers.
- Birthday cards are being written and posted to social volunteers and group members.
- A new Blackwood knitting group that was scheduled to begin in April on Mondays will commence anyway with staff delivering wool and patterns to clients’ homes for joint projects, connecting with other knitting groups across Mitcham.
- Group members who attended community centres to do puzzles each week are being delivered a new puzzle to do during this period of isolation.
- Quizzes, word finds, and other activities are being developed and posted to group members according to their interests.

Additional CHSP funding of $9,300 has been secured to modify the current provision of meals that previously occurred at the Community Wellbeing Lunch Group. A new model of service delivery is being developed, utilising the local caterer who currently works with Community Wellbeing and has knowledge of the age group, their tastes and health needs. Four nutritious takeaway meals will be delivered to each group member monthly. The meals will be delivered by staff and volunteers, with the addition of activities, notes, cards or other items to create a ‘care package’ for lunch group members. Those members identified as requiring more regular meal support will be referred to Meals on Wheels or other meal services.

Home Assist – Service Continuing as Normal
Domestic Assistance, Home Maintenance and Home Modifications continue to be provided to residents via the City of Mitcham’s outsource partner, Southern Cross Care with increased hygiene and safety protocols for the safety of staff and residents.

Aged and Disability Information, Referral and Advocacy – Service Continuing as Normal
Community Wellbeing staff are providing an increasing amount of advice, referral and support to residents over 65 or under 65 living with disability and their family, friends and carers.
Council Assessment Panel – Alternative Service Delivery

The Council Assessment Panel Meeting and Special Council Assessment Panel Meetings were closed to the public on public health grounds. Members of the Panel and Representors were asked screening questions before entering the building, with physical distancing measures and hand sanitisers available for their use whilst in the building. The Special Council Assessment Panel Meeting endorsed updated meeting procedures to allow the Panel to meet electronically in the future during the declared public health emergency.

Council Meetings and Designated Informal Gatherings – Alternative Service Delivery

On 24 March 2020, the Local Government (Public Health Emergency) Amendment Act 2020 (SA) which contained provisions (s 302B) to be inserted into the existing Local Government Act 1999 (the Act) progressed through the House of Assembly and the Legislative Council, receiving assent by the Governor on 26 March 2020. Its purpose is to allow the Minister to vary or suspend various provisions (as reasonably necessary) of the Act as a result of the declared public emergency.

On 31 March 2020, Stephan Knoll, Minister for Transport, Infrastructure and Local Government (the Minister), declared that meeting procedures be varied to allow Elected Members to participate in Full Council Meetings through electronic means and suspended the requirements of Full Council Meetings open to the public to address public health concerns during the declared COVID-19 public health emergency.

On 14 April 2020 Council endorsed amendments to the Codes of Practice: Meeting Procedures and Access to Meetings and Documents, as well as the Informal Gatherings Policy to enable Council Meetings and Designated Informal Gatherings to be held electronically during the Public Health Emergency.

Library Service

The decision was made to temporarily suspend Library events, programs and room hire as at 9am Tuesday 17 March 2020 until the end of March 2020. This decision was made as Administration was not able to guarantee the mass gatherings and social distancing rules that applied at that time and to attempt to reduce the visitation to Library, particularly by at risk groups.

A further decision was made that public access to the Library branches would not be permitted as of 9am on Thursday 19 March until Thursday 30 April 2020.

These facilities are heavily used and enjoyed by a vast cross section of the community, including members of the public that are in the high-risk category of contracting the virus, with between 500 to 1000 visitations per day. Administration was also not able to absolutely guarantee that appropriate hygiene standards have been met by all users of the facility.

On Sunday 22 March 2020, as part of the ‘Phase 1’ announcement by the Prime Minister, which was confirmed in the SA Police Commissioner's Directives, these facilities are now closed to the public until further notice.
In the meantime, to continue to support the community, the following alternative service provision models have been put in place:

**Click, Call and Collect**
Customers place holds on library items either online or by phone and collect them from the libraries during usual daytime opening hours.

**Expanded Home Delivery**
Service extended to include community bus customers and other community members who are self-isolating.

**Online Storytime**
Delivered by library staff via Facebook. Opportunities to further the library service provision online continue to be investigated.

**Lynton Green Organics Drop-Off Facility**
An assessment was undertaken in the lead up to Council’s Lynton Green Organics Drop-off Day 21 March 2020. Given the situation at that stage it was decided appropriate that the Lynton Green Organics Drop-Off still be open for Saturday 21 March 2020, albeit some additional protocols and arrangements were put in place, generally as follows:

- Given the typical low numbers converted 21 March 2020 to a ‘free day’ to avoid staff having to manage payment transactions, either cash or contactless.
- Information signs placed on approach to the facility hut advising on COVID-19 and identifying risk factors advising users not to continue if they apply.
- Additional staff briefing undertaken on 20 March 2020 to run through the revised procedures and reinforce social distancing when operating the facility.

A further review was undertaken in the lead up to Council’s Lynton Green Organics Drop-off Day 4 April 2020. Given the rapid escalation of the COVID-19 situation since 21 March 2020 particularly the Federal and State and health advice, and taking into account the Commissioner of Police Directives, in the interests of the wellbeing and safety of our staff and our community the decision was made to close Council’s Lynton Green Organics Drop-off Facility on the scheduled days of 4 and 18 April 2020.

Further scheduled Lynton Green Organic Drop-off Days, will be reviewed as the situation develops.

**Playgrounds, Skateparks and Outdoor Gyms**
Following the advice of the Prime Minister, all playgrounds, skateparks and outdoor gyms were closed during the week commencing Monday 30 March 2020. See the City Operations section for more information on this service.

**Public Art – Business as Usual**
Public Art Grant projects are still going ahead and MAAG has met regarding recommendations for the SA Water partnership murals. However, since this time, the SA Water project has been put on hold as it is not an essential service for SA Water.
An Information Report on the next Public Art Round will come to Council early in the new financial year (subject to changes to advice in relation to COVID-19).

**Waste Services**
Administration has been working internally and with our subsidiary (East Waste) to develop continuity plans for all of Council’s waste services including waste to landfill, recycling and organics.

Contingencies have been put in place for all waste streams and will apply in the event that either Council or East Waste staff, plant or fleet become affected by the COVID-19 pandemic. Consideration has been given to:
- Spare trucks and drivers;
- Alternate dumping arrangements; and
- How deferred pickups will be managed (should they be required or eventuate).

These measures are contingencies only and have been well conceived in that they ensure that the current service level is maintained notwithstanding any COVID-19 impacts.

**Community Implications**
The City of Mitcham’s focus during this emergency situation is of the safety of the community and staff, the preservation of jobs and the ongoing provision of essential services to the community with minimal disruption.

**Environmental / Heritage Implications**
Nil

**Cost Shifting Implications / Legislative Cost Imposts**
Nil

**Impact on Budget including Lifecycle Costing**
The budget impact as a result of COVID-19 will be monitored internally.

**Risk Management / WHS Assessment**
All strategies and actions put in place have been done so to ensure the safety of the community and staff, preserve jobs and ensure ongoing service delivery of essential services with minimal disruption.

**Legal / Policy Implications**
Local Government Act
Workplace Health and Safety Act
South Australian Public Health Act
Engagement
Nil

CONCLUSION

This report is provided to inform the community and Audit Committee Members of the City of Mitcham's current response to COVID-19.

RECOMMENDATION – ITEM 6.1

That the report be received for information only.
6.2 INTERNAL AUDIT PROGRESS REPORT

Report Author/Manager: Kate O'Neill
General Manager: Kate O'Neill
(Meeting Date: 14 May 2020)
(Location: Council Wide)
(Consultant Used: $Nil)

PROPOSAL

To provide the Audit Committee with an update on the implementation of Council’s Internal Audit Work Program and related recommendations.

BACKGROUND

At the meeting held on 8 December 2018, the Audit Committee endorsed the Internal Audit Work Program 2018/19 - 2020/21. Year 2 of the Plan was reviewed and endorsed by the Audit Committee at its meeting on 20 August 2019.

This report provides an update against Year 2 the endorsed program and related recommendations.

Attachments:

A. Internal Audit Progress Report

STRATEGIC OBJECTIVES

Goal 4 - Excellence in Leadership

Theme 4.2 Organisational Improvement: We are efficient and effective with a culture of positive change and innovation to deliver sustainable outcomes and value-for-money services that meet community needs.

DISCUSSION

The focus of the Internal Audit Plan initially was guided by the legislative amendments around internal controls, which came into effect from the 2013/14 financial year.

The Plan has now been developed further and includes an increased focus on the key strategic and operational risks faced by Council.

Progress against the projects from the Internal Audit Work Plan is provided below. Progress against recommendations arising from both Internal and External Audit are provided at Attachment A of this report.

During the last period and at the time of finalising this report, the following has been achieved:
<table>
<thead>
<tr>
<th>Recommendation Status</th>
<th>May 2020</th>
<th>December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Completed</td>
<td>24</td>
<td>19</td>
</tr>
<tr>
<td>In Progress</td>
<td>41 (7 are new)</td>
<td>47</td>
</tr>
<tr>
<td>Not Commenced</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total Recommendations</strong></td>
<td><strong>75</strong></td>
<td><strong>87</strong></td>
</tr>
</tbody>
</table>

**2019/20 WORK PLAN**

**COMPLETED THIS PERIOD**

Planning Assurance and Development Assessment (December 2019)

Due to the high-risk nature of the planning and development assessment process, it is critical to Council’s reputation and insurance liability that adequate due process, quality assurance and decision making are in place end to end.

The purpose of this audit will be to provide assurance of the planning and development assessment processes to the Council through consideration of:

- Statutory compliance;
- Current best practice;
- Policy and practice review;
- Identification of areas of non-compliance and recommendation of potential remedies; and
- Provide recommendations for system and operational improvements rather than just compliance.

At the timing of writing this report, the recommendations / improvement opportunities identified in this review were being reported to the Executive Leadership Group and will be reported to the Audit Committee at the December 2020 Audit Committee Meeting.

Internal Controls Assessment (March 2020)

This audit will include the following:

- Making sure that the assessments are appropriate;
- A sample look at approximately four assessments based on risk to test the assessment;
- Application of risk-based approach to internal financial controls; and
- Any issues identified in the design of the internal financial control framework.

The recommendations / improvement opportunities associated with this review are detailed in Attachment A of this report.
IN PROGRESS

Complaints Handing (February 2020)

The overall objective of the audit is to review the complaint handling policy and processes to determine adequacy and robustness. The specific objectives of the audit are to determine:

- Compliance with the Local Government Act 1999;
- Compliance with internal policies and procedures; and
- Business process improvement against leading practice.

This project was deferred as Administration worked through the Customer Experience Project and recommendations. The scope for this review is now being finalised with the relevant Manager and General Manager.

Corporate Credit Cards (June 2020)

This audit will review compliance with internal policies and procedures relating to the use of corporate purchase cards including reimbursement of personal expenditure. In particular, the following will be reviewed:

- Whether transactions are clearly business related;
- The adequacy of transaction explanations provided by cardholders;
- Whether transactions are supported by tax invoices / receipts; and
- Compliance with set meals and accommodation rates.

The field work for this review is currently underway, with recommendations to be reported to the December 2020 Audit Committee Meeting.

Data Security and Breaches (May 2020)


The overall objective of the audit is to review the system of internal controls and management processes providing reasonable assurance that adequate management controls exist to mitigate risk of significant data breach within Council.

The specific objectives of the audit are to determine whether:

- Data breaches have occurred in practice, such as unauthorised access to or unauthorised disclosure of personal information, or a loss of personal information, that Council holds;
- Conduct a root cause analysis to categorise the weakness and determine where attention is needed with urgency;
- The data breaches occurred are likely to result in serious harm to one or more individuals;
- Preventative controls are in place preventing an occurrence;
- Remedial actions are implemented appropriately and timely to prevent serious harm in the event of a breach;
• A system for internal tracking and decision making is in place to assess the course of action in the event of a breach, i.e. nothing through to reporting to the commissioner; and
• System is in place to prevent future data breaches and protect data security.

The scope for this review is now being finalised with the relevant Manager and General Manager and is anticipated to be reported to the December 2020 Audit Committee meeting.

Follow-Up on Recommendations (June 2020)

The Internal Audit Work Plan includes an annual project to verify that appropriate action has been taken to complete/address recommendations arising from Internal Audit Reviews that staff have reported as being completed.

YET TO COMMENCE

Nil

Community Implications

A strong Internal Audit function provides Council and the community with the assurance that key risks and internal controls are being appropriately reviewed and managed.

Environmental / Heritage Implications

Nil

Cost Shifting Implications / Legislative Cost Imposts

Nil

Impact on Budget including Lifecycle Costing

The engagement of external support for the delivery of the Internal Audit Work Program is provided for within the scope of the Annual Business Plan and Budget.

Risk Management / WHS Assessment

An Internal Audit Work Program is essential for good corporate governance and will help manage strategic risks faced by Council.

Legal / Policy Implications

Internal Audit Work Program 2018 / 2019 - 2020 / 2021
Engagement

The Internal Audit Work Program 2018/19 - 2020/21 was endorsed by the Audit Committee at its meeting on 4 December 2018. Year 2 of the plan was endorsed by the Audit Committee on 20 August 2019.

Internal Audit projects are carried out in consultation with the relevant business areas of Council.

CONCLUSION

This report provides a progress update to the Audit Committee, Council and the community against the delivery of the Internal Audit Work.

RECOMMENDATION – ITEM 6.2

That the report be received for information only.
CONSOLIDATED AUDIT RECOMMENDATIONS

Internal Audit Recommendations – In Progress:

- Risk Evaluation
- City Operations and Maintenance Management
- Rating Procedure
- Credit Card Review
- Training and Development Review
- Internal Controls
- Fraud Prevention Review
- Bushfire Management Review
- Corporate Systems Review
- Policy Framework Review
- IT Access Controls Review
- Legislative Compliance Review
- Budget and Long Term Financial Plan Review

External Audit Recommendations – In Progress

- Consolidated List
## Internal Audit Recommendations

**LGRS Risk Evaluation (2019 – Reference 4213392)**

<table>
<thead>
<tr>
<th>#</th>
<th>Recommendation</th>
<th>Management Comment</th>
<th>Who</th>
<th>When</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>1a</td>
<td>Roads and Footpaths</td>
<td>Finding accepted.</td>
<td>Manager Engineering</td>
<td>31 October 2020</td>
<td><strong>NEW RECOMMENDATION IN PROGRESS</strong> Development of process has commenced. Process to incorporate task for review insurance information.</td>
</tr>
<tr>
<td></td>
<td>It is recommended that the assessment process [of S221 permits] include a section to check that the Insurance information was sighted for currency as part of the application so this can be documented as being verified as part of the S221 permit approval process.</td>
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<tr>
<td>2h</td>
<td>Rail Crossings</td>
<td>Finding accepted.</td>
<td>Manager, Engineering</td>
<td>31 August 2020</td>
<td><strong>NEW RECOMMENDATION IN PROGRESS</strong> Road Safety Audit of all railway interfaces has been completed and provided to Rail Authority (DPTI). Draft Railway Interface Agreement has been developed and forward to DPTI for review and execution.</td>
</tr>
</tbody>
</table>
|    | It is recommended that CoM initiate contact with the Rail Authority to request that either:  
* Documented evidence be provided confirming that the railway line is a dormant line; 
Or 
* Request that the agreement/s be finalised and signed by the relevant parties.  
In addition to this, in the case that there is no evidence to confirm that the railway line is a dormant line, CoM need to complete the risk assessments for all their rail interfaces. | | | |
<p>| 3d | Procurement       | Finding accepted. | Manager Finance    | 31 December 2020 | <strong>NEW RECOMMENDATION IN PROGRESS</strong> Identification of those roles that undertake procurement activities to be carried out. |
|    | It is recommended that CoM identify the roles across the organisation that undertake procurement activities (all types of procurement) and capture this on the TNA (training identification). It is recommended | | | |</p>
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<td></td>
<td>that CoM determine the type/level of training required for these roles (e.g. this could be internal training on the information contained in the reviewed and updated Procurement Policy). Training should then be scheduled and subsequently conducted for these roles.</td>
<td></td>
<td></td>
<td></td>
<td>Type and level of training then to be determined and scheduled for implementation.</td>
</tr>
<tr>
<td>3f</td>
<td>Procurement</td>
<td>Finding accepted.</td>
<td>Manager Finance</td>
<td>31 December 2020</td>
<td>NEW RECOMMENDATION IN PROGRESS - Indemnity Insurance requirements to be determined as part of the updating of the Procurement Policy.</td>
</tr>
<tr>
<td></td>
<td>It is recommended that CoM consider capturing the relevant information about the indemnity and insurance requirements, including documenting the minimum amount of insurance required, when the Procurement Policy is reviewed and updated.</td>
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<tr>
<td>E1g</td>
<td>Playgrounds</td>
<td>Finding accepted.</td>
<td>Manager Open Space</td>
<td>1 May 2020</td>
<td>NEW RECOMMENDATION IN PROGRESS - All surfaces were tested end 2019 and results have informed rubber soft fall renewals that were recently quoted. Every surface will be tested every 3 years. Documents to be stored in ECM.</td>
</tr>
<tr>
<td></td>
<td>It is recommended to incorporate regular testing of impact for attenuating surfaces within the Council’s playground management processes and also retain all documentation and reports related to these activities.</td>
<td></td>
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</tr>
<tr>
<td>E2a</td>
<td>Event Management</td>
<td>Finding accepted.</td>
<td>Acting Senior Coordinator Community Development</td>
<td>29 May 2020</td>
<td>NEW RECOMMENDATION IN PROGRESS - The policy will outline the various processes of event management</td>
</tr>
<tr>
<td></td>
<td>It is recommended to have a policy in place documenting the different processes of event management.</td>
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<tr>
<td>E2b</td>
<td>Event Management</td>
<td>Finding accepted.</td>
<td>Acting Senior Coordinator Community Development</td>
<td>26 June 2020</td>
<td>NEW RECOMMENDATION IN PROGRESS - The Event Toolkit will include all risk and legislative compliance obligations relative to the running of an event.</td>
</tr>
<tr>
<td></td>
<td>It is recommended to have consistent processes to manage risk and legislative compliance obligations for all events across the Council, and this should be documented in the Event Toolkit which is currently under development.</td>
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### City Operations & Maintenance Management (2019 – Reference 4296715)

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<tr>
<th>#</th>
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<tbody>
<tr>
<td>1</td>
<td><strong>Formalise the governance structure into the strategy (Low Risk)</strong>&lt;br&gt;Formalise the governance structure into an overarching City Maintenance Strategy to ensure consistent practices and understanding.</td>
<td>City Operations accepts this finding noting that the recommended governance structure is nominal in place. Formalisation via the creation of an overarching City Maintenance Strategy is agreed. Action – creation of City Maintenance Strategy</td>
<td>Manager, City Maintenance</td>
<td>31 March 2020&lt;br&gt;31 May 2020</td>
<td>NOT COMMENCED</td>
</tr>
<tr>
<td>2</td>
<td><strong>Data integrity of Fortnightly Exception Report (Low Risk)</strong>&lt;br&gt;Ensure that documentation of outcomes of the robust fortnightly monitoring process is improved.</td>
<td>Fortnightly monitoring meetings occur but have not been minuted or had a record of decisions documented as a matter of course. This model has now been implemented with all fortnightly update to Planner and Exception Report Meetings being recorded with a list of outcomes and required actions.</td>
<td>Team Leader, Operations Support</td>
<td>31 March 2020</td>
<td>COMPLETE – May 2020&lt;br&gt;As per the recommendation</td>
</tr>
<tr>
<td>3</td>
<td><strong>Coordination with the Engineering Unit to align with Asset Management Plans (Improvement Opportunity)</strong>&lt;br&gt;Further coordinate with the Engineering Unit especially during the review and updating process of the AMPs, to align with the AMPs including projecting assets lifecycle maintenance planning.</td>
<td>Findings of this audit will be provided to the Manager Engineering noting that position is responsible for the AMP. City Operations will continue to collaborate with Engineering, to coordinate and optimise maintenance activities taking into account projected asset lifecycles.</td>
<td>Team Leader, Operations Support</td>
<td>31 March 2020&lt;br&gt;31 July 2020</td>
<td>IN PROGRESS</td>
</tr>
<tr>
<td>4a</td>
<td><strong>Preventative Maintenance Optimisation (Improvement Opportunity)</strong>&lt;br&gt;Ensure a preventative maintenance program is in place for Council’s assets to optimise the repairs outcomes at a minimum cost</td>
<td>City Maintenance will continue to improve the operating model in relation to defect maintenance. Specifically asset condition status</td>
<td>Manager, City Operations</td>
<td>31 March 2020&lt;br&gt;31 July 2020</td>
<td>IN PROGRESS</td>
</tr>
<tr>
<td></td>
<td>Recommendation</td>
<td>Management Comment</td>
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<tr>
<td>4b</td>
<td>Preventative Maintenance Optimisation (Improvement Opportunity)</td>
<td>Defect maintenance information will be provided to the Engineering Department for consideration in asset renewal priority decisions.</td>
<td>Manager, City Operations</td>
<td>31 March 2020</td>
<td>COMPLETE – May 2020</td>
</tr>
<tr>
<td>5</td>
<td>Policy framework (Improvement Opportunity)</td>
<td>Management agrees that the development of an overarching Strategy document for City Operations that references relevant policies would be appropriate and beneficial. This will be developed. Document will be reviewed in line with the year by fortnight planning schedule.</td>
<td>Team Leader, Operations Support</td>
<td>31 March 2020, 31 July 2020</td>
<td>NOT COMMENCED</td>
</tr>
<tr>
<td>#</td>
<td>Recommendation</td>
<td>Management Comment</td>
<td>Who</td>
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<tr>
<td>6</td>
<td>Before and After Photographs (Improvement Opportunity)</td>
<td>Photographs are a requirement that are documented in current training material. The requirement for taking before and after photos will continue to be identified during the development of relevant work procedures and training.</td>
<td>Team Leader, Operations Support</td>
<td>31 March 2020</td>
<td>COMPLETE – May 2020</td>
</tr>
<tr>
<td>7</td>
<td>Maintenance KPIs (Improvement Opportunity)</td>
<td>Since the introduction of the TechnologyOne works system, City Operations have developed a number of operational measures, based on new data now available to guide maintenance works, e.g. defects and outstanding customer request response time etc. City Operations will continue to develop a suite of operational performance metrics to monitor and improve operations, during the 2019-20 financial year.</td>
<td>Team Leader, Operational Support</td>
<td>31 March 2020, 31 July 2020</td>
<td>IN PROGRESS</td>
</tr>
</tbody>
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<tbody>
<tr>
<td>2</td>
<td>Safeguard the rates modelling spreadsheet (Improvement Opportunity)</td>
<td>Noted will look at formulas</td>
<td>Senior Rates Officer</td>
<td>31 March 2020</td>
<td>COMPLETE – May 2020</td>
</tr>
</tbody>
</table>

Formulas in modelling spreadsheet locked.
<table>
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<tr>
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<tbody>
<tr>
<td>3</td>
<td>Rates modelling update frequency (Improvement Opportunity)</td>
<td>The team is currently adopting KPI's as part of the ongoing team planning exercises. Accountabilities will also be added to the team workplan as will the KPI's.</td>
<td>Senior Rates Officer</td>
<td>June 2020&lt;br&gt;31 October 2020</td>
<td>IN PROGRESS Cyclic planner and team work plan being extended and updated as part of the Rates Team Planning objectives. To be updated October 2020.</td>
</tr>
<tr>
<td>4</td>
<td>Quality of Rates Department Work Plan (Improvement Opportunity)</td>
<td>The team is currently adopting KPI's as part of the ongoing team planning exercises. Accountabilities will also be added to the team workplan as will the KPI's.</td>
<td>Senior Rates Officer</td>
<td>June 2020&lt;br&gt;31 October 2020</td>
<td>IN PROGRESS Cyclic planner and team work plan being extended and updated as part of the Rates Team Planning objectives. To be updated October 2020.</td>
</tr>
<tr>
<td>5</td>
<td>Formalise the rebate application and assessment process (Improvement Opportunity)</td>
<td>Agree with the recommendation a formalised process will be documented with the adoption of the revised rate rebate policy.</td>
<td>Senior Rates Officer</td>
<td>May 2020&lt;br&gt;31 October 2020</td>
<td>IN PROGRESS Delayed due to COVID-19 work requirements. Progress Update to be provided in October 2020.</td>
</tr>
<tr>
<td>5b</td>
<td>Formalise the rebate application and assessment process (Improvement Opportunity)</td>
<td>Agree policy is set to be refreshed and taken to council in April / May 2020</td>
<td>Senior Rates Officer</td>
<td>May 2020&lt;br&gt;31 October 2020</td>
<td>IN PROGRESS Delayed due to COVID-19 work requirements. Progress Update to be provided in October 2020.</td>
</tr>
<tr>
<td>6</td>
<td>Review of Public Consultation Policy (Improvement Opportunity)</td>
<td>Agree policy is set to be refreshed and taken to council in April / May 2020</td>
<td>Team Leader Governance</td>
<td>31 May 2020</td>
<td>COMPLETE – May 2020 The Policy was reviewed by Council 24 March 2020 (Item 8.4 Legislative Policy Review).</td>
</tr>
</tbody>
</table>
### Credit Card Internal Review (2019 – 4078533)

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<tr>
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</table>
| 1 | **Transaction Approvals and Reconciliation (High)**  
   We recommend management:  
   • Reconcile all transactions within 14 calendar days according to the policy requirements;  
   • Refresh cardholders and relevant staff of the policy requirements and convey the importance; and  
   • Implement a reminder notification through TechOne (subject to functionality) or email reminding cardholders and relevant staff of reconciliation requirements | Since the Audit was conducted, outstanding reconciliations have been addressed. Recommendations / actions are noted and management agree.  
   Improvement Opportunities noted and will assess / address in the context of the review of the Policy. The revised Credit Card Policy will be brought to a future meeting of the Audit Committee for feedback. | Assistant Accountant | December 2019  
   30 June 2020 | IN PROGRESS – Awaiting TechOne upgrade  
   Working with Cardholders to ensure timely reconciliations, investigating with IT on automatic notifications – Due to COVID Cardholders are having issues scanning receipts.  
   TechOne upgrade has a new purchase card module that enables photographing of receipts and ease of reconciling transactions |
| 2 | **Minor Policy Improvements**  
   We recommend management:  
   • Improve the policy by requiring both the Statutory Declaration and corresponding Dummy Sales Voucher to support lost or unavailable supporting documentation;  
   • Improve the policy by removing the requirement of Reconciliation Dockets and replace with Tax Invoices;  
   • Reallocate the review of authority and approval for the CEO’s transactions to the General Manager of Corporate Services and Innovation;  
   • Update policy to include the requirements of prohibiting the use of Flybuys and other benefit schemes;  
   • Improve the policy by requiring a change in details form which includes; details of | | Assistant Accountant | 31 December 2019 | COMPLETE – May 2020  
   New policy |
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| 3 | Coding of Expenses (High) | Cardholder Expenditure Summaries being provided to Accounts Payable contain incomplete information leading to the incorrect coding of expenses. This has led to additional time spent by the Finance team to review the general ledger data to determine the FBT impact. FBT may be overstated due to the inclusion of benefits for volunteers and councillors, purely on the basis that there is no evidence to the contrary. For example, there are a large number of accounts which include entertainment benefits however there is no information regarding who the attendees were and/or an explanation of the benefit provided. | The Cardholder Expenditure Summary should be updated to require the following information for each transaction:  
- Number of attendees and the attendee type (employee / client / volunteer / Councillor), including name.  
- If the meeting was held on or offsite.  
- The type of meal and drink was consumed, and where (i.e. offsite or onsite).  
Separate general ledger accounts should be created for entertainment relating to employees on and off-site and non-employees. New accounts may be created with private use for internet and phone expenses such that AP code the private use component based on | Manager, Finance & Rates | June 2019  
31 March 2020 | COMPLETE – May 2020  
The Assistant Accountant; Provided direction to key staff on the FBT support requirements. Has commenced drafting / improving FBT Guidance Papers and Forms. Council is currently implementing a Enterprise Budgeting project which is targeting improved financial literacy of the organisation. A new Operating Rhythm process is being implemented as part of the project scheduled for 30 June 2019. - When doing the 2020 FBT coding of entertainment was majority correct |

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</table>
| 1  | HR data not fully captured in system (Moderate)  
We recommend management:  
- Continue working on the project to collect relevant information of employee profiles, confirm with managers, and establish the HR database in TechOne as planned;  
- Ensure that P&C liaise with the relevant business areas to conduct quality check to ensure data integrity; and  
- Analyse and utilise the HR data to develop training plan, guide HR strategies, and influence service delivery etc.  
  P&C are working on identifying all of the mandatory licences and training and uploading in TechOne against each position in discussions with relevant managers.  
  A gap analysis will then be undertaken and followed up to ensure that information is accurately recorded in TechOne | Manager, People & Culture  
December 2019  
31 December-2020 | IN PROGRESS  
WHS mandatory training has been identified for each position and entered into Techone.  
Gap analysis for mandatory WHS has been undertaken and training being rolled out.  
Additional information collection on positions requirements will be ongoing and require significant input from Managers/Team Leaders. |
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<td>3</td>
<td><strong>Delayed corporate training needs assessments (Moderate)</strong></td>
<td>The 2019/2020 My Plan process will be communicated in the coming weeks across the business for action. A training needs analysis will be undertaken and inform the Corporate Trainings Plan.</td>
<td>Manager, People &amp; Culture</td>
<td>December 2019 ongoing cycle</td>
<td>IN PROGRESS</td>
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<td>We recommend management:</td>
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<td></td>
<td>• Prioritise resources to conduct the annual MyPlan procedure according to the schedule;</td>
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<td></td>
<td>• Conduct training needs assessment in the MyPlan procedure and other channels, such as team meetings, and communication during project/service delivery etc.; and</td>
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<td>• Update the annual Corporate Training Plan to reflect the needs identified and implement the plan.</td>
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<p>| 4  | <strong>No formalised processes to oversee, monitor and report training and development activities (Moderate)</strong>                                         | Training and professional development is now constantly monitored via General Managers (and their budgets). The Corporate and WHS Training and professional development and the | Manager, People &amp; Culture            | December 2019 31 December 2020 | IN PROGRESS |
|    | We recommend management:                                                                                                                       |                                                                                                                                                     |                                      |                        |                            |
|    | • Enhance the oversight, monitoring and reporting of training and development and                                                             |                                                                                                                                                     |                                      |                        |                            |</p>
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<td></td>
<td>especially to address the audit findings above;</td>
<td>budget is also monitored regularly through P&amp;C.</td>
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<td></td>
<td>• Include the relevant requirements in Council’s policies and procedures;</td>
<td>P&amp;C will undertake a TNA based on the returned My Plans for 2019/20 and plan and schedule Corporate and WHS training across the year, which will be monitored through P&amp;C.</td>
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<td></td>
<td>• Consider the necessity for ELG to review implementation of HR strategies,</td>
<td>The 2019/20 My Plan process will assist Managers to review the professional development of staff through a 6 month review process. Management is also in the process of developing a quarterly report to ELG on the training undertaken during the last quarter, training planned for the next quarter and budget performance relating to training across the organisation.</td>
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<td>including WHS and training and development progress and outcomes.</td>
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<td>5</td>
<td><strong>Induction not implemented consistently (Low)</strong></td>
<td><strong>Induction processes have been identified as requiring review prior to this audit. With the implementation of the new E-Recruitment and on-boarding module this should assist to ensure that staff records are adequately maintained and gaps identified on mandatory induction requirements</strong></td>
<td>Manager, People &amp; Culture</td>
<td>30 June 2020</td>
<td>NOT COMMENCED</td>
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<td></td>
<td>We recommend management:</td>
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<td>30 June 2021</td>
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<td></td>
<td>• Reinforce the policy requirements of induction process and provide refresher</td>
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<td>training where relevant;</td>
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<td></td>
<td>• P&amp;C continue to provide assistance to all relevant managers and staff</td>
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<td></td>
<td>involved in the process;</td>
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<td></td>
<td>• Perform regular internal quality review to ensure the consistent practice.</td>
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### Internal Controls (July 2019)

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<tr>
<td>2</td>
<td><strong>Review of the Procurement Policy</strong>&lt;br&gt;Council has a procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest.</td>
<td>Agreed – control to be implemented / improved</td>
<td>Manager Finance</td>
<td>30 June 2020</td>
<td>IN PROGRESS&lt;br&gt;Working on improvements to the existing policy to ensure consistency of approach and best practice.</td>
</tr>
<tr>
<td>3</td>
<td><strong>Contract Management Process</strong>&lt;br&gt;There is a contract management process in place throughout the term of the contract to ensure that supplier/contractor meet their obligations.</td>
<td>Agreed – control to be implemented / improved</td>
<td>Manager Finance</td>
<td>30 June 2020</td>
<td>IN PROGRESS&lt;br&gt;Mapping the process toward completion.</td>
</tr>
<tr>
<td>4</td>
<td><strong>Contract Management</strong>&lt;br&gt;There is an ongoing management in place that identifies and manages deliverables, key contact clauses, responsibilities, milestones and includes dispute resolution procedures.</td>
<td>Agreed – control to be implemented / improved</td>
<td>Manager Finance</td>
<td>30 June 2020</td>
<td>IN PROGRESS&lt;br&gt;Mapping the process toward completion</td>
</tr>
<tr>
<td>5</td>
<td><strong>Financial delegations in Technology One</strong>&lt;br&gt;All invoices and payment requests are approved in accordance with relevant policies and/or Delegations of Authority.</td>
<td>Agreed – control to be implemented / improved</td>
<td>Manager Finance</td>
<td>31 March 2020</td>
<td>COMPLETE – May 2020&lt;br&gt;Completed as part of the Accounts Payable automation project</td>
</tr>
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<tr>
<td>1.1</td>
<td>Code of Conduct:</td>
<td>Management will incorporate these recommendations in its People &amp; Culture Policy review, the review of the induction process and the development of the Corporate Training Plan and will reassess the frequency of signing off on the code.</td>
<td>Manager People &amp; Culture</td>
<td>30 December 2019&lt;br&gt;31 December 2020</td>
<td>NOT COMMENCED&lt;br&gt;Pending completion of Recommendation 1.3</td>
</tr>
<tr>
<td>1.3</td>
<td>Code of Conduct:</td>
<td>Management will incorporate these recommendations in its People &amp; Culture Policy review, the review of the induction process and the development of the Corporate Training Plan.</td>
<td>Manager People &amp; Culture</td>
<td>30 December 2019&lt;br&gt;30 August 2020</td>
<td>IN PROGRESS&lt;br&gt;The Code of Conduct is currently under review and will be consulted and launched as a revised document.</td>
</tr>
<tr>
<td>2.2</td>
<td>Policies &amp; Plans:</td>
<td>Acknowledged need.</td>
<td>Team Leader Governance</td>
<td>30 June 2019&lt;br&gt;30 June 2020</td>
<td>IN PROGRESS&lt;br&gt;To be written following the endorsement of the Policy (see Recommendation 2.1)</td>
</tr>
<tr>
<td>2.4</td>
<td>Policies &amp; Plans:</td>
<td>Management has since determined not to progress the Digital Strategy. There is currently an Information Technology – Information Security Policy which addresses: Access Classification &amp; Control, Physical &amp; Environmental Security, Communications and Operations Management and Access Control. This policy will be reviewed to ensure it adequately addresses the current IT / risk environment.</td>
<td>Manager, Information Technology</td>
<td>30 March 2019&lt;br&gt;31 January 2020</td>
<td>COMPLETE – May 2020&lt;br&gt;4 projects have been scoped and scheduled to address this and are due to be completed by September 2021.</td>
</tr>
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| 3.2 | **Council Values:** That 'Integrity' be added to Council's Values | This recommendation has been flagged for consideration at the next review of the Employee Values and will be subject to staff consultation.                                                                           | Manager People & Culture | 31 December 2020 | NOT COMMENCED  
No action to date. 
Values to be reviewed as part of the Cx Project.                                                                 |
| 5.2 | **Induction, Training, Job Descriptions, Responsibilities and Authority:** Include fraud awareness and control in training of staff that have financial, procurement and decision-making responsibilities | Incorporate the Induction checklist into TechOne.                                                                                                                                                                       | Manager People & Culture     | 30 December 2019 | IN PROGRESS  
Corporate Training Plan currently being developed which will incorporate these elements and Training Needs Analysis associated with relevant roles. |
| 5.4 | **Induction, Training, Job Descriptions, Responsibilities and Authority:**  
That staff receive the Whistleblowers Policy, Complaint Policies and ICAC awareness information annually and sign off to state that it has been read and understood |  
The Whistleblowers policy is being replaced by the Public Interest Disclosures Act which requires the development of a new policy / procedure.  
Acknowledge the requirement for training / refresher training in relation to ICAC awareness and will incorporated into the Corporate Training Plan.  
ICAC training scheduled on a 2 yearly cycle but now online training available. Forms a part of the Governance Induction. | Manager, People & Culture | 30 December 2019 | COMPLETE – May 2020  
ICAC Awareness sessions run across Council in August 2019.  
Refer to 2.5 Re Public Interest Disclosure Policy developed by Governance and advice that Training provided to Leadership Group & Collaboration Group. Customer Service training/discussion scheduled end of November 2019. |
| 5.5 | **Induction, Training, Job Descriptions, Responsibilities and Authority:** That an annual workshop / discussion on conflict of interest is introduced including an intranet training video. This could be included in an annual review of the Code of Conduct. | This will be incorporated into the review of the Code of Conduct and induction/onboarding.                                                                                                                                 | Manager, People & Culture     | 30 December 2020 | IN PROGRESS  
Being incorporated into Corporate Training Plan currently under development AND Training Needs Analysis against relevant roles. |
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<td>5.8</td>
<td><strong>Induction, Training, Job Descriptions, Responsibilities and Authority:</strong></td>
<td>Agree. Will be delivered following development of Policy and will be incorporated into the Corporate Training Plan.</td>
<td>Manager, People &amp; Culture</td>
<td>30 December 2019</td>
<td>COMPLETE – May 2020 Being incorporated into Corporate Training Plan currently under development AND Training Needs Analysis against relevant roles. Two Fraud Awareness training sessions held on 28 November 2019. One employee session and One Manager session for relevant staff.</td>
</tr>
<tr>
<td>6.1</td>
<td><strong>Contractor Management:</strong></td>
<td>Currently Council is focused on refining its contract management system, and base data. From there training and materials will be rolled out.</td>
<td>Manager Finance</td>
<td>31 December 2019</td>
<td>IN PROGRESS Mapping the process toward completion.</td>
</tr>
<tr>
<td>6.3</td>
<td><strong>Contractor Management:</strong></td>
<td>Depending on the contract engagement model, Council has a proven track record of overseeing contractor internal controls where required.</td>
<td>Manager Finance</td>
<td>31 January 2020</td>
<td>IN PROGRESS Mapping the process toward completion.</td>
</tr>
<tr>
<td>7.3</td>
<td><strong>Detection:</strong></td>
<td>Agreed. Council may need additional resources to undertake this.</td>
<td>Manager, Finance &amp; Rates</td>
<td>31 December 2019</td>
<td>COMPLETE – May 2020 Automated data analysis Report completed as per recommendation in appendix E.</td>
</tr>
<tr>
<td>11.1</td>
<td><strong>Cash:</strong></td>
<td>Agreed</td>
<td>Assistant accountant</td>
<td>31 December 2019</td>
<td>COMPLETE – May 2020</td>
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| 14.2 | **Payroll:** The ABA folder be restricted with access only by Bank software (see payments) | TechnologyOne Limitation                                | Manager, Finance & Rates   | 31 December 2019 | IN PROGRESS  
Currently being investigated and tested with IT |
| 15.3 | **Procurement:** There are robust documented procedures for use of purchase orders and that authorising officers ensure that purchase orders are created where required and at the time of the purchase not at the receipt of the invoice. Staff with procurement responsibilities to be fully aware of procedures. | Part of Council’s Accounts Payable Automation Project  
Manager, Finance & Rates | 31 July 2019  
31 March 2020 | COMPLETE – May 2020  
Completed as part of the Accounts Payable automation project |
| 15.5 | **Procurement:** Develop a central site for all procurement policies, procedures, contract register, templates and tools to ensure consistency in procurement undertakings. | Part of the Procurement Team Work Plan                   | Manager, Finance & Rates   | 31/12/2019  
31 March 2020 | COMPLETE – May 2020  
Intranet landing page completed with all current procurement documents available |
| 16.1 | **Rates:** Rates Clearing Accounts be regularly investigated and resolved. Older amounts may need to be considered in relation to the Unclaimed Moneys Act 1891 | Agreed                                                  | Senior Rates Officer       | 31 July 2019  
31 October 2020 | IN PROGRESS  
Delayed due to data from Authority legacy system availability. Data currently under development. Progress Update to be provided in October 2020 |
| 16.2 | **Rates:** Implement a documented policy/procedure for the waiving of fines ensuring that fines are only waived in accordance with delegations. | Agreed                                                  | Senior Rates Officer       | 31 December 2019  
31 October 2020 | IN PROGRESS  
Draft Policy written and team guidelines in progress. Report to Council delayed due to COVID-19  
Work Requirements and 2020/2021 ABP process. Progress |
### AUDIT COMMITTEE

**AGENDA**

**14 MAY 2020**

**ITEM 6.2 - ATTACHMENT A**

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<tr>
<td>16.4</td>
<td><strong>Rates:</strong> Consider if reports to Council on sale of property for non-payment of rates be public (with only ownership details suppressed) in order to reduce potential or perceived issues of conflict of interest if a Council Member of employee were to purchase the property.</td>
<td>Agreed. To be investigated.</td>
<td>Senior Rates Officer</td>
<td>31 March 2020 31 August 2019 31 October 2020</td>
<td>IN PROGRESS A report for Council on properties likely to fall in this category to be prepared. Ownership and specific street address to be omitted.</td>
</tr>
<tr>
<td>17.1</td>
<td><strong>Receipting</strong> Investigate how to secure download files so that no changes can be made.</td>
<td>Agreed. Requires investigation by newly created System Development project role.</td>
<td>Senior Accountant</td>
<td>30 June 2019 31 December 2019 30 June 2020</td>
<td>IN PROGRESS Investigating permissions and possible solutions.</td>
</tr>
<tr>
<td>19.1</td>
<td><strong>User Charges:</strong> Document procedures to ensure consistency of application. Agreed A three-year work plan is flagged to improve/revise.</td>
<td>Business Partner</td>
<td>31 December 2019 30 April 2020</td>
<td>COMPLETE – May 2020 Procedures are documented and available for staff.</td>
<td></td>
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<tr>
<td>19.2</td>
<td><strong>User Charges:</strong> Ensure that other areas of Council that charge fees such as Dumps are advised and follow documented procedures. Agreed, part of Enterprise Budgeting project scope.</td>
<td>Business Partner</td>
<td>30 June 2019 30 April 2020</td>
<td>COMPLETE – May 2020 Procedures are documented and available for staff.</td>
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<td>2</td>
<td>Engage a suitably experienced risk assessment facilitator to frame a risk assessment template and process and facilitate the risk assessment to Council for ‘a bushfire event’. Within this risk assessment consider currency of the recommendations from the Earth Tech - Bushfire Risk Management Plan Final Report and the Fire Tracks Works Proposal 2006 for inclusion.</td>
<td>Agreed. Risk assessment recorded on Risk Register, Seeking Earth Tech and other documents.</td>
<td>Organisational Risk Officer (Reporting to Risk Owner)</td>
<td>31 December 2019</td>
<td>COMPLETE – May 2020 Risk Assessment has been completed, report has been drafted.</td>
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<td>3</td>
<td>Define and document a fit for purpose internal annual control assurance process which allows the Risk Owner to adequately interrogate the adequacy of identified controls for Bushfire.</td>
<td>Purchase of TechOne Risk and Compliance solution has been approved in BR1</td>
<td>Organisational Risk Officer (Reporting to Risk Owner)</td>
<td>31 March 2020 31 December 2020</td>
<td>IN PROGRESS Full implementation has been delayed. Data input on T1 template has been completed. Next step Data Import and user acceptance training.</td>
</tr>
<tr>
<td>4</td>
<td>Develop a compliance register for activities undertaken by departments across Council to meet external and internal compliance requirements. [including revised KPIs for reporting and any new additional critical controls]</td>
<td>Agreed. Suitability of Performance Planner or Compliance Register to be considered.</td>
<td>Bushfire Risk Owner-Manager Environmental Health and Community Safety</td>
<td>30 June 2020 30 September 2020</td>
<td>NOT COMMENCED Activities to be identified and collated into a register by 30/9/2020 with register of activities and measures for compliance to be implemented by 30/9/2020.</td>
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<tr>
<td>5</td>
<td>Create a template to record annual fire track inspections and compliance against defined criteria (refer Government Agencies Fire Liaison Committee (2005) Fire Breaks and Fire Access Tracks and; Earth Tech Fire Access Track Assessment – Checklist Appendix B in Mitchum Bushfire Risk Management Plan).</td>
<td>Workshops will be held to determine content and responsibilities to be included in the Compliance Register.</td>
<td>Bushfire Risk Owner-Manager Environmental Health and Community Safety</td>
<td>31 December 2019</td>
<td>COMPLETE – May 2020 Draft template has been finalised and staff and implemented in preparation for the 2020/2021 Bushfire Danger Season. Staff are investigating enhancements so the process is computer tablet based</td>
</tr>
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<td>7</td>
<td>Consolidate the various Council Incident/Emergency Response plans into a document which provides a consistent and aligned plan across Council including Recovery.</td>
<td>LGA appointed officers to assist with this as stage 2 of the ‘Council Ready’ program.</td>
<td>Organisational Risk Officer (Reporting to Risk Owner)</td>
<td>31/12/2019 30 June 2020</td>
<td>IN PROGRESS Awaiting approval at ELG. Recovery to be covered in a stand-alone document with support from LGA’s Council Ready Program.</td>
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| 2  | ECM not consistently used throughout the organisation with staff using team and personal network directories to store information | In 2017 City of Mitcham Council and TechnologyOne undertook a migration of documents and meta data from the then current TRIM records management system to a new instance of the TechnologyOne ECM system. During this original migration, the following issues came out:  
   - No migrated records were linked to a customer, as the TRIM NAR was not migrated across, nor was it consolidated with the Authority NAR which was used to populate the NAR in P&I;  
   - No migrated records were linked to a property as TRIM did not store this information anywhere besides as free text within the title;  
   - Spot checks did not identify the 160,000 files that were migrated as VMBX files. These need to be converted back to EML (TRIM does this conversion automatically with some EML files when they are registered – these open in TRIM but not in ECM)  
   - Some migrated notes appear to have cut off. Presumably there is a character limit in ECM notes which is why some larger notes did not make it across in full. | Service Leader Customer Communications | 01 October 2019  
28 February 2020  
30 June 2020 | IN PROGRESS |

A three phase project has been initiated which will address these ECM issues.

Phase one: Assessment.

Phase two: Conversion of VMBX to EML files, and re-migrating previously truncated notes.

Phase three: tidying up the NAR, and linking as many TRIM records as possible to customers and properties using external companies and software to find relevant matches.
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<td>4</td>
<td>Assign a high priority to resolving the day-to-day operational infringement module issues as soon as possible. Further review business processes e.g. MVR import.</td>
<td>Staff within the IT team have reviewed the infringement module and have identified that the root cause of the operational issues is user error, and a lack of understanding/familiarity with the configuration of the system. Training is being arranged, and documentation/user manuals are being reviewed. It’s anticipated that this work will be complete in late February/early March.</td>
<td>Manager Community Safety</td>
<td>30 March 2019</td>
<td>IN PROGRESS 3 day training has been completed. Documentation and user manuals commenced.</td>
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<td>10</td>
<td>Develop a project to improve relevant end-user documentation e.g. “How To” guides, cheat sheets etc. especially for the Purchasing process (operational as well as capital PO), CR, Timesheet data entry, and ECM.</td>
<td>Job training requirements review is underway currently – with P&amp;C team. Continuous improvement of user manuals and work instructions is a decentralised function, and forms part of the core work for Team Leaders and Managers across the business. This accountability, together with the accountability of the IT team to assist in undertaking this work on a continuous improvement basis, will be reinforced through the IT Operating Model project.</td>
<td>Service Leader Customer Communications Manager, Finance</td>
<td>By early 2019 30 June 2020</td>
<td>COMPLETE - May 2020 End to end purchasing process is on a procurement landing page. Customer Requests, timesheet data entry and ECM 'how to guides' are available on the intranet.</td>
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### IT Access Controls - (2016 - Reference: 1353945)

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<td>3b</td>
<td><strong>Review of Access Privileges:</strong> People &amp; Culture to advise Managers of their responsibilities to review reporting provided by IT and to confirm employee access privileges are commensurate with each employee’s job roles and responsibilities</td>
<td>Review of processes and system permissions is underway. Project scopes include system access, privileges and reporting.</td>
<td>Manager, Information Technology</td>
<td>December 2018 - 31 January 2020</td>
<td>COMPLETE – May 2020 4 projects have been scoped and scheduled to address this and are due to be completed by September 2021.</td>
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### Legislative Compliance (2016 - Reference: 1300521)
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| 4  | Section 207 – Register of Community Land Council to undertake an immediate and thereafter periodic review of its community land register to ensure that it includes all details of leases and licences as required by the Regulations and ensures that copies of the community land management plans are available as part of the register (which may be in a hard copy or electronic format). | - The required information will be consolidated into one Register.  
- A review of the Register will be scheduled to be completed every six months. | Manager Property & Facilities | Oct 2016  
Jan 2019  
31 December 2019 | COMPLETE – May 2020 |
| 6  | Section 219 – Power to assign a name, or change the name, of a road or public place Council to undertake a review of its Road Naming Policy and having done so, ensure notice of the adoption of the reviewed policy is published in the Gazette, in the newspaper circulating in the area of the Council and on the Council’s website. | - Review of the Councils Road Naming Policy to be undertaken to ensure it is compliant with Section 219 with respect to public notifications. | Manager Property & Facilities | March 2017  
June 2019  
March 2020  
30 September 2020 | IN PROGRESS  
Policy currently being reviewed. |
| 7  | Section 231 Register of Public Roads  
Councill to review and update its Roads Register to ensure that it includes the information prescribed by Regulation 26. | - Observation noted of which all relevant information is currently recorded in Councils Asset Mgmt. System.  
- Mgr. Assets in liaison with IT Dept. to determine how to extract relevant information into the Register of Public Roads. | Manager, Engineering | June 2017  
December 2018  
2019  
31 January 2020  
30 June 2020 | IN PROGRESS  
Register has been created and awaiting final edits to meet compliance before being published on website. |

**Budget & Long-Term Financial Plan (2016 - Reference: 16.107352)**

<table>
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<tr>
<th>#</th>
<th>Recommendation</th>
<th>Management Comment</th>
<th>Who</th>
<th>When</th>
<th>Status</th>
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</table>
| 2.2.1 | Documentation/procedure guidance has insufficient detail | Finance team has commenced update (and will continue to during next Long Term Financial Plan | Manager Finance & Rates | March 2017  
December 2018  
30 June 2020 | IN PROGRESS  
Finance have commenced documenting instructions and detailed procedures. |
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<td></td>
<td>update) of instructions and detailed procedures.</td>
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<td></td>
<td>As part of Enterprise Budgeting Project, the Long Term Financial Plan, instructions/procedures shall be further refined and documented.</td>
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### External Audit Recommendations

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<th>Recommendation</th>
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<tr>
<td>1.2</td>
<td><strong>Procurement - Contract Management (High)</strong>&lt;br&gt;For long-term contracts held with suppliers (i.e. greater than 12 months), Council does not have a system in place that actively monitors whether contractors insurance details are kept up-to-date and to the required level of the contract signed with the Council. To ensure that Council is adequately covered in the event that an insurance claim is required, we recommend additional controls be implemented whereby at all times Council requests and holds on record up-to-date insurance certificate of currency details of all suppliers to evidence insurance is held as required per the service agreement entered into by both parties. We note that Council is in the process of investigating solutions within the new TechnologyOne ‘Contracts Module’ to identify whether any system controls within this module can assist with addressing this matter.</td>
<td></td>
<td>Manager Finance</td>
<td>June 2019&lt;br&gt;30 June 2020</td>
<td>IN PROGRESS&lt;br&gt;Administration will further develop its contracts register in its corporate system. Monthly reports will be run to flag contract anniversaries and initiate a process for contractor information and review.&lt;br&gt;When undertaking tender processes, insurances and other quality checks are evidenced. For longer term major contracts and panels, Council undertakes insurance compliance checks; however it is intermittent and subject to employee knowledge.</td>
</tr>
<tr>
<td>1.3</td>
<td><strong>Authorisation Process – Bank Release of Funds Authorisation (High)</strong>&lt;br&gt;- Recommend further training is provided to all staff who have authorising privileges for Council’s bank account.&lt;br&gt;It was noted in discussions held with some authorising officers that there wasn’t a</td>
<td></td>
<td>Manager, Finance&lt;br&gt;&amp; Rates</td>
<td>August 2019&lt;br&gt;January 2020&lt;br&gt;30 June 2020</td>
<td>COMPLETE – May 2020&lt;br&gt;Completed as part of the Accounts Payable automation project</td>
</tr>
<tr>
<td>#</td>
<td>Recommendation</td>
<td>Management Comment</td>
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<td>Consistent approach applied to the checking of supporting documentation prior to authorising payments (i.e. officers being aware of what they are required check and to what level prior to authorising payments – e.g. sample or complete check of payment details). To further strengthen internal controls, recommend that further training be provided and if required, a checklist developed which is to be attached to each batch payment listing being authorised.</td>
<td></td>
<td></td>
<td></td>
<td>IN PROGRESS</td>
</tr>
<tr>
<td></td>
<td><strong>Application of Treasury Management Policy (Moderate)</strong></td>
<td>Assistant</td>
<td>August 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>We note that in discussions with Finance staff that they were unaware of Council's Treasury Management Policy and the guiding principles within the policy with respect to cash flow management and investment in financial products available (i.e. term deposits with the LGFA). Management of daily cash flow is undertaken at a Business Partner officer level however we note that no specific training or guidance as to how daily cash flow is to be managed (i.e. should funds be allocated against cash debenture accounts held (if applicable), put into long-term or short-term deposit accounts, etc.). Recommend that Council provide further training as required to all applicable Finance staff to address this matter.</td>
<td>Accountant / Accounts Receivable</td>
<td>January 2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>August 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td><strong>Month End General Ledger Reconciliation Procedures (Moderate)</strong></td>
<td>Senior Finance</td>
<td>August 2019</td>
<td></td>
<td>COMPLETE – May 2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Officer</td>
<td>31 January 2020</td>
<td></td>
<td></td>
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<tr>
<td>#</td>
<td>Recommendation</td>
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<td>To ensure ongoing consistency and completeness of the month end general ledger reconciliation process, we recommend that all general ledger reconciliations performed are accompanied by a checklist that outlines at minimum what tasks and checks each officer (i.e. the preparer and reviewer) must undertake to certify all tasks have been completed. This ensures that there is greater accountability to each officer involved as to establishing the scope of works each party is responsible to undertake.</td>
<td></td>
<td></td>
<td>A checklist has now been incorporated into all general ledger reconciliations.</td>
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<td>22</td>
<td><strong>Asset Accounting Function (Low)</strong> Council currently has only one officer dedicated for the asset accounting function. There is currently no back-up officer allocated to undertake this work in the event that the current dedicated officer is not available. Given the unique nature of the work undertaken and the critical corporate knowledge held by the officer, there is a high level of dependence on the asset accounting information for strategic planning and financial reporting purposes, recommend Council considers allocating additional resources to address this risk</td>
<td>Manager, Finance &amp; Rates</td>
<td>31 August 2019 30 June 2020</td>
<td>IN PROGRESS The finance team has begun the process of cross-skilling within the team. This requirement has been identified as part of annual My Plan processes and is currently underway.</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td><strong>Fees &amp; Charges Review – GST Compliance (Low)</strong> In discussions with Council’s Finance staff, it was identified that in some instances, fees and charges being charged by the Council had incorrect GST treatment applied and</td>
<td>Assistant Accountant / Business Partner</td>
<td>31 January 2020 30 June 2020</td>
<td>IN PROGRESS A Fees and Charges review will be undertaken. It is proposed that this is undertaken in a phased approach rather than a holistic review. A 3 year plan will be developed for the</td>
<td></td>
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<tr>
<td>#</td>
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<td>Management Comment</td>
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<td>consequently, fees and charges have been updated accordingly to ensure they comply. An extensive review of all fees and charges across all functions however has not been undertaken for a number of years. We recommend that a formal review of all fees and charges be undertaken by the Council to ensure GST compliance across all functions and services offered and that this is cross checked against set-ups within TechnologyOne to ensure correct GST application is being applied. Given the specialised nature of this work, Council may need to consider engaging external consultants to assist with the undertaking of this review.</td>
<td></td>
<td></td>
<td></td>
<td>2020/21 budget process and shared with auditors and other stakeholders in the new calendar year.</td>
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</tbody>
</table>
6.3 DRAFT FINANCIAL SUSTAINABILITY POLICY

Report Author/Manager: Luke Harris
General Manager: Wade Reynolds
(Meeting Date: 14 May 2020)
(Location: Council Wide)
(Consultant Used: $Nil)

PROPOSAL

To seek comment and feedback from the Audit Committee on the Draft Financial Sustainability Discussion Paper and resulting policy.

The policy outlines the principles, indicators and targets that Council uses to assess and monitor financial sustainability

BACKGROUND

In 2013 Council adopted the Service Funding and Intergenerational Equity Policy that set out to promote a financially sustainable approach to the funding of Council services in a way that enhances rather than detracts from intergenerational equity.

In 2015 Council adopted the Financial Indicators and Measures Policy that set out the ratios and targets regarding measuring financial sustainability.

Following the election of the 2018/22 Council in November of 2018 and the change in economic climate as a result of the COVID-19 Pandemic, it is now a prudent time to reassess both policies and establish what the principles and sustainability targets are to be for the coming Council term.

For simplicity the two policies are to be combined into one “Financial Sustainability Policy” (the Policy) as per Attachment A.

Given the complex nature of financial sustainability principles and indicators the Policy is accompanied by a discussion paper (Attachment B) to give greater context and aid in the understanding of the proposed indicators and targets.

The discussion paper was presented to Council’s Audit Committee on 13 February 2020. The feedback received was used to update the discussion paper and draft the Policy.

The Policy outlines the proposed four funding principles and five indicators that Council utilises to ensure and monitor financial sustainability, particularly:

1. Whether Council is generating enough annual operating revenue to cover annual service delivery costs;
2. Council’s level of debt;
3. Whether Council is replacing and renewing assets at the rate outlined in the agreed Asset Management Plans;
4. Whether Council is funding the replacement and renewal of assets from operations over the asset replacement cycle; and
5. The amount of discretionary operating revenue spent on servicing interest costs associated with debt

Administration is seeking comment and feedback from the Audit Committee prior to Council considering and adopting the Policy in July 2020.

Attachments:
A. Draft Financial Sustainability Policy
B. Financial Sustainability Discussion Paper

STRATEGIC OBJECTIVES

Goal 4 - Excellence in Leadership

Theme 4.1 Good Governance: We are transparent and accountable, make informed decisions, demonstrate integrity and empower our community to have a voice and participate in a meaningful way.

Goal 4 - Excellence in Leadership

Theme 4.2 Organisational Improvement: We are efficient and effective with a culture of positive change and innovation to deliver sustainable outcomes and value-for-money services that meet community needs.

DISCUSSION

It is timely to review Council’s financial sustainability framework, even more so now given the unprecedented economic impact of the COVID-19 Pandemic and Council’s response. By having clear sustainability principles and measures Council will be well placed to understand the long-term financial impact of budget decisions.

Council is in the business of funding and providing services to the community both:

- directly; and
- via management of long term infrastructure.

Essentially, Council is in the business of raising revenue on an annual basis (primarily via taxation) to deliver services to the community. Some of those services involve direct cost service delivery and some of those services also involve the upfront investment in, perpetual maintenance of and eventual renewal of assets over long (but not infinite) useful lives.

To deliver these responsibilities successfully from a financial sustainability perspective, Council needs to monitor:

- Whether it is funding operating services sustainably;
- Whether it is managing and renewing assets sustainably; and
- Whether it has the balance right between:
  - spreading the cost of services over the life of the assets delivering those services (intergenerational equity); and
o minimising borrowings and interest costs.

There is a multitude of financial indicators that Council could potentially use and consider; however, any indicator(s) that Council use should be directly relevant to monitoring the issues listed above in a way that is understandable for both Elected Members and the community.

It would seem counter-productive to expend energy and resources monitoring indicators that are not relevant to Council’s business model or strategic goals; and even worse, monitoring indicators that are not suitable for the intended purpose have the potential to place Council inadvertently at financial risk.

The attached Policy and Discussion Paper outline the service funding principles and indicators that Council utilises to monitor financial sustainability.

After incorporating the discussions with the Audit Committee, Administration is seeking final comment and feedback on the funding principles and indicators in relation to their relevance and appropriateness in ensuring and monitoring the following:

- Whether Council is generating enough annual operating revenue to cover annual service delivery costs;
- Council’s level of debt;
- Whether Council is replacing and renewing assets at the rate outlined in the agreed Asset Management Plans;
- Whether Council is funding the replacement and renewal of assets from operations over the asset replacement cycle; and
- The amount of discretionary operating revenue spent on servicing interest costs associated with debt

Notable changes proposed from currently adopted policy

After a review by administration it is proposed to change the following from what is currently adopted in the existing policy:

1. Increase to the net financial liabilities ratio target from a maximum of 80% to a maximum of 100%

   Whilst Council’s current adopted long term plan is not projected to reach the existing upper limit of 80% it is recommended to lift the limit to 100% to give greater capacity for additional capital works projects over the coming 10 years, this would be more in line but still less than the Local Government industry’s limits.

2. Ceasing the use of the debt term

   After a review of all indicators it is recommended to cease the use of this measure due to complexities of calculation and challenges in presenting meaningful average forecasts, particularly when operating results are forecast at or close to zero (balanced budget) or even deficit as is currently the case. This combined with close commonalities with other financial indicators.
The volatility of debt term indicator when cash surplus is low and its non-responsiveness when cash surplus is high greatly reduces the measure’s effectiveness.

The net financial liabilities ratio and asset renewal cashflow ratio used together, give Council a clear picture on the state of debt without the need for a sixth indicator.

The intended next steps for the development of the Financial Sustainability Policy are:

- For information report to Council inclusive of Audit Committee feedback
- Workshop / discussion with Council on the draft policy
- Report to Council to endorse Council’s policy.

Community Implications

Ensuring financial sustainability reduces the risk of unplanned or significant service cuts or rate increases to the community and provides financial stability moving forward.

Environmental / Heritage Implications

Not applicable.

Cost Shifting Implications / Legislative Cost Imposts

Not applicable.

Impact on Budget including Lifecycle Costing

The establishment of a Financial Sustainability Policy does not have a direct impact on the budget, but it will allow Council to monitor and manage financial sustainability and intergenerational equity into the future.

Risk Management / WHS Assessment

Financial sustainability is one of Council’s key strategic risks and applying a sound suite of financial ratios and measures is the best way to monitor and manage that risk.

Legal / Policy Implications

Not applicable.
Engagement

The Long Term Financial Plan and Annual Business Plan (including budget) are considered “Strategic Management Plans” under Section 122 of the Local Government Act 1999. Section 122 (6) of the Local Government Act 1999 requires that Council must adopt a process to ensure members of the public are given reasonable opportunity to be involved in the development and review of its Strategic Management Plans.

Council is not required to consult the community directly on the establishment of financial ratios and measures; however they do form part of the Annual Budget and Long Term Financial Plan cycle and as such they will form part of the consultation material for that purpose and public comment will be able to be made on them.

Once updated the Financial Sustainability Policy will be placed on Council’s website and will serve as a guide to future decision making and strategic planning.

CONCLUSION

The establishment of a suite of financial ratios provides Council with a framework to measure and report on its financial sustainability and financial health; and assists to ensure that future decisions around rating, service levels and operating results are financially sustainable and responsible.

RECOMMENDATION – ITEM 6.3

That the report be received for information only.
DRAFT FINANCIAL SUSTAINABILITY POLICY

Adopted by Council [xx 2020]
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9. DOCUMENT CONTROL ................................................................................................... 13
1. PURPOSE

The purpose of this policy is to promote a financially sustainable approach to the funding of Council services in a way that enhances rather than detracts from intergenerational equity. Furthermore, this policy defines and measures the level of financial sustainability and sets the thresholds and parameters that Council decides to operate within.

The measures defined in this policy are to be used by Council in the development of the Long-Term Financial Plan, Asset Management Plans, budget reviews and other financial decisions. It outlines the measures by which Council will assess the implications of financial decisions on its financial position and financial sustainability.

2. SCOPE

This Policy applies to all future Council decisions in relation to service delivery including establishing budgets, quarterly budget reviews and individual service decisions. It serves as an indicator of the financial health of Council and articulates the self-imposed indicators and measures regarding financial sustainability.

The indicators in this policy are aimed at only assessing the internal financial position of Council. Other aspects such as affordability and service levels are informed through various alternative processes such as the Strategic Management Plan, the Annual Business Plan and the Efficiency and Effectiveness program.
3. **DEFINITIONS**

**Asset Annuity**

This is the average annual amount required for the replacement of all of Council’s existing assets that are due over the next 20 years. For example, if Council had three assets due for replacement over the next 20 years at $8 million each (a total of $24 million) then the Asset Annuity would be $24 million / 20 years = $1.2 million per year.

**Capital**

Expenditure or income that relates to the creation, renewal or upgrade of an asset.

**Cash Flow from Operations**

The amount of cash generated by Council each year from its operations less the operating payments made to suppliers and employees related to funding those operations.

**Council Controlled Income**

Income that Council has direct control over to influence namely rates and user charges.

**Depreciation**

The annual allocation of the capital cost of an asset over its useful life is included in the operating cost of the service that the asset is providing to reflect the use of an asset’s service potential, i.e., the depreciation charge of a $10 asset that lasts 10 years would be $1 per year charged to the operating cost of the service that the asset is providing.

**Infrastructure**

A collective term used to describe long-lived assets such as roads, footpaths, stormwater pipes and buildings that are utilised by Council to provide services.

**Intergenerational Equity**

The concept that those who are using the benefits of a service provided by Council should contribute proportionally to its cost. In terms of a service provided by a long-lived asset such as a public pool, this means that present and future users of the service should pay for the service equally over the life of the asset.

**Model Financial Statements**

A format prescribed by the Minister responsible for Local Government in which Council must present its Annual Financial Statements, budgets and budget reviews including the use of three industry mandated indicators. The model financial statements represent the *minimum* with regards to detail and disclosure;

**Net Financial Liabilities**
Council’s total liabilities including reserves less its financial assets (assets readily convertible to cash) such as cash at bank and receivables.

**Net Interest Expense**

Council’s annual interest expense less annual interest revenue.

**Recurrent Operating Income**

Income earned each year that funds the day-to-day recurrent operating services such as Rates, Statutory & User Charges, Grants and contributions.

**Recurrent Operating Services**

A service that is provided by Council each year either by choice or by legislative requirement. For the delivery of day-to-day recurrent operating services, the benefit of the provision of the service is consumed at the point the service is delivered and this pattern is repeated each year.

**Operating**

Expenditure or income that relates to the day-to-day operations of a service.

**Operating Projects**

A one-off short-term operating project is a service or project that is to be delivered over a short timeframe (1-2 years). For the delivery of one-off or short-term operating projects (services), the benefit of the provision of the service is still consumed at the point the service is delivered and this pattern is repeated each year for the duration of the project.
4. PRINCIPLES

Financial Sustainability¹

As a result of the 2005 independent inquiry into the Financial Sustainability of Local Government the Australian Local Government Association (LGA) by resolution at its December 2006 National General Assembly adopted the following definition of financial sustainability:

A Council’s long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

Given Councils are perpetual corporations that provide services for generation after generation, upholding the principle of intergenerational equity is at the heart of being financial sustainable.

Intergenerational Equity

Intergenerational equity in a local government finance context can be described in the following way:

Ratepayers in each time period should (as a group) contribute to public expenditures from which they derive benefits in accordance with their share of those benefits. In other words, they should ‘pay their way’, without either subsidising, or being subsidised by ratepayers in other time periods.

There are three main financial elements that can impact on achieving intergenerational equity:

1. Operating Surplus / (Deficit) – is Council fully funding current services?
2. Debt – is Council spreading the cost of services over the life of the assets they provide?
3. Asset Renewal – is Council renewing its assets to maintain its service level?

This policy establishes the service funding principles that support intergeneration equity and the financial indicators to measure the level of financial sustainability.

¹ LGA ‘Financial Sustainability’ Information Paper No 1 – Financial Sustainability
5. POLICY STATEMENT

Service funding principles

The following funding principles ensure ratepayers ‘pay their way’, without either subsidising, or being subsidised by ratepayers in other time periods.

It is important to note that these principles are to be applied over the medium to long term (4-10 years) as one off economic shocks may require a short term variation to reduce the rates burden on the community.

Service Funding Principle 1 - Recurrent Operating Services

Recurrent operating services should only be funded by recurrent operating income.

Borrowings should not be used to fund recurrent operating services as this creates a liability that will require ratepayers in future years to pay without receiving any benefit from the services delivered.

Service Funding Principle 2 – Operating Projects

One-off or short-term operating projects (services) should only be funded with either:

- Recurrent operating income sources, moving on to deliver a different one-off or short-term operating service at the conclusion of the current one; or

- One-off operating income sources that match the timeframe of the one-off or short-term operating service.

Borrowings should not be used to fund one-off or short-term operating services as this creates a liability that will require future generations to pay without receiving any benefit from the services delivered.

Service Funding Principle 3 – Capital Expenditure: New

The creation of new infrastructure and upgrading of existing infrastructure (Capital Expenditure) which, therefore, results in a new service or an increase to an existing service should be funded in either of the following ways:

- Borrowings to cover the initial capital investment costs for asset creation and ongoing operating income sources to cover the operating costs of the recurrent service provision over the life of the asset including maintenance, operations, interest and depreciation; and / or

- Proceeds from the sale of surplus assets to cover the initial capital investment costs for asset creation and ongoing operating income sources to cover the operating costs of the recurrent service provision including maintenance, operations, interest and depreciation.

The creation of new infrastructure or upgrade of existing infrastructure should not occur unless it is accompanied by a recurrent operating income source to cover the operating costs of the recurrent service provision over the same timeframe as the assets service life.
Service Funding Principle 4 – Capital Expenditure: Renewal

The Asset Annuity requirements of Council’s infrastructure and assets should be funded with recurrent operating income sources.

This is on the basis that the Asset Annuity is the annual amount required to maintain Council services delivered by assets and reinforces the principle of intergenerational equity.

Even with the Asset Annuity being funded from recurrent sources of income there is still the requirement to fund the initial capital cost of renewing assets as and when they fall due. This is because there will be timing differences between the lumpy capital requirements from year-to-year and the constant annual Asset Annuity amount being funded by recurrent operating revenue.

In some years the capital requirements will be less than the Asset Annuity (a cash surplus is the result) and in some years the capital requirement will be greater than the annuity (a cash deficit is the result), all other things being equal.
Measuring sustainability
Council will use five primary indicators to assess and monitor financial sustainability and the implications of budgetary decisions.

As part of the financial sustainability enquiry the Local Government Association (LGA), through the model financial statements, has mandated the reporting of three financial indicators which in some cases are slightly different from the financial indicators outlined in this policy.

Whilst it is a requirement for Council to publish the LGA’s Industry Ratios in its Annual Report, Long Term Financial Plan and Financial Statements there is no limitation placed on the number and type of ratios that Council may use to assess and measure its own financial sustainability.

Any differences between the industry standard ratios required by the LGA and Council’s key financial indicators detailed in this policy are outlined under each key measure below.

Financial Indicator 1 - Operating Result Ratio
Calculated as:
Operating result (excluding non-cash gains / losses from equity accounted subsidiaries) expressed as a percentage of Council rates income, less Natural resources Management (NRM) levy.

Purpose:
This ratio is designed to identify the portion of Council’s rates (the main source of Council controlled income) that is contributing to a surplus result, or alternatively the additional portion of Council’s rates needed to address a deficit result. The ratio expresses the operating result as a percentage of Council’s rates.

Sustainability Target:
Between 1% and 4% across the 10 year Long Term Financial Plan term

LGA Mandated Indicator
The difference between this Operating Result Ratio and the indicator per the LGA ‘Financial Sustainability’ Information Paper No. 9: Financial Indicators, May 2015 is that the LGA indicator uses operating income with a suggested target of 0-10%. Council considers that running operating surpluses of 10% of total income is excessive and works against intergenerational equity. Council also considers it is more appropriate to have regard for only rates income and not all sources of income, which are either beyond its control or directly ties to other expenditure.
Financial Indicator 2 – Net Financial Liabilities Ratio

Calculated as:

Net financial liabilities and reserves expressed as a percentage of rates income

Purpose:

This ratio measures Council’s net financial liabilities as a percentage of its rates income. It measures the absolute level of Council debt (including potential debt in the form of undrawn reserves) and articulates how much of Council’s annual rates income would be required to repay that debt if Council were to wind up.

Sustainability Target:

No more than 100% on average over the 10 year Long Term Financial Plan term.

LGA Mandated Indicator

The difference between this indicator and the industry mandated indicator in the model financial statements is that the industry mandated indicator uses total operating income as the denominator with a suggested upper limit of 100% (The equivalent upper limit ratio would be 120%).

Council considers it more appropriate and conservative to only use rates income as other operating income is generally tied to specific expenditure requirements and, therefore, is not available to repay Council’s debt.
Financial Indicator 3 – Asset Renewal Funding Ratio

Calculated as:

Amount spent on replacement of existing assets expressed as a percentage of the amount planned to be spent according to the endorsed Asset Management Plans and Schedules

Purpose:

This indicator measures the extent to which Council is replacing assets compared to the rate at which it needs to be replacing assets to ensure consistent service delivery. In effect it measures whether Council is spending the amount required annually to deliver the Asset Management Plans and Schedules.

Sustainability Target:

100% average across the 10 year Long Term Financial Plan term

LGA Mandated Indicator

This indicator is consistent with the mandated indicator recommended by the LGA which suggests a target of greater than 90% but less than 110%.

Financial Indicator 4 – Asset Renewal Cashflow Ratio

Calculated as:

Cash flow from operations expressed as a percentage of the net expenditure on renewal/replacement of assets.

Purpose:

This indicator measures whether Council is generating enough cash from its operations to cover the replacement of assets over time. This ensures that Council is delivering intergenerational equity across the lifecycle of asset replacement.

Sustainability Target:

No less than 100% on average over the 10 year Long Term Financial Plan term

LGA Mandated Indicator

This indicator (or an equivalent) is not included in those mandated as part of the model financial statements, however, Council believes it is an important indicator to ensure that Council is not only replacing assets at the rate needed (Financial Indicator 3), but that asset replacement is being funded from sustainable sources of income.
**Financial Indicator 5 - Interest Coverage Ratio**

**Calculated as:**

Net interest expense expressed as a percentage of rates income

**Purpose:**

This indicator measures the affordability of Council’s debt and articulates the portion of Council’s rates income that is being used to pay interest. When considered in conjunction with Financial Indicator 2 (Net Financial Liabilities Ratio) this ratio forms part of a picture in terms of the level and affordability of Council’s debt.

**Measure:**

No more than 6% over the 10 year Long Term Financial Plan term

**LGA Mandated Indicator**

This indicator (or an equivalent) is not included in those mandated as part of the model financial statements, however, Council believes it is an important indicator to ensure that Council holds an affordable level of debt.
6. REPORTING

These prescribed financial indicators will be reported each year as part of the Long Term Financial Plan. Thereafter, at every Budget Review, these ratios will be updated based on the revised budget for the year. The report will include the adopted ratios which will be compared to revised ratios.

In addition, these ratios (based on actual results) will also be reported on through the Annual Report each year. Council will continue to also publish the mandated ratios within its financial documents and as part of the Annual Financial Statements.

Council will explicitly consider and note any decisions that result in exceeding the limits set out in this policy.

7. POLICY REVIEW

The Council is committed to ensuring this policy and supporting framework remains current and effective. This Policy will be subject to review every four (4) years or sooner at the discretion of the relevant General Manager. The CEO has delegated authority to endorse any amendments to the Policy that do not vary the intent of the policy.

8. VERSION HISTORY

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| Endorsed by Council: | [Insert Meeting Date] | Item No: | [Insert item number] |
| Effective Date:     | [insert operational date] | Next Review Date: |
City of Mitcham Financial Sustainability Discussion Paper

Background

Financial sustainability defined\(^1\)

The word ‘sustainable’ is most often used in the context of environmental management. We can easily understand, for example, that fossil fuels such as oil and coal are finite resources. Therefore, considerable effort is devoted to seeking alternative renewable energy resources, along with energy saving practices and technologies, to try to make our energy consumption practices sustainable. In general terms we use ‘sustainable’ to mean that we can continue our current practices.

‘Financial sustainability’ is a similar concept. For community members, financial sustainability is probably thought of as whether we can afford our current lifestyle. For those of us who own homes or businesses, we may think in longer terms as to whether we will be able to repay debts by the time we retire. This type of thinking is practical for individuals or families where long-term planning is probably in the order of 15-20 years.

The concepts most people use in their personal and business lives are basically the same as those that should be applied to Local Government but need some modification. This is because Councils are perpetual corporations which acquire and manage a stock of financial and physical assets (including renewing and disposing of individual items) in order to provide services for generation after generation of residents and ratepayers.

Councils provide the legal framework by which communities own infrastructure and other assets and by which they act as a collective. Much Local Government infrastructure has a life of 30, 50 or in some cases well over 100 years. While individuals involved may come and go, Local Government continues like State and Federal governments, perpetually.

For Local Government, considering financial sustainability poses the question:

Can we continue the sort of revenue and expenditure patterns of recent years while maintaining the levels of service expected by the community?

As a result of the 2005 Independent Inquiry into the Financial Sustainability of Local Government the Australian Local Government Association by resolution at its December 2006 National General Assembly adopted the following definition of financial sustainability:

A Council’s long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

Given Councils are perpetual corporations that provide services for generation after generation, upholding the principle of intergenerational equity is at the heart of being financial sustainable.

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\(^1\) LGA ‘Financial Sustainability’ Information Paper No 1 – Financial Sustainability
Intergenerational Equity

Historically Councils had large annual shortfalls against the optimum level of expenditure needed for maintaining and renewing existing infrastructure. If Councils operated with very low levels of debt, then they would be trying to rebuild long-lasting infrastructure backlog out of current revenue rather than recovering the cost over the life of the infrastructure.

In addition to not adequately funding infrastructure renewal, many South Australian Councils were also running operating deficits, thus ongoing services were not being fully funded by the generation receiving the services.

In effect, these circumstances lead to either future generations having to pay for infrastructure backlogs, paying off the debt accrued due to deficits or both. This issue is often referred to as 'intergenerational equity'.

Intergenerational equity in a local government finance context can be described in the following way:

Ratepayers in each time period should (as a group) contribute to public expenditures from which they derive benefits in accordance with their share of those benefits. In other words, they should ‘pay their way’, without either subsidising, or being subsidised by ratepayers in other time periods.

An example of adhering to the intergenerational equity principle is when Councils borrow to construct long term infrastructure. The debt is then repaid over the lifetime of the asset by all the generations that benefit from it. It would not be fair for today’s ratepayers to fully fund an asset that might be used by ratepayers many decades into the future.

There are three main financial elements that can impact on achieving intergenerational equity:

Operating Surplus / (Deficit) – is Council fully funding current services?

Debt – is Council spreading the cost of services over the life of the assets they provide?

Asset Renewal – Is Council renewing its assets to maintain its service level?

Operating Surplus / (Deficit)

An operating surplus (or deficit) arises when operating income exceeds (or is less than) operating expenses. This requires current day citizens to fully meet the cost of services provided for them by their Council.

If Council is not generating an operating surplus in most periods, then it is likely borrowing to fund day to day activities or it’s not renewing its assets optimally or is selling non surplus community assets.

In all cases future generations would be negatively impacted by the existing generation not paying all the costs of current services.

Debt

Debt can either work for or against intergenerational equity depending on how the debt originated.

The terminology in relation to “good” debt versus “bad” debt has been used as part of public debate to distinguish between good and bad government debt. Good versus bad debt doesn’t refer to the amount or level of debt it’s what it was used for.

Good debt has often been described as debt which is taken on to invest in infrastructure (e.g. to enhance productivity) compared to bad debt which is incurred for current spending purposes.
Good debt

Local governments in South Australia have the capacity to borrow funds at very competitive rates through the Local Government Financing Authority. Local Governments also have a strong and stable revenue base through rates revenues.

Local government debt will often include borrowing funds to invest in community assets, which return a community benefit. For Mitcham, this includes various community-based assets including Libraries, Community Hubs and sporting facilities. Whilst these community-based assets require one off capital funds upfront and ongoing operating funds for maintenance and debt repayment, these developments have a community benefit to them.

Bad debt

Using debt to fund operating deficits is considered to be “bad” debt. Effectively, it is burdening future generations with the cost of services provided in the past.

If debt continues to increase without enough planning, there will be a point in time where the debt level will significant restrict Council’s ability to provide services at the current level, impacting future generations.

Debt Level

For asset-intensive organisations like Councils, borrowings are a valid and appropriate option to help finance ongoing infrastructure requirements, particularly when acquiring new assets or enhancing existing assets to provide a higher, affordable level of services.

The reality is that some well-managed Councils will need more debt than others at times. To pay for its infrastructure requirements a Council with a peak in development activity and expenditure needs associated with rapid growth or reducing an infrastructure backlog is likely to need to borrow more than a mature Council with little growth and no backlog, just as a first home buyer is likely to need to borrow more than someone who purchased their home many years ago.

There is no specific amount of debt that is right for a Council. Whether a Council has too much debt, or can afford more, depends on:

- its community’s needs for services, and
- the Council’s existing level of operating costs relative to revenue; and
- the Council’s willingness and capacity to raise additional revenue if required.

Asset Renewal

Renewal and replacement expenditure is major work which does not increase the asset’s design capacity but restores, rehabilitates, replaces or renews an existing asset to its original service potential.

Council exists to provide services. Some of these services are provided by infrastructure assets. The goal in managing infrastructure assets is to meet the defined level of service in the most cost-effective manner for present and future consumers.

Providing these services in a sustainable manner requires matching of projected asset renewal and replacement expenditure to meet agreed service levels with the corresponding capital works program accommodated in the long-term financial plan.
Any gap between asset renewal/replacement expenditure and amounts accommodated in the budget will most likely result in a service level decline and an infrastructure backlog. The creation of a backlog burdens future generation with higher costs and or lower service level than the current generation.
Financial Sustainability Principles
The following service funding principles are recommended to ensure long term financial sustainability and to uphold the principle of intergenerational equity.

Recurrent Operating Services
A recurrent operating service is a service that is provided by Council each year either by choice or by legislative requirement. For the delivery of day-to-day recurrent operating services, the benefit of the provision of the service is consumed at the point the service is delivered and this pattern is repeated each year. This requires an ongoing source of income to match the consumption of the service every year.

Service Funding Principle 1
Recurred operating services should only be funded by recurrent operating income such as rates, grants, statutory charges and user charges.

Borrowings should not be used to fund recurrent operating services as this creates a liability that will require ratepayers in future years to pay without receiving any benefit from the services delivered.

Cash from the sale of surplus assets should also not be used to fund recurrent operating services as it is not an income stream. The sale of an asset is a one-off capital cash source and, therefore, cannot fund the ongoing delivery of a service year-by-year.

One-off or Short-Term Operating Projects (Services)
A one-off short-term operating project is a service or project that is to be delivered over a short timeframe (1-2 years). For the delivery of one-off or short-term operating projects (services), the benefit of the provision of the service is still consumed at the point the service is delivered and this pattern is repeated each year for the duration of the project.

This requires a source of income to match the consumption of the service over the timeframe of the project.

Service Funding Principle 2
One-off or short-term operating projects (services) should only be funded with either:

- Recurrent operating income sources such as rates, grants, statutory charges and user charges, moving on to deliver a different one-off or short-term operating service at the conclusion of the current one; or

- One-off operating income sources that match the timeframe of the one-off or short-term operating service such as grants and external contributions.

Borrowings should not be used to fund one-off or short-term operating services as this creates a liability that will require future generations to pay without receiving any benefit from the services delivered.
Capital Expenditure – New
The delivery of recurrent operating services through infrastructure (assets) often occurs over long periods of time (i.e. a library service is provided using a library building and other IT infrastructure). There is usually an upfront investment required to create the asset which, if funded from operating income, would place an unfair burden on the current users of the asset.

Whilst there remains the requirement to fund the provision of the assets recurrent operating service with operating income, this should be done over the same timeframe as the assets service life.

Service Funding Principle 3
The creation of new infrastructure and upgrading of existing infrastructure (Capital Expenditure) which, therefore, results in a new service or an increase to an existing service should be funded in either of the following ways:

- Borrowings to cover the initial capital investment costs for asset creation and ongoing operating income sources such as rates, grants, statutory charges and user charges to cover the operating costs of the recurrent service provision including maintenance, operations, interest and depreciation; and / or

- Proceeds from the sale of surplus assets to cover the initial capital investment costs for asset creation and ongoing operating income sources such as rates, grants, statutory charges and user charges to cover the operating costs of the recurrent service provision including maintenance, operations, interest and depreciation.

The creation of new infrastructure or upgrade of existing infrastructure should not occur unless it is accompanied by a recurrent operating income source to cover the operating costs of the recurrent service provision including maintenance, operations, interest and depreciation.

Capital Expenditure - Renewal
The delivery of recurrent operating services through infrastructure (assets) often occurs over long periods of time (i.e. a library service is provided using a library building and other IT infrastructure). At the end of an assets service life it would normally need to be renewed to ensure the service it’s providing continues. This creates a new upfront investment requirement to re-establish the assets service life.

This upfront investment is then amortised through Council’s financial reports in the form of depreciation over the life of the asset.

With regard to the perpetuity of service provision from assets the important consideration is the average amount required into the future (per annum) to replace Council’s assets as and when they fall due. This is known as the Asset Annuity and is the sum of all future planned replacement from Council’s Asset Management Plans spread evenly over time.

The Asset Annuity is the forward-looking requirement of Council’s asset renewal requirements; whereas depreciation is an historic view of what Council has put in place. For financial sustainability purposes and intergenerational equity purposes the Asset Annuity is more relevant.
Service Funding Principle 4

The Asset Annuity requirements of Council’s infrastructure and assets should be funded with recurrent operating income sources such as rates, grants, statutory charges and user charges.

This is on the basis that the Asset Annuity is the annual amount required to maintain Council services delivered by assets and reinforces the principle of intergenerational equity.

Even with the Asset Annuity being funded from recurrent sources of income there is still the requirement to fund the initial capital cost of renewing assets as and when they fall due. This is because there will be timing differences between the lumpy capital requirements from year-to-year and the constant annual Asset Annuity amount being funded by recurrent operating revenue.

In some years the capital requirements will be less than the Asset Annuity (a cash surplus is the result) and in some years the capital requirement will be greater than the annuity (a cash deficit is the result), all other things being equal.
Measuring financial sustainability

The 2005 Independent Inquiry into the Financial Sustainability of Local Government recommended that a Council’s long-term financial sustainability was to be assessed using a standard set of key financial indicators.

South Australia adopted and mandated the reporting of three key financial indicators, covering each Council’s:

- financial performance;
- financial position; and
- asset management performance.

Whilst it is a requirement for Council to publish the LGA’s Industry Ratios in its Annual Report, Long Term Financial Plan and Financial Statements there is no limitation placed on the number and type of ratios that Council may use to assess and measure its own financial sustainability.

Council currently uses six indicators, three based on, but slightly different to the mandated ratios and three additional indicators that give further insight into the sustainability of Council. These indicators address intergenerational equity and the principles discussed above.

The indicators assess and monitor financial sustainability and the implications of budgetary decisions. Council may also utilise several other financial indicators and measures on an as needs basis to assess financial sustainability.

Any differences between the industry standard measures ratios required by the LGA and Council’s key financial measures are outlined under each key measure below. Council will continue to also publish the mandated ratios within its financial documents.
Financial Indicator 1 - Operating Result Ratio

Calculated as:

Operating result (excluding non-cash gains / losses from equity accounted subsidiaries) expressed as a percentage of Council rates income, less NRM levy

Purpose:

This ratio is designed to identify the portion of Council’s rates (the main source of Council controlled income) that is contributing to a surplus result, or alternatively the additional portion of Council’s rates needed to address a deficit result. The ratio expresses the operating result as a percentage of Council’s rates.

Sustainability Target:

Between 1% and 4% across the 10-year Long Term Financial Plan term

In general, Council should not be targeting operating deficits excluding subsidiaries, nor should it be targeting large operating surpluses. Both negatively affect intergenerational equity.

Targeting a surplus between 1-4% buffers Council from external economic shocks and increases the ability to repay debt.

The difference between this Operating Result Ratio and the mandated ratio is the use of operating income instead of rates income with a suggested target of 0-10%. Council considers it is more appropriate to have regard for only rates income and not all sources of income which are either beyond its control or directly ties to other expenditure. Council also considers that running operating surpluses of 10% of total income is excessive and works against intergenerational equity.

Figure 1: Current 2019/20 Adopted Long Term Financial Plan Projection – Operating Result Ratio
Figure 1 shows Council improving its operating result from 2009/10 and targeting a surplus ratio of around 1%. The high actual operating results are due to one off items and favourable year end positions.

**Figure 2: Operating Surplus (Deficit) Ratio – Council Benchmarking**

![Operating Surplus / (Deficit) Ratio (18/19)](image)

Figure 2 indicates that nearly all council returned a surplus in 2018/19 with Mitcham slightly above the average.
Financial Indicator 2 – Net Financial Liabilities Ratio

Calculated as:
Net financial liabilities and reserves expressed as a percentage of rates income

Purpose:
This ratio measures Council’s net financial liabilities as a percentage of its rates income. It measures the absolute level of Council debt (including potential debt in the form of undrawn reserves) and articulates how much of Council’s annual rates income would be required to repay that debt if Council were to wind up.

Any organisation involved in long term projects, perpetual service delivery and asset creation requires access to debt. Debt is a healthy source of finance if used appropriately and for the right purpose and if associated with an income source to facilitate its repayment over time. Total debt should not be too low or too high to create a negative impact on intergenerational equity.

If total debt is too high it is arguable that current ratepayers are not paying their way, leaving too much of the burden to future generations. Equally, if total debt is too low it is arguable that current ratepayers are being asked to pay too much of the burden at the benefit of future ratepayers, or alternatively that infrastructure renewal is being deferred and assets run down for future generations to deal with.

It is also important to note that when considering the net financial liabilities as a percentage of rates income, Council is a perpetual organisation that exists forever with a secure and perpetual income source. This is different to considering an individual’s level of debt as a portion of their discretionary income as the individual has a finite working life and, therefore, a finite source of income.

Sustainability Target:

No more than 100% on average over the 10-year Long Term Financial Plan term.

The above sustainability target sees a proposed increase from a maximum of 80% to 100% on average.

In general, Council should be managing a level of debt to ensure the best balance between current and future ratepayers for long-lived infrastructure costs, thus delivering intergenerational equity.

The difference between this indicator and the industry mandated indicator in the model financial statements is that the industry mandated indicator uses total operating income as the denominator with a suggested upper limit of 100%. (The equivalent upper limit ratio would be 120%)

Council considers it more appropriate and conservative to only use rates income as other operating income is generally tied to specific expenditure requirements and, therefore, is not available to repay Council’s debt.
Figure 3: Current 2019/20 Adopted Long Term Financial Plan Projection – Net Financial Liabilities Ratio

Figure 3 above highlights Council’s historically low levels of debt, projected to increase as a result of reducing asset backlogs, new capital projects and a low operating surplus. Council is projected to exceed the existing upper limit from a year on year perspective. But given the upper limit is based on an average of the 10 year term, a rolling average of this indicator is shown below:

Figure 4: Current 2019/20 Adopted Long Term Financial Plan Projection – Net Financial Liabilities Ratio – Rolling Average

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Whilst Council is not currently projected to reach the existing upper limit of 80% it is recommended to lift the limit to 100% to give greater capacity for additional capital works projects over the coming 10 years, this would be more in line but still less than the Local Government industry’s limits.

**Figure 5: Net Financial Liabilities Ratio – Council Benchmarking**

Figure 5 above indicates that Mitcham in 2018/19 had relatively low levels of debt compared to most other Councils.
Financial Indicator 3 - Asset Renewal Funding Ratio (Formally known as Asset Sustainability Ratio)

Calculated as:

Amount spent on replacement of existing assets expressed as a percentage of the amount planned to be spent according to the endorsed Asset Management Plans and Schedules.

**Purpose:**

This indicator measures the extent to which Council is replacing assets compared to the rate at which it needs to be replacing assets to ensure consistent service delivery. In effect it measures whether Council is spending the amount required annually to deliver the Asset Management Plans and Schedules.

Council’s Asset Management Plans and Schedules determine, for the given level of service, when assets need to be replaced to ensure that the given level of service is maintained. If Council is achieving 100% over time for this measure, then it is maintaining the service levels delivered by assets and is maintaining asset condition as agreed in the Asset Management Plans and Schedules.

It is important to note that this indicator does not measure if Council is funding the asset replacement requirements from sustainable sources (Financial Indicator 4) but is simply measuring if Council is performing the required work to replace assets and maintain the level of service and asset conditions.

**Sustainability Target:**

**100% average across the 10-year Long Term Financial Plan term**

In general, Council should be targeting around 100% of the replacement works determined by the Asset Management Plans to ensure consistent service delivery. To allow for variation, it is considered that this target is most appropriately applied over the 10-year Long Term Financial Plan period.

This indicator is consistent with the mandated indicator recommended by the LGA which prescribe a target of
Figure 6: Current 2019/20 Adopted Long Term Financial Plan Projection – Asset Renewal Funding Ratio

Figure 6 above indicates Council is, on average, replacing approximately 100% of its Assets as planned, albeit some individual year amounts are impacted by capital re-budgets. Council’s projected future asset funding renewal ratio is set at 100% by funding all required capital renewals as per the adopted asset management plans.
Financial Indicator 4 – Asset Renewal Cashflow Ratio

Calculated as:

Cash flow from operations expressed as a percentage of the net expenditure on renewal/replacement of assets.

Purpose:

This indicator measures whether Council is generating enough cash from its operations to cover the replacement of assets over time. This ensures that Council is delivering intergenerational equity across the lifecycle of asset replacement.

If Council is not generating enough cash from operations to cover its asset renewal requirements (less than 100% on this ratio) then it is funding the replacement of assets from unsustainable sources of income, which will lead to an increasing level of borrowings over time, working against the principle of intergenerational equity.

Sustainability Target:

No less than 100% on average over the 10 year Long Term Financial Plan term

In general, Council should be generating enough cash from operations to cover the annual funding requirements for the replacement of assets over time (asset replacement annuity).

This indicator (or an equivalent) is not included in those mandated as part of the model financial statements, however, Council believes it is an important indicator to ensure that Council is not only replacing assets at the rate needed (indicator 3), but that asset replacement is being funded from sustainable sources of income.

When Council has a program of reducing an infrastructure backlog, it is expected that asset renewals will be higher than cash flow from operations and thus the ratio will be less than 100%.
Figure 7: Current 2019/20 Adopted Long Term Financial Plan Projection – Asset Renewal Cashflow Ratio:

![Diagram showing asset renewal cashflow ratio over time with different lines representing actual, adopted 19/20 LTFP, proposed lower limit, and proposed upper limit.]
Financial Indicator 5 - Interest Coverage Ratio

Calculated as:

Net interest expense expressed as a percentage of rates income

Purpose:

This indicator measures the affordability of Council’s debt and articulates the portion of Council’s rates income that is being used to pay interest. When considered in conjunction with Financial Indicator 2 (Net Financial Liabilities Ratio), this ratio forms part of a picture in terms of the level and affordability of Council’s debt.

Sustainability Target:

No more than 6% over the 10-year Long Term Financial Plan term

Council considers that interest expense of greater than 6% of its rates income indicates a servicing cost of debt that is too high and working against the principle of intergenerational equity. To allow for variation it is considered that this limit is most appropriately applied over a rolling three-year period.

Figure 8: Current 2019/20 Adopted Long Term Financial Plan Projection – Interest Cover Ratio:

Figure 8 above is reflective of Council’s historically low levels of debt and projected increase in borrowings to fund new capital projects.
Financial Indicator 6 – Debt Repayment Term

Calculated as:

Amount of time (in years) over which the repayment of existing debt and debt taken is funded based on forecast surplus cash from operations. Surplus cash is calculated as cash from operations excluding non-cash items, one off items and asset renewal expenditure.

Purpose:

This indicator measures whether Council is generating enough cash from its operations to fund asset renewal and repay debt principal over a defined timeframe. Running a balanced budget excluding non-cash items provides Council with the capacity to repay the borrowings over the life of assets, which is perhaps the purest form of intergenerational equity. This ratio thus aims at ensuring that the users of a service pay for that service, whilst balancing the issue of intergenerational equity and debt management.

There is an interest cost consideration which needs to be balanced against the intergenerational equity principle in terms of direct service benefit. This ratio is designed to allow Council to define a timeframe and then monitor if enough cash from operations is being generated to repay debt principal over that timeframe.

When considering an appropriate timeframe over which to repay debt it is worth noting that the closer the time of repayment is to the life of the asset, the closer Council is to the intergenerational equity principle but the higher the interest cost. The shorter the time of repayment the lower the interest cost but the further away Council is from the intergenerational equity principle.

This ratio is greatly influenced by the Operating Result Ratio (Financial Indicator 1) which generally determines the amount of surplus cash from operations and thus the timeframe over which Council’s debt will be paid off. An increase in the surplus will decrease the debt term and vice versa.

Sustainability Target:

Between 10 – 30 years

The weighted average life of Council’s depreciable assets is about 66 years and, therefore, running a balanced budget is providing the necessary cash to repay debt over that timeframe. Whilst this is the purest timeframe in theory, from an intergenerational equity perspective, it may be considered too long from an interest cost point of view. In considering the right balance between minimising interest costs and applying the intergenerational principal from a direct service benefit point of view it is considered that a timeframe of between 10-30 years is better applied to the repayment of debt. This is conservative from the perspective that the weighted average of assets is about 66 years, however, strikes a balance between intergenerational equity and interest costs and allows Council to ensure financial sustainability.

Issues with the debt term

The debt term indicator has been in use for several years. After a review of all indicators it is recommended to cease the use of this measure due to some fundamental calculation issues and close commonalities with other financial indicators.
Calculations issues

The debt term takes borrowings and divides it by surplus cash after asset renewal. Three examples are shown below with varying cash surpluses based on borrowings of $30m:

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As shown in the above table a relatively small increase of $500,000 for each scenario has a disproportionate change in the debt term.

Figure 9 Relationship between debt term and surplus cash:

The disproportion change is best illustrated by figure 9 above. Cash surpluses of $1.5m and over do not significantly change the debt term whereas between $250,000 and $1m changes the debt term by 90 years.

The volatility of this indicator when cash surplus is low and its non-responsiveness when cash surplus is high greatly reduces the measure’s effectiveness.

We also see further calculations issues when determining the average across a period. Using the example in the table above and a theoretical range of debt terms we see an increase in the average debt term by simply deferring $500,000 of asset renewal from year 5 to year 6. In figure 10 below the average debt term is 30 years, by shifting asset renewal and thus cash surplus we see a ‘spike’ in year 6 where the average has now increased from 30 to 33 years (figure 11).
Commonalities

The debt term measures the relationship between the level of borrowings and surplus cash after asset renewal, these financial aspects are effectively measured through financial indicator two and four respectively.

Financial indicator two, Net Financial Liabilities ratio includes the level of borrowings and financial indicator four, Asset Renewal Cashflow Ratio measures the level of surplus cash left over after renewal.
If indicator four is above 100%, on average, then Council is contributing towards reducing its existing debt. The direction of indicator two (net financial liabilities) determines if borrowings are increasing or decreasing. This, unlike the debt term, takes in to account future projected debt levels.

Used together, these two indicators give Council a clear picture on the state of debt without the need for a sixth indicator.

**Given the issues discussed above it is recommended to cease the use of the debt term indicator.**
Taxation Level
As part of the development of this discussion paper, Council's Audit committee requested to see a measure of household affordability.

Rates collected from the community is Council's main source of funding which make up approximately 85% of all revenue raised and thus is a critical revenue stream to fund services.

Whilst rates are the main source of funding it makes up less than 4% of all government taxation and thus the impact on affordability concerning rates is relatively low.

If Council were to adopt a household affordability indicator a measure could be in the form of the proportion of household income required to pay the average residential rates.

The measure is problematic when compared over several periods. As expected, the proportion of household income contributing to rates shows an increase over time. This is as a result of the community’s willingness to fund new services such as green waste and libraries and the effect of cost and service shifting from other levels of government.

The measure can best be shown as snapshot in time in comparison with other Councils to give some perspective in terms of how much of Mitcham’s household income goes towards rates relative to other local government areas.

As of 2016 (most recent census data) Council’s average rates make up less of a proportion of Mitcham’s household income many other Councils.

![Rating Household Income Ratio](image)

The data at a local government level is only available every four years with the release of the census. Given the measure ignores the community’s willingness to pay higher rates for a higher level of service and the relatively low taxation proportion it is not recommended to include this indicator as part of the sustainability measures.
Conclusion

This discussion paper promotes a common basic understanding of financial sustainability issues in a Local Government context. It is important to emphasise that Councils are making decisions as perpetual organisations for current and future generations.

The service funding principles and indicators discussed in this paper are reflected in the Sustainability Policy and are there to assist Council in making decisions in a financially sustainable manner.

Notable changes to current policy recommended in this discussion paper are:

1. Increasing the Net Financial Liability target from a maximum of 80% to 100% on average over the 10-year long term financial plan term
2. Ceasing the use of the debt term indicator
6.4 CYBER SECURITY UPDATE AND DATA BREACH RESPONSE PLAN

Report Author/Manager: Naomi Molloy
General Manager: Wade Reynolds
(Meeting Date: 14 May 2020)
(Location: Council Wide)
(Consultant Used: $Nil)

PROPOSAL

To provide a report and update to the Audit Committee on the progress of the Cyber Security Work Plan.

BACKGROUND

On 17 December 2019 a report was presented to the Audit Committee regarding cyber security including results and findings from penetration testing conducted in September 2019. It was determined that a report be provided to the committee in six months to outline progress made to improve Council’s IT security and resilience to cyber-attack. The Committee also requested a copy of Council’s Data Breach Response Plan (Confidential Attachment A), which has been provided to Executive for endorsement and is also the subject of the current internal audit program, reviewing Data Breach response and Security.

Attachments:

A. Data Breach Response Plan (confidential)

STRATEGIC OBJECTIVES

Goal 4 - Excellence in Leadership

Theme 4.2 Organisational Improvement: We are efficient and effective with a culture of positive change and innovation to deliver sustainable outcomes and value-for-money services that meet community needs.

DISCUSSION

Following the assessment of Council’s maturity against cyber-attack from penetration testing, a work plan was developed including recommendations from the tests, input from staff, and advice from external consultants. These recommendations were prioritised and scheduled for completion prior to undergoing follow up testing later in 2020.

To date, approximately half of the workplan has been completed from the perspective of the size, complexity and staging of the tasks. Completed tasks include those with a greater impact on security such as improved encryption, application hardening and significantly increased end point protection. In addition to this targeted training and awareness has been occurring on an ongoing basis and formalised corporate wide compulsory training is being procured.
While there have been some timing adjustments in the workplan due to the impact of COVID-19, Council have also capitalised and fast-tracked other security measures. This has put Council in a significantly better position to operate securely while staff undertake remote working.

Despite the interruptions due to COVID-19, Council remain on track to complete the workplan prior to the follow up penetration testing proposed for September, which should see Council with a significantly reduced risk or vulnerability to cyber-attack.

It is important to note however, that while the above items will improve Council’s resistance to attack, there is no guarantee of complete coverage due to the complex and changing nature of technology, and the resources, knowledge and fortitude of attackers. Of equal note though, is that security will remain a focus for the IT team who will continue to investigate and implement new feasible measures as they arise.

**Community Implications**

Nil

**Environmental / Heritage Implications**

Nil

**Cost Shifting Implications / Legislative Cost Imposts**

Nil

**Impact on Budget including Lifecycle Costing**

This project and the items included in the work plan have to date been completed within the existing operational budget. Additional operational or capital expenses may be required when future work plan items have been reviewed and scoped for implementation.

**Risk Management / WHS Assessment**

Council’s aggregate risk of security attack will be reduced by implementing solutions outlined in the Cyber Security Work Plan.

**Legal / Policy Implications**

Nil

**Engagement**

Nil

**CONCLUSION**

The Cyber Security Work Plan has been progressing internally and is tracking to be completed prior to the next iteration of penetration testing, proposed to occur in September 2020.
RECOMMENDATION – ITEM 6.4

DECISION 1 – GO INTO CONFIDENCE

1. That pursuant to Section 90(2) of the Local Government Act 1999, the Council orders the public be excluded with the exception of staff present on the basis that the Audit Committee considers it necessary and appropriate to act in a meeting closed to the public in order to receive, discuss or consider in confidence Agenda Item 6.4 Cyber Security Update and Data Breach Response Plan and that the Audit Committee is satisfied with the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to the matter under consideration because the information is of the nature specified in Subsection 90(3)(e) of the Local Government Act 1999, being matters affecting the security of the Council, members or employees of the Council, or Council property; or the safety of any person/s and the report outlines progress made to improve cyber security of Council.

DECISION 2 – SUBSTANTIVE DECISION

That the report be received for information only.

DECISION 3 – OUT OF CONFIDENCE / ITEMS TO REMAIN IN CONFIDENCE

(1) That having considered the said information or matter pursuant to Section 90(2) and (3)(e) under Part 3 of Chapter 6 of the Local Government Act 1999, the Council orders pursuant to Section 91(7) of the Local Government Act 1999 that the discussion and attachment relating to Agenda Item No 6.4 be kept confidential until such time as the Chief Executive Officer is of the view that their release no longer infers a material risk to the community's data and Council's systems and infrastructure.

(2) That the Chief Executive Officer be authorised to review the confidentiality order annually.

(3) That pursuant to Section 91(9)(c) of the Local Government Act 1999 the Chief Executive Officer be authorised to revoke this order.
6.5 AUDIT COMMITTEE WORK PLAN

PURPOSE

To discuss and update the Audit Committee’s Work Plan.

Attachments:
A. Audit Committee Work Plan
B. Audit Committee Reporting Matrix
# CITY OF MITCHAM
## AUDIT COMMITTEE WORK PLAN

<table>
<thead>
<tr>
<th>Month Meeting To Be Held</th>
<th>Information / Feedback</th>
<th>Officer</th>
<th>Est Time</th>
<th>Decision Reports</th>
<th>Officer</th>
<th>Est Time</th>
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</thead>
<tbody>
<tr>
<td>May 2020</td>
<td>• Work Plan</td>
<td>W Reynolds, K O’Neill</td>
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<td>• Business Continuity Planning and COVID-19</td>
<td>K O’Neill</td>
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<td>• Internal Audit Progress Report Presentations</td>
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<td></td>
<td>• Brown Hill and Keswick Creeks Stormwater Board - Regional Subsidiary</td>
<td>W Reynolds, L Harris</td>
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<td>• Audit Program – Dean Newbery and Partners COVID-19 Response</td>
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<td>• 2020/21 Draft Annual Business Plan and Budget Update</td>
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<tr>
<td>June 2020 – Special Meeting, TBC</td>
<td>• 2020/21 Draft Annual Business Plan and Budget</td>
<td>L Harris, L Northcott</td>
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<tr>
<td>August 2020</td>
<td>• Work Plan</td>
<td>W Reynolds, L Macphail</td>
<td>10</td>
<td>• Internal Audit Work Plan – Year 3</td>
<td>K O’Neill</td>
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<tr>
<td></td>
<td>• August 2020 Internal Controls Assessment</td>
<td>K O’Neill, K O’Neill</td>
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<td>• Insurance Service Review</td>
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<td></td>
<td>• Annual Risk Assessment</td>
<td>C Harrison, B Leonello,</td>
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<td>• Climate Risk Governance Assessment Update</td>
<td>C Harrison</td>
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<td></td>
<td>• Exposures, Risks and Mitigation Strategies for Recycling and Waste Disposal and Emissions</td>
<td>M Pears</td>
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<td></td>
<td>• Governance Arrangements of Centennial Park Cemetery Authority</td>
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<tr>
<td>October 2020</td>
<td>• Work Plan</td>
<td>W Reynolds</td>
<td>10</td>
<td>• Annual Financial Statements (External Auditors in attendance)</td>
<td>L Harris</td>
<td>60</td>
</tr>
<tr>
<td>December 2020</td>
<td>• Work Plan</td>
<td>W Reynolds, M Romaine,</td>
<td>10</td>
<td>• Appointment of Presiding Member</td>
<td>N Freer-Cooling</td>
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<tr>
<td></td>
<td>• Cyber Security Penetration Report Update</td>
<td>N Molloy, L Harris, L Northcott</td>
<td>10</td>
<td>• Audit Committee 2021 Meeting Dates</td>
<td>N Freer-Cooling</td>
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<td></td>
<td>• Interim 2019/20 External Audit Report Letter and Management Response</td>
<td>K O’Neill</td>
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<td>• Audit Committee Terms of Reference</td>
<td>N Freer-Cooling</td>
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<tr>
<td></td>
<td>• Internal Audit Progress Report</td>
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</table>
### Monthly Meetings and Related Information

#### February 2020
- **Work Plan**
- **Draft Long Term Financial Plan Parameters 2020/21**
- **East Waste Regional Subsidiary Briefing**
- **Budget Framework and Financial Indicators**

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<th>Officer</th>
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#### Decision Reports
- **Audit Committee Annual Report**

#### December 2019
- **Work Plan**
- **Internal Audit Progress Report**
- **Credit Card Policy**
- **Cyber Security Update (Data Breach Response Plan)**
- **Annual Risk Assessment – Additional Supporting Information**
- **Centennial Park Cemetery Authority Operating Budget 2019/20 (Ms J Miller, CEO and Ms Nadia Andjelkovic, Corporate Services Manager, CPA – in attendance to present/answer questions)**
- **Interim 2018/19 External Audit Report Letter and Management Response**

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<td>L Harris</td>
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<td>M Romaine</td>
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<td>L Macphail</td>
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<td>L Northcott</td>
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#### Decision Reports
- **Appointment of Presiding Member**
- **Audit Committee 2020 Meeting Dates**
- **Internal Controls Policy**
- **Audit Committee Terms of Reference Review**

#### November 2019
- **Work Plan**

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<th>Officer</th>
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<td>L Harris</td>
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<tr>
<td>L Northcott</td>
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#### Decision Reports
- **Audited Annual Financial Statements – External Auditors in Attendance**

#### October 2019 SPECIAL MEETING
- **Work Plan**

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<tr>
<th>Officer</th>
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<tr>
<td>W Reynolds</td>
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</table>

#### Decision Reports
- **External Audit Tender – Recommendation to Council (Confidential)**

#### August 2019
- **Work Plan**
- **August 2019 Internal Controls Assessment**
- **Internal Audit Progress Report**
- **Fraud Prevention Policy**

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<th>Officer</th>
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<td>L Macphail</td>
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<tr>
<td>D Horton</td>
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</table>

#### Decision Reports
- **Annual Risk Assessment and Internal Audit Work Plan - Year 2**

<table>
<thead>
<tr>
<th>Officer</th>
<th>Est Time</th>
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<tbody>
<tr>
<td>K O’Neill</td>
<td>20</td>
</tr>
<tr>
<td>Month Meeting Held</td>
<td>Information / Feedback</td>
</tr>
<tr>
<td>-------------------</td>
<td>--------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| May 2019          |  • Work Plan  
                    • Eastern Waste Management Authority – General Update (Mr Rob Gregory, GM, in attendance)  
                    • Insurance Service Review  
                    • Internal Audit Progress Report  
                    • External Auditors – update | W Reynolds  
                    C Harrison  
                    K O'Neill  
                    K O'Neill  
                    T Vonderwall | 10  
                    10  
                    10  
                    25  
                    10 |  • Audit Committee – Future Meeting Dates  
                    • Financial Indicators & Measures Policy  
                    • 2019/20 Draft Annual Business Plan and Budget | J Barrett  
                    W Reynolds  
                    T Vonderwall / L Northcott | 5  
                    10  
                    15 |
| February 2019     |  • Work Plan  
                    • Centennial Park Cemetery Authority – General Update (Ms Janet Miller, CEO, in attendance)  
                    • Draft Long Term Financial Plan Parameters 2019/20  
                    • Enterprise Budgeting Project Update  
                    • Public Interest Disclosure Bill (will replace, once enacted, the Whistleblower Act)  
                    • Financial Indicators & Measures Policy | W Reynolds  
                    W Reynolds  
                    T Vonderwall  
                    T Vonderwall  
                    D Horton  
                    W Reynolds | 10  
                    20  
                    10  
                    10  
                    10  
                    10 |  • Audit Committee Annual Report 2018  
                    • Appointment of Presiding Member  
                    • Risk Management Policy & Framework  
                    • Audit Committee – Future Meeting Dates | N Freer-Cooling  
                    N Freer-Cooling  
                    L Macphail  
                    N Freer-Cooling | 10  
                    10  
                    10  
                    5 |
## Audit Committee Reporting Matrix

<table>
<thead>
<tr>
<th>REPORT Terms of Reference</th>
<th>MEETING DATES</th>
<th>RESPONSIBLE OFFICER &amp; COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2.6.1 Financial Reporting and Sustainability</strong></td>
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<tr>
<td>• Review the Annual Financial Statements and application of accounting policies with Administration and the External Auditor and provide opinion to the Council on whether they present fairly the state of affairs of Council.</td>
<td>✓</td>
<td>Manager Finance</td>
</tr>
<tr>
<td>• Review and make recommendations to the Council regarding the assumptions, financial ratios and financial targets in the Long Term Financial Plan.</td>
<td>✓</td>
<td>Manager Finance</td>
</tr>
<tr>
<td>• Review and provide recommendations and comment to the Council on Council’s Asset Management Plans.</td>
<td>✓</td>
<td>Manager Property</td>
</tr>
<tr>
<td>• Provide commentary and advice on the financial sustainability of Council and any risks in relation to, as part of the adoption of the Long Term Financial Plan, Annual Budget and periodic Budget Reviews.</td>
<td>✓</td>
<td>Manager Finance</td>
</tr>
<tr>
<td>• Review and make recommendations to the Council regarding any other significant financial, accounting and reporting issues as deemed necessary by the Committee, Council or Administration.</td>
<td>✓</td>
<td>GM CSI / GM OCD</td>
</tr>
<tr>
<td>• Consider and provide comment on the financial and risk related issues associated with any Council business referred to it by the Council for such comment.</td>
<td>✓</td>
<td>GM CSI / GM OCD</td>
</tr>
</tbody>
</table>
## 2.6.2 Risk Management and Internal Control

  - Outcome of Annual Risk Assessment  
  - Risk Action Plan - High and Extreme Risk (if required)

- Annually review Council’s insurance program for adequacy having regard to business and insurable risks associated with Council’s business.

- Review and comment on the adequacy of internal controls, internal audit, financial reporting and other financial management systems and practices.  
  - Done at least annually at various stages of the year

## 2.6.3 External Audit

- Consider and recommend to the Council on the appointment of an External Auditor.

- Make recommendation to the Council on the Terms of Engagement and fees of the External Auditor at the start of each audit contract.
### REPORT
Terms of Reference

<table>
<thead>
<tr>
<th>MEETING DATES</th>
<th>RESPONSIBLE OFFICER &amp; COMMENT</th>
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<tr>
<td></td>
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<tr>
<td>February</td>
<td>May</td>
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<tr>
<td>Make recommendation to Council on the scope of work, reports and activities of the External Auditor, including interaction with any internal audit capability.</td>
<td></td>
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<tr>
<td>Review the findings of the annual and interim audits with the External Auditor.</td>
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<tr>
<td>Review Administration’s response to reviews, recommendations and audit letters provided by the External Auditor.</td>
<td>✓</td>
</tr>
<tr>
<td>Review the performance of the External Auditor on an annual basis.</td>
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</table>

### Internal Audit and Compliance

- Oversee and approve the work program for the internal audit function within the annual budget provided by Council and monitor progress against the work program. ✓ ✓ GM OCD
- Annually review Council’s Compliance Framework for identifying, monitoring and managing compliance with all laws and regulations. ✓ GM OCD
  - Previously reported on as part of internal audit
  - Legislative compliance – register currently under development
- Seek and obtain regular updates from Administration and / or External Auditor regarding compliance matters in relation to Council’s significant statutory requirements. ✓ ✓ ✓ Manager Finance
### REPORT
Terms of Reference

<table>
<thead>
<tr>
<th>MEETING DATES</th>
<th>RESPONSIBLE OFFICER &amp; COMMENT</th>
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<td>February</td>
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- Review the progress of the internal audit function and make recommendations as appropriate.

### 2.6.5 Public Interest Disclosure Act 2018 (formerly known as Fraud and Whistleblower)

- Review and comment on the adequacy of Council’s arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or any other matters (fraud and whistleblowing):
  - Policy under review – awaiting legislative amendment

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

### 2.6.6 Policy Development

- Undertake a questioning and testing role in the development and review of Council’s financial and risk management policies.

### 2.6.7 Other Matters

- Propose and review the exercise of powers under Section 130A of the Local Government Act 1999 (as amended) “Other Investigations” if required by Council and / or deemed necessary by the Committee.
<table>
<thead>
<tr>
<th>REPORT Terms of Reference</th>
<th>MEETING DATES</th>
<th>RESPONSIBLE OFFICER &amp; COMMENT</th>
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<tbody>
<tr>
<td>· Monitor and review the operation of Council’s subsidiaries including financial statements and their governance arrangements.</td>
<td>✔️ ✔️ ✔️</td>
<td>Manager Finance</td>
</tr>
<tr>
<td>· Any other matter which is within the powers and functions of the Council and is appropriate to be referred to the Committee by the Council.</td>
<td>✔️</td>
<td>GM CSI</td>
</tr>
<tr>
<td>· If the Council has exempted a subsidiary from the requirement to have an Audit Committee, the functions that would, apart from the exemption, have been performed by the subsidiary’s Audit Committee.</td>
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<td>N/A</td>
</tr>
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</table>

10. **Annual Review**

10.1 The Committee shall annually review its own performance and Terms of Reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

| | MEETING DATES | | |
| | February | May | August | October | December | Ad Hoc | |
| | ✔️ | ✔️ | | | | | GM CSI / EA CSI |

10.2 In reviewing its performance, the Committee will have regard to:

- The achievement of the Committee’s role and Terms of Reference.
- The Committee’s decision making process.
- The timeliness, quality and quantity of information received.
- The relationship with the Council, Administration and other members of the Committee.
- The involvement and attendance by members.

| | MEETING DATES | | |
| | February | May | | | | | EA CSI |
### REPORT
**Terms of Reference**

#### MEETING DATES

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<tr>
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<th>February</th>
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<tr>
<td>GM CSI / GM OCD / EA CSI</td>
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#### Reporting to Council

At least annually, the Chair (and other Independent Members as appropriate) of the Audit Committee shall provide a report and presentation to Council on the Audit Committee’s view in relation to the key areas of responsibility under these Terms of Reference, being:

- Council’s long term financial planning;
- Asset management planning;
- Financial statements and Council’s financial position;
- Key financial and risk related policy issues;
- Council’s risk management practices and framework;
- Internal financial controls;
- Public Interest Disclosure Act 2018 provisions (formerly known as Fraud and Whistleblower); and
- Other issues of note.
7. DISCUSSION ITEMS

Nil

8. NEXT MEETING

The next meeting of the Audit Committee is Thursday 13 August 2020.

CLOSE: