

## **Audit Committee**

### **Wednesday 21 March 2018**

### **(Presiding Member: Mr Laurie Kozlovic)**

The meeting of the Audit Committee will be held in the Civic Centre, 128 Prospect Road, Prospect commencing at 8.00am

## **AGENDA**

1. **On Leave – Nil**
2. **Apologies – Nil**
3. **Confirmation of the [Minutes](#) of the Audit Committee Meeting Held on 18 December 2017**
4. **Presiding Member’s Report – Nil**
5. **Questions With Notice – Nil**
6. **Deputations – Nil**
7. **Notices Of Motion – Nil**
8. **Declaration by Members of Conflict of Interest**
9. **Reports for Decision**
  - 9.1 [Credit Card Policy](#)  
(Pages 1 - 12, Recommendation Page 1)
  - 9.2 [Budget Framework Policy](#)  
(Pages 13 - 22, Recommendation Page 13)
10. **Reports for Information**
  - 10.1 [Second Budget Review 2017 - 2018](#)  
(Pages 23 - 52, Recommendation Page 23)
  - 10.2 [2016 – 2017 Interim Audit Letter Update](#)  
(Pages 53 - 58, Recommendation Page 53)
  - 10.3 [Internal Audit – Complaints Handling](#)  
(Pages 59 - 64, Recommendation Page 59)
  - 10.4 [Internal Audit – Human Resource Management](#)  
(Pages 65 - 70, Recommendation Page 65)

- 10.5 [Community Hub, Library and Innovation Centre Project Management Process](#)  
**(Pages 71 - 78, Recommendation Page 71)**
- 10.6 [Audit Committee Outstanding Resolutions 28 February 2018](#)  
**(Pages 79 – 86, Recommendation Page 79)**
- 10.7 [Audit Committee Work Program Status Report March 2018](#)  
**(Pages 87 - 105, Recommendation Page 87)**
- 10.8 [Internal Audit Report - Payroll](#)  
**(Pages 106 - 136, Recommendation Page 106)**

**11. Questions Without Notice**

**12. Confidential Items – Nil**

**13. Closure**



**Ginny Moon**  
Director Corporate Services

16/03/2018

**AGENDA ITEM NO.:** 9.1 ON AGENDA

**TO:** Audit Committee on 21 March 2018

**DIRECTOR:** Ginny Moon, Director Corporate Services

**REPORT AUTHOR:** Chris Birch, Manager Financial Services

**SUBJECT:** Periodic Review of Credit Card Policy

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### 1. EXECUTIVE SUMMARY

Council's policies for the management of credit cards are contained within section 7.11 of the Accounting Policy and Procedure Manual. This manual was last reviewed in August 2014.

In order to provide visibility of Accounting related policies and a staggered review timetable, Council has embarked on a process of deconstructing the manual and replacing it with stand-alone policies. This process was initiated last year with a number of policies now reviewed.

### 2. RECOMMENDATION

**(1) That the Audit Committee having considered Item 9.1, Periodic Review of Credit Card Policy, note the review and recommend Council:**

- **Endorse the Credit Card Policy, as presented in Attachments 3 - 9; and**
  - **Revoke Section 7.11 of the Accounting Policy and Procedure Manual – Credit Cards.**
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### 3. RELEVANCE TO CORE STRATEGIES / POLICY

- Local Government Act 1999, S.122 (1a) (b)
- Local Government Act 1999, S.124
- Local Government (Financial Management) Regulations 2011, Regulation 12
- Australian Accounting Standards (AASB13, AASB116)

**Strategic Plan to 2020 Theme 4 – Services** “Leaders of the sector providing efficient, responsive, accessible services”

<p>Strategy 4.2 Sound Financial Management</p>	<p>Credit Cards are an efficient way for Council to procure goods. The controls around their use is governed by this policy, Council's procurement policy and banking regulations.</p>
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**Intelligent Community Indicators**

<p>6. Advocacy</p>	<p>Engaging leaders and citizens, businesses and institutions, in identifying opportunities to champion positive change.</p>	<p>In the modern cashless and digital world, credit cards have become a widely accepted tool to undertake minor procurement activities.</p>
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**4. REGIONAL IMPACT**

This report does not have a direct regional impact, beyond the city's boundaries.

**5. COMMUNITY INVOLVEMENT**

There has not been any community consultation on this report.

**6. DISCUSSION**

Council's policies for the management of credit cards are contained within Section 7.11 of the Accounting Policy and Procedure Manual. This manual was last reviewed in August 2014. An extract of the relevant section is provided in **Attachments 1 – 2**.

In order to provide visibility of Accounting related policies and a staggered review timetable, the manual is being deconstructed and replaced by stand-alone policies.

This report proposes the adoption of an updated credit card policy. The revised policy is provided in **Attachments 3 – 9**.

When comparing the policy, it does not seek to amend the current general use of credit cards. Current holders of cards will not notice any change in the way cards are operated or managed.

The revised policy does seek to extend the number of cards in circulation. Currently limited to 6, the policy provides the option for cards to be provided more on a needs basis to ensure efficient procuring of goods. It is proposed that a further 4 cards be established to ensure efficient procurement in the areas of events, governance, library and inspectorial to reduce the reliance of petty cash reimbursements. This in itself provides better protection from activities such as fraudulent use as cards given the record management of purchases and monthly checking of statements. Additionally,

the existing cards are less likely to be used by a number of staff leading to greater accountabilities in purchasing.

The revised policy removes the restriction on use of credit cards for foreign currency. Credit cards are a simple and efficient method of instantly handling the conversion of foreign currency. A number of purchases occur requiring foreign currency including purchase of online software licence subscriptions and at times there are travel requirements leading to foreign currency.

Strict controls around the type of expenditure and unauthorised personal use of corporate credit cards has remained.

The policy has also been modernised to include control around the use of credit cards in areas such as digital wallets and other electronic use.

### **Financial and Resource Implications**

The review of the policy will not lead to any cost implications through the use of additional cards. It is however anticipated that procurement efficiencies will be achieved through the expanded use of credit cards. This is expected to still only be minor due to the volume of cards proposed.

## **7. CONCLUDING STATEMENTS**

It is anticipated that moving this revised policy from Council's Accounting Policy Manual will assist in providing a level of visibility to users and ensure compliance with them. While no policy infringements have been identified, this is considered a best practice approach.

The periodic review of this policy seeks to modernise it while bringing efficiencies to the way Council operates in the transacting of procurement.

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## **ATTACHMENTS**

**Attachments 1 – 2** Extract from Accounting Policies and Procedure Manual

**Attachments 3 – 9** Credit Card Policy

## Extract from Accounting Policies & Procedures Manual

Last Revised August 2014

### 7.11 Credit Cards

- 7.11.1 The Chief Executive Officer, Directors and Authorised Officers maintain Council owned credit cards.
- 7.11.2 The corporate credit card recipient must comply with the conditions of use as set out in the "Credit Card Agreement" and "Acknowledgement by Cardholders" that must be signed before the card is issued. This document details limits on usage and conditions relating to documents required to support credit card transactions.
- 7.11.3 Expenditure on credit cards will be limited to the maximum credit balance approved by two Authorised Officers.
- 7.11.4 All Credit Card Statements must be approved by the Chief Executive Officer.
- 7.11.5 The CEO Credit Card Statement must be approved by the Director Corporate Services & Major Projects.
- 7.11.6 Credit card expenditure must be signed by the card holder and supported by the appropriate documentation and be submitted to the Accounts Payable Officer for reconciliation with the statement of account.
- 7.11.7 The cardholder will ensure that a satisfactory description of the goods purchased is on the sale docket/tax invoice.
- 7.11.8 In the event the cardholder is unable to produce a valid tax invoice / receipt, a statutory declaration must be submitted by the cardholder confirming the nature of the item purchased, that the item was work related expenditure and the reason a tax invoice or receipt was not provided.
- 7.11.9 The credit card cannot be used for:-
- (1) Cash withdrawals
  - (2) Non Work Related Expenditure
  - (3) Items of equipment that must be recorded on an asset register (unless approved by the CEO)
  - (4) Internet transactions which are not on a secure web site
  - (5) Membership for recreational, sporting or social clubs
  - (6) Dangerous goods and hazardous substances

- (7) Foreign currency
  - (8) Fuel - Statutory Declaration and full explanation of circumstances must be provided in the event of fuel purchase made by credit card.
- 7.11.10 Personal expenditure charged by a Cardholder to their Council Card will be treated as a serious breach of policy. Disciplinary action may include, but not be limited to: formal warning, administrative action in the form of card cancellation, cost recovery, Police report and / or criminal proceedings.
- 7.11.11 Card holders must maintain an up to date knowledge of Council's Credit (Purchase) Card Procedure and Purchasing Procedure.
- 7.11.12 The cardholder will not permit use of the card by another person except for work related expenses incurred with prior approval.
- 7.11.13 For Fringe Benefit Tax (FBT) purposes, hospitality or entertainment payments which are charged on the credit card must be accompanied by information such as the reason for function, the number of internal staff, spouse and the total number of people in attendance at the function.
- 7.11.14 Failure to provide the required information regarding hospitality or entertainment expenditure may result in the costs being treated as non work related expenses and therefore subject to FBT.
- 7.11.15 Where a credit card is lost or stolen, the cardholder must immediately report to the Bank for cancellation.
- 7.11.16 Any staff member who does not comply with the conditions of use, will have the cards withdrawn & may be subject to disciplinary action.
- 7.11.17 The cardholder must return the card should they cease to be an employee of City of Prospect or when so directed by the CEO.
- 7.11.18 It is the Cardholder's responsibility to ensure that all transactions listed on the Credit Card Statements are correct. If a cardholder does not agree with or recognise a transaction or charge on their Card, the Cardholder must investigate the transaction with the supplier and where necessary, lodge a 'Disputed Transaction Form' with Council's Bank.
- 7.11.19 Reconciliation of Credit Card Statements must be completed by the 15<sup>th</sup> day of each month. Items not reconciled will be deemed private expenditure and a debtor invoice will be issued accordingly.

# Credit Card Policy

Attachment



<b>Reference Number:</b>	TRIM Reference: CR17/60853
<b>Type:</b>	Council Policy
<b>Responsibility:</b>	Director Corporate Services
<b>Responsible Officer (s):</b>	Manager Financial Services
<b>Initial Adopted Date:</b>	August 2000
<b>Last Review Date:</b>	August 2014
<b>Next Review Date:</b>	3 Years - April 2021
<b>Legislation:</b>	Local Government Act 1999 (SA) Local Government (Financial Management) Regulations 2011
<b>Related Documents:</b>	Procurement Policy Procurement Protocol City of Prospect Delegations Register Code of Conduct for Council Employees Corporate Governance Framework

Attachment 4

# 1 Purpose

The Credit Card Policy (the "Policy") provides the governance framework and guidance to Council's employees in their use of credit cards.

## 2 Legislative Requirements and Corporate Policy Context

- 2.1 Local Government Act 1999 (SA).
- 2.2 Section 125 (Internal Control Policies) of the Act requires council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records.
- 2.3 Section 127 (Financial Statements) of the Act prescribes a Council to produce annual financial statements in accordance with standards required by the regulations.
- 2.4 Section 129 (Conduct of Audit) of the Act requires an external auditor to form an opinion as to whether there is sufficient evidence providing reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law.
- 2.5 This has been further elaborated upon within *Local Government (Financial Management) Regulations 2011* (the Regulations) at Part 3 – Accounting Principles, Part 4 – Financial Statements and Part 6 – Audit clause 19(b).
- 2.6 Part 3 of the Regulations prescribes standards adopted are the Australian Accounting Standards overseen by the national peak body for accounting policies and principles, the Australian Accounting Standards Board.
- 2.7 Part 4 of the Regulation prescribes the statements are compiled according to the Model Financial Statements, according to those published by the Local Government Association (LGA) website [www.lga.sa.gov.au](http://www.lga.sa.gov.au) on an annual basis for administrative adoption.
- 2.8 In addition, the LGA has published revised Financial Sustainability Information Papers (FSIP) as part of its ongoing Financial Sustainability Program (FSP) with the aim of harmonising high-level policy positions for Council administration adoption and use.
- 2.9 The Information Papers are not statutory measures however they are considered best practice for council administrations to commit to. This policy has made particular reference to the LGA FSIP No 18 – Financial Policies and Procedures.
- 2.10 The Policy also adheres to and identifies specific provisions in the Commonwealth Anti-Money Laundering and Counter-Terrorism Financing Act 2006, primarily concerning identification of staff members in order to initiate a corporate credit card with the issuing bank.
- 2.11 Credit cards are also subject to the issuing banks regulations, policies and procedures.

### 3 Interpretation

3.1 For the purpose of this policy:

*BPay* - a recognised form of remitting funds electronically to suppliers within Australia.

*Cardholder* - Council Officer who has had a Corporate Credit card issued to them.

*Card Provider* - the bank or credit provider issuing the card.

*Corporate Credit Card* - a credit card issued by the City of Prospect bank to a Council officer to help facilitate efficient Council procurement.

*Council* - the City of Prospect Council.

*Authorising Officer* - For the CEO, one of the Directors. All other Cardholders, their Manager.

*Merchant* – the supplier of a good or service.

*Monthly Limit* - the cumulative credit balance that is allowed to be incurred on the Corporate Credit Card per month.

*PIN* - the Personal Identification Number assigned to a card for electronic purchases authorisation.

*Tax Invoice* - A tax invoice is a special type of invoice, which contains specified items of information that are required by the ATO for effective operation of the GST system, refer to *Tax Invoice – Requirements* CR17/60794.

### 4 Objectives

- 4.1 Corporate credit cards should be recognised as a valuable tool for the efficient and effective operation of Council's daily business and not as a benefit assigned to Cardholder.
- 4.2 Corporate credit cards are used by Council to transact its business in a more efficient manner and at the same time, provide the Cardholder with a more convenient method to meet costs they incur on Council's behalf.
- 4.3 The use of Corporate credit cards is encouraged in undertaking relatively low value, high volume transactions in nature as it has a lower transactional cost when compared with processing standard supplier invoices.
- 4.4 As well as standard over the counter transactions, Corporate credit cards allow the Cardholder to source goods and services from online and overseas suppliers if necessary and eliminate the need for bank drafts for such purchases.
- 4.5 Corporate credit cards reduce the need for staff members to use a personal credit card to conduct Council business, and also aid in the minimisation of the use of petty cash within Council.

## 5 Approvals and Delegations

- 5.1 The Chief Executive Officer (CEO) has delegated authority to;
- issue corporate credit cards to staff members;
  - set the monthly limit of the card; and
  - temporarily increase the monthly limit

## 6 Issuing of Cards

- 6.1 Finance staff (who are also bank signatories) will be responsible for the collection of cards from the provider banks branch.
- 6.2 The Cardholder shall formally acknowledge receipt of the card, acknowledge they have read and understood the terms and conditions contained in this Policy and the terms and conditions of use by the card provider.

## 7 Terms of Use

- 7.1 The Cardholder is responsible for Corporate Credit Card and all transactions incurred on it. The Cardholder must be party to all transactions incurred on their card.
- 7.2 The card may be used for face to face transactions, payments over the telephone or via the internet. The Cardholder must consider the security of each transaction and take reasonable steps to ensure they transact in a secure manner.
- 7.3 Transactions should be for a single supply in nature, the Merchant supplies a good or service and the card is used to pay for the supply.
- 7.4 Should the Cardholder wish to enter into a transaction for multiple deliveries or one whereby the Merchant might seek to re-transact on the card at a later time, then the Cardholder must consult with the Manager Financial Services prior to entering the transaction. This is to ensure control of expenditure over the card is retained.
- Should such a transaction occur without prior approval from the Manager Financial Services, Finance will try to establish such control of expenditure by contacting the merchant. If this is not possible then the Manager Financial Services will decide when it becomes necessary to cancel that card and order a replacement.
- 7.5 Personal expenses are strictly prohibited on the Corporate credit card. If by unintentional causes, personal expenses are incurred, the staff member will be personally liable for those transactions. Should a Cardholder routinely incur personal expenses then their Corporate Credit Card will be cancelled. All personal use will be reported to the CEO or Director Corporate Services in the case of the CEO's card.
- 7.6 Cash advances are strictly prohibited on the Corporate credit card.
- 7.7 BPay facilities are not available on the Corporate credit card.
- 7.8 Corporate Credit Cards cannot be linked to any form of loyalty points program.

- 7.9 Corporate credit cards may only be used in conjunction with mobile phone wallet facilities such as Apple Pay and Android Pay where the mobile phone is also a City of Prospect issued device.
- 7.10 A Tax Invoice is required to support each transaction incurred. This may not be provided as a matter of course by all suppliers and the card holder will need to request it at the time of transaction.

For some transactions, a valid Tax Invoice may not always be available, notably if the supplier is not an Australian resident. Consultation with the Finance department is required if difficulties are experienced in obtaining a valid tax invoice.

- 7.11 The Manager Financial Services can request authority from the CEO to cancel a Corporate credit card at any time. This may arise in situations of misuse either by the Cardholder or a third party, or if the Cardholder is repeatedly not reconciling the card balance in a timely manner.
- 7.12 If a Card holder is found to have used a card in contravention to terms and conditions of use as prescribed by the card provider, or those stated in this Policy, they may be subject to disciplinary action.
- 7.13 If the Cardholder requires to take the Corporate Credit Card overseas for business reasons, then they must seek approval from the CEO prior to travel.

## **8 Verification and Reconciliation**

- 8.1 For each transaction the Cardholder must retain the Tax Invoice.
- 8.2 Early each month, the Cardholder will be notified that their statement for the prior month is available for their reconciliation. The Cardholder will then complete the reconciliation and submit the reconciliation with supporting Tax Invoices to their Authorising Officer to seek authorisation for the expenditure.
- 8.3 This reconciliation should be completed within a period of 10 business days.
- 8.4 The Authorising Officer shall check the reconciliation and supporting documentation for accuracy and if there are no errors, the outstanding total expenditure amount shall be authorised.
- 8.5 This authorisation process should be completed within 5 business days.
- 8.6 The authorised statement and reconciliation documentation shall be forwarded to the Finance team for processing in the finance system.
- 8.7 If there is any reason why either the reconciliation process or authorisation process is expected to take longer than the prescribed time, the Finance Department is to be advised.
- 8.8 All statements will be processed by Finance on a monthly basis. Any unreconciled expenditure will be posted to a Finance department holding account. The Manager Financial Services will report the status of any unreconciled amounts to the Executive Leadership Team (ELT) on a monthly basis.

## **9 Disputed or Unverified Transactions**

- 9.1 Should the Cardholder become aware that their Corporate credit card is incurring transactions they are not aware of, they need to communicate this with the Manager Financial Services and/or Finance as soon as practical. As a matter of precaution, the card will have a temporary stop placed on it until such a time that the matter is resolved.

Should the Cardholder become aware of the situation outside of normal business hours, they are responsible to contact the Card Provider and request that a temporary stop be placed on their card.

- 9.2 When such a transaction appears on their statement, the Cardholder should notify Finance whom will communicate with the Card Provider to resolve the issue.

## **10 Lost or Stolen Cards**

- 10.1 Should the Cardholder become aware that they have lost or had their card stolen then they are required to notify the Card Issuer as soon as reasonably possible. Thereafter they should notify the Manger Financial Services during normal work hours as soon as reasonably possible. A replacement card will be arranged by Finance.

## **11 Replacement Cards**

- 11.1 Should a card be replaced for whatever reason, it will be re-issued in the same way as the original issue.

## **12 Cessation of Employment**

- 12.1 The Cardholder will return their Corporate Credit Card to Council at cessation of employment when advised by HR during their exit interview process.

## **13 Review**

- 13.1 This Policy will be reviewed once per Council term or as required by legislation.

## **14 Access to the Policy**

- 14.1 The Policy is available for public inspection on Council's website [www.prospect.sa.gov.au](http://www.prospect.sa.gov.au) and from Customer Services at the Civic Centre, 126 Prospect Road, Prospect SA 5082.

**AGENDA ITEM NO.:** 9.2 ON AGENDA

**TO:** Audit Committee on 21 March 2018

**DIRECTOR:** Ginny Moon, Director Corporate Services

**REPORT AUTHOR:** Chris Birch, Manager Financial Services

**SUBJECT:** Budget Framework Policy Update

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**1. EXECUTIVE SUMMARY**

Council's budget framework policy is due for review in December 2018.

It is scheduled that this full review will happen in line with the schedule and presentation to the December 2018 Audit Committee meeting.

In order to address previous concerns of the Audit Committee, an update is presented in order to give guidance to the process of unfinished or carry forward projects. By including this variation in advance of the full review it provides definition of carry forward projects for the 2017-2018 financial year.

**2. RECOMMENDATION**

**(1) That the Audit Committee having considered Item 9.2, Budget Framework Policy Update, recommend Council endorses the Budget Framework Policy, as presented in Attachments 1 – 7.**

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**3. RELEVANCE TO CORE STRATEGIES / POLICY**

- Local Government Act 1999, S.123
- Local Government (Financial Management) Regulations 2011, Part 2

**Strategic Plan to 2020 Theme 4 – Services** "Leaders of the sector providing efficient, responsive, accessible services"

<p>Strategy 4.2 Sound Financial Management</p>	<p>Controls and direction over the budget, budget process and budget review process ensure that Council's finances are managed in the best possible way.</p>
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**Intelligent Community Indicators**

<p>6. Advocacy</p>	<p>Engaging leaders and citizens, businesses and institutions, in identifying opportunities to champion positive change.</p>	<p>While the budget funds all of Councils operations, the guidance policy on budget development ensures that funds are correctly allocated to Council's desired objectives.</p>
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**4. REGIONAL IMPACT**

This report does not have a direct regional impact, beyond the city's boundaries.

**5. COMMUNITY INVOLVEMENT**

There has not been any community consultation on this report.

**6. DISCUSSION**

Council last reviewed its Budget Framework Policy in December 2015 with the next full review due for December 2018.

As part of the initial steps of the future review, consideration has been made of the limitations or gaps within the existing policy. This consideration has identified the Audit Committee's past concerns on the need to carry forward incomplete projects.

A recommended update to address these concerns has been inserted into the policy with the addition of sections 4.30 – 4.33. This has been highlighted in yellow to identify the addition.

While this update can wait until December 2018, an early revision permits the enacting of this process for the 2017-2018 budget year.

At this stage no projects have been identified for carry over, beyond the Community Hub, Library and Innovation Centre (CLIC). This is a multi-year project and budgeted annually as accurate as possible.

**Financial and Resource Implications**

The review of the policy will not lead to any cost implications.

The revision will lead to improved management of Councils financial and non-financial resources.

## **7. CONCLUDING STATEMENTS**

The update to budget framework policy at this time allows for its enacting during the year-end process of 2017 – 2018.

While no projects have been identified for carry forward as yet, the policy update gives guidance to their treatment ahead of the full review due later this calendar year.

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## **ATTACHMENTS**

**Attachments 1 – 7** Budget Framework Policy

# Budget Framework Policy

Attachment



<b>Reference Number:</b>	TRIM Reference: CR18/12682
<b>Type:</b>	Council Policy
<b>Responsibility:</b>	Director Corporate Services
<b>Responsible Officer (s):</b>	Manager Financial Services
<b>Initial Adopted Date:</b>	Council: 15 December 2015
<b>Last Review Date:</b>	15 December 2015
<b>Next Review Date:</b>	3 Years - December 2018
<b>Legislation:</b>	Local Government Act 1999 (SA) S.123 Local Government (Financial Management) Regulations 2011 Part 2
<b>Related Documents:</b>	Caretaker Policy City of Prospect Delegations Register Prudential Review Policy Risk Management Policy

Attachment

# 1 Purpose

The Budget Framework Policy (the "Policy") provides guidance on roles and responsibilities, timelines, data collection, terminologies, workflows and other relevant components to assist Council, the Executive Leadership Team (ELT), Leadership Team (LT), Budget Managers (BM's) and staff to understand their role in the process.

## 2 Legislative Requirements and Corporate Policy Context

- 2.1 The Budget Framework Policy is to be read and implemented in conjunction with Council's other relevant policies, strategies and documents.
- 2.2 The Local Government Act 1999 S.123 and Local Government (Financial Management) Regulations 2011 are prescriptive in their requirements of Council's budget and Annual Business Plan.

## 3 Interpretation

- 3.1 For the purpose of this policy:

*Financial Sustainability* - A Council's long term financial performance and position is sustainable where planned long-term service, infrastructure levels and standards are met within planned increases in rates or disruptive cuts to services.

*Recurrent Budget* - The required budget under the control of the Chief Executive Officer for the continued day to day operations of Council and its base service level delivery. A summary of the income and expenditure is provided to Council. All budget figures will be realistic, based on best available information.

*Project Budget/Operating Project Budget* - Any proposed discretionary services where the expenditure is costed to the operating statement with no ability to capitalise to the capital expenditure budget.

*Capital Expenditure* - Expenditure items that provide an economic life beyond the current year. Items are allocated between New/Upgrade and Replacement/Renewal as defined in the Australian Infrastructure Financial Management Guidelines.

*Budget Bid* - A submission made by a staff member of Council for consideration in the budget process. Budget Bids are made for both the Project Budget and Capital Expenditure requests that are not derived from the Infrastructure Asset Management Plans (IAMP).

*Non-Discretionary vs Discretionary* - Budget Bids are categorised into either Discretionary or Non-Discretionary. Non-Discretionary bids are based on previous commitments of Council (usually a resolution), IAMPs, legislative or contractual requirements. All bids not meeting these items are discretionary in nature.

## 4 Objectives

- 4.1 The budget must be considered in conjunction with the Council's Annual Business Plan and be adopted after 31 May and before 31 August for the ensuing financial year. The budget must comply with the standards and principles prescribed by the regulations under the Local Government Act 1999. The budget shall include budgeted financial statements, which must be presented, other than notes and other explanatory documentation, in a manner consistent with the Model Financial Statements.

The budget must also state whether the projected operating income is sufficient to meet projected operating expenses for the relevant financial year and include a summary of operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances.

- 4.2 As part of the budget process Council will prepare an Annual Business Plan which will address the activities the Council intends to undertake in the ensuing year to achieve its objectives and the key performance indicators that Council will use to assess its performance against its objectives.

- 4.3 Council's key performance indicators will include as a minimum estimates with respect to the councils operating surplus ratio, asset sustainability ratio and net financial liabilities presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

- 4.4 The basis for Council's budget each year will, in its initial stages of development, be a zero based budgeting approach. The result will be evaluated and refined in terms of the Council's Long Term Financial Plan, corporate strategic plans and objectives and within the framework of Council budget assumptions and Community Plan Outcomes.

- 4.5 The following budget principles will underpin the budget development:

1. Honest and Accountable

- 4.6 We will be honest and accountable in all aspects of the budget process, meeting the community's expectations of transparency and openness with a reporting framework that supports and enhances this.

2. Strategic Approach

- 4.7 We will maintain a strategic approach to the delivery of all council services and capital works programmes. All expenditure decisions will align with the City of Prospect Community Plan outcomes.

3. Long Term Financial Planning

- 4.8 A 10 year Long Term Financial Plan will reinforce the delivery and achievement of Council's long term strategic objectives in a sustainable manner. All programmes will be regularly reviewed to ensure they fit within the Council's financial framework including key performance indicators which include the operating surplus ratio, net financial liabilities ratio and asset sustainability ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

#### 4. Realistic Budgeting

- 4.9 All budget figures will be realistic, based on the best available information and utilise a zero based budgeting approach.

#### 5. Meet Long Term Liabilities

- 4.10 Each budget will be fully funded and reconciled on an accrual and cash basis.
- 4.11 While individual years may fluctuate, the long term financial plan will be developed to achieve the average of the KPI targets (as identified in 5.3) across the ten years.
- 4.12 The Audit Committee will make recommendation to Council each year on appropriate KPI targets prior to the formulation of the Long Term Financial Plan and Annual Budget.

#### 6. Affordable Rates

- 4.13 Rates will be set at an affordable level having regard to the City's strategic directions and its social and economic objectives balanced against the community's ability to pay. Sustainable rate increases avoid a "rates shock".

#### 7. Avoid Cost Shifting

- 4.14 We will resist pressure to accept cost shifting from other levels of government.

#### 8. New Initiatives

- 4.15 All new initiatives will be evaluated in terms of meeting Council's strategic directions. These will incorporate a cost benefit analysis which includes whole of life costing where the whole of life cost exceeds \$30,000.

#### 9. Asset Sales and Debt

- 4.16 The operational budget will be structured such that there is no reliance on asset sales to fund core services. Debt will be regarded as a tool to be used in a strategic perspective to achieve the provision of services to the community. Debt will be considered:

- In the context of the strategic objectives of Council
- In the context of long term financial forecasts and objectives
- As funding for long term infrastructure asset creation
- As a means of spreading the cost of infrastructure over the ratepayers who use it
- As a mechanism to fund temporary cash shortfalls.

- 4.17 Council has determined as policy that there will be no new borrowings unless approved for essential asset replacement/renewal and/or extraordinary items.

#### 10. Financial Control

- 4.18 We commit to ensuring that financial and other resources under our control will be used only for approved purposes and aligned with Council's strategic framework and that all risks to Council's finances are properly managed.

- 4.19 The budget performance will be reviewed by the Manager Financial Services as at the following dates in the relevant financial year:
- 30 September (Budget Review 1)
  - 31 December (Budget Review 2)
  - 31 March (Budget Review 3)
  - 30 June (Budget Review 4)
- 4.20 The Director Corporate Services or Manager Financial Services will present to Council, as soon as practical after each of the above dates, a report that compares budgeted performance to actual performance with explanations for significant budget variances, seeking authorisation for these variances.
- 4.21 Quarterly actual performance will be compared to the revised budget which is the original adopted budget adjusted for changes endorsed as part of the budget reviews undertaken by Council.
- 4.22 For the 30 September and 31 March review the budget reviews should include a revised forecast of its operating and capital investment activities for the relevant financial year compared with estimates for those activities as set out in the budget. The format presented must be in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances.
- 4.23 For the 31 December review the budget review should include revised forecasts of each item shown in its budgeted financial statements for the relevant year compared with the estimates set out in the budget presented in a manner consistent with the Model Financial Statements. This budget review should also include revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with the estimates set out in the budget and presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.
- 4.24 Once the audited financial statements for the financial year ending have been completed a comparison of those results to the original budget adopted by Council for that year will be prepared including reasons for material variances.
- 4.25 Budget reviews are an opportunity for budget managers in light of changed circumstances or new events that may have occurred subsequent to the time of budget adoption to be addressed.
- 4.26 Where the budget variance will have an impact on an item shown in its budgeted financial statements for the relevant year (presented in a manner consistent with the Model Financial statements) or vary the annual budget for a capital or annual operating project budget adopted by council as part of its budget deliberations the budget variance requested will be presented to the Council for approval with reasons for the variance.
- 4.27 The impact of the quarterly budget reviews must not materially erode the financial indicators position adopted as part of the original budget adopted by council based on an overriding principle that cost overruns must be funded by a commensurate cost saving and new projects or requests for service must be funded by a commensurate reduction in a project or service adopted as part of the original budget.
- 4.28 Surplus funds are used to retire existing debt or negate the need for future planned debt unless a specific project is identified in the budget review to either address a legislative issue, meet a cost overrun, bring forward planned works from Council's adopted Asset Management Plans or to meet a Council resolution.

- 4.29 Any newly identified projects must be brought to Council as part of the annual budget process to ensure it is reviewed in line with all other submitted projects.

#### 11. Carryover of Uncompleted Projects from the Previous Year

- 4.30 Funding approval for budgeted projects not completed at the end of any financial year is forfeited unless approval to carryover the project and associated budget allocation is granted by Council.
- 4.31 Operating activity budget for but not expended in a year shall not be carried forward to the following year, unless externally funded and the tied funding will be lost should it not be completed. Identifiable operating projects that will not commence or be substantially completed in the year that they have been budgeted, should be re-evaluated in the draft budget process of the following year.
- 4.32 Similarly, capital projects that have not been substantially commenced in one year should be re-considered against other competing priorities in determining the draft budget for the following year.
- 4.33 Where possible and appropriate, Budget Review 3 shall identify any projects unlikely to be completed by 30 June and removed or adjusted for that financial year, to enable consideration for inclusion in the draft Budget for the following year.

## **5 Review**

- 5.1 This Policy will be reviewed once per Council term or as required by legislation.

## **6 Access to the Policy**

- 6.1 The Policy is available for public inspection on Council's website [www.prospect.sa.gov.au](http://www.prospect.sa.gov.au) and from Customer Services at the Civic Centre, 126 Prospect Road, Prospect SA 5082.

**AGENDA ITEM NO.:** 10.1 ON AGENDA

**TO:** Audit Committee on 21 March 2018

**DIRECTOR:** Ginny Moon, Director Corporate Services

**REPORT AUTHOR:** Chris Birch, Manager Financial Services

**SUBJECT:** Second Budget Review 2017 - 2018

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## 1. EXECUTIVE SUMMARY

The Second Budget Review Report for 2017-2018 was provided for Council consideration and resultant adoption at the Ordinary Meeting on 23 January 2018.

The Second budget review projects a *favourable* adjustment of the Operating Result before Capital Amounts of \$110,861. This results in a revised Operating Surplus before Capital Amounts of \$336,755.

## 2. RECOMMENDATION

**(1) The Audit Committee having considered Item 10.1 Second Budget Review 2017-2018, as being carried out in accordance with the Local Government (Financial Management) Regulations 2011 and the Budget Framework Policy, receives and notes the report.**

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## 3. RELEVANCE TO CORE STRATEGIES / POLICY

- Budget Framework Policy

**Strategic Plan to 2020 Theme 4 – Services** “Leaders of the sector providing efficient, responsive, accessible services”

Strategy 4.2 Sound Financial Management	The annual budget and its mid-year review are attuned to the process of achieving Council's Strategic objective.
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### Intelligent Community Indicators

3. Innovation	Intelligent Communities pursue innovation through a relationship between business, government and institutions	While the budget funds all of Council's activities and their support of the ICF Indicators, the budget process itself,
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6. Advocacy	(ie. universities). Engaging leaders and citizens, businesses and institutions, in identifying opportunities to champion positive change.	directly supports both the Innovation and Advocacy indicators.
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#### 4. REGIONAL IMPACT

Council's budget funds all of its programmes, projects and operations. While generally intra-city focused, some elements of the budget reach bound our cities boundaries.

#### 5. COMMUNITY INVOLVEMENT

There are no relevant community consultation requirements for budget reviews. The original budget seeks comment from the community only.

Budget reviews are available to the public via Council's website.

#### 6. DISCUSSION

The Second Budget Review 2017-2018 was presented and adopted by Council at its Meeting on 23 January 2018.

The full report and its attachments are provided in **Attachments 1–27**.

Reference to '*Attachments*' within the Second Budget Review 2017-2018 Report are all contained within **Attachments 1–27**.

A summary of the changes to the 2017-2018 Budget are included in **Attachments 14-27**.

##### **Financial and Resource Implications**

The second budget review projects a *favourable* adjustment of the Operating Result before Capital Amounts of \$110,861. This results in a revised Operating *Surplus* before Capital Amounts of \$336,755.

#### 7. CONCLUDING STATEMENTS

The second budget review is presented to the Audit Committee in order to keep it abreast of financial decisions made by Council. In doing so, the Audit Committee is invited to provide feedback on the financial impacts of the review, should the committee see reason to do so.

## **ATTACHMENTS**

**Attachments 1-27:** Council Report 23 January 2018 – Second Budget Review 2017-2018

**AGENDA ITEM NO.:** 13.6

**TO:** Council on 23 January 2018

**DIRECTOR:** Ginny Moon, Director Corporate Services

**REPORT AUTHOR:** Chris Birch, Manager Financial Services

**SUBJECT:** Second Budget Review 2017-2018

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## 1. EXECUTIVE SUMMARY

The First Budget was adopted by Council at the meeting 28 November 2017. The First Budget Review forecast an operating surplus before capital amounts of \$225,894.

The Second Budget Review projects a favourable adjustment of the operating result (before capital amounts) of \$110,861 from the First Budget Review. This results in an improved revised operating surplus before capital amounts of \$336,755.

The majority of the movement within the Second Budget Review are revised estimates of the impacts on interest (both earned and paid), fringe benefits taxation payable and re-timing of the Community Hub, Library & Innovation Centre (CLIC) construction costs.

CLIC's construction costs will have a direct impact (reduction) on the need to borrow money within the 2017-2018 year. As with construction costs, this is only a timing variation with no change to the requirements of the total borrowing required to fund the project.

Adjustments to the Second Budget Review have impacted Council's key financial indicators. These indicators are forecast to be as follows for the financial year:

Financial Indicator	Target Range*	Original Budget	Budget Review (BR1)	Proposed Budget Review (BR2)	Target Achieved in Proposed Budget Review
Operating Surplus Ratio	(1.0%) - 5.0%	0.5%	1.0%	1.4%	
Net Financial Liabilities Ratio	10% - 90%	57%	65%	59%	
Asset Sustainability Ratio	100% - 120%	231%	227%	224%	

The Asset Sustainability Ratio continues to assume the entire Community Hub, Library and Innovation Centre (CLIC) project will be a 'Replacement and Renewal' project. In reality a portion of the project will be considered an upgrade and reduces this ratio accordingly. An accurate measure or allocation cannot be made until design plans are available, at which point the ratio will be re-forecast.

Historically, Council has received a separate report on the progress delivery of projects. For 2017-2018 this information has been incorporated in the budget review report in order to give a holistic representation of project progress, both operational and financial. The progress report is included in **Attachments 7-11**. This revised format was introduced in the first budget review.

## 2. RECOMMENDATION

- (1) Council having considered Item 13.6 Second Budget Review 2017-2018 endorse the Second Budget Review 2017-2018 as presented in **Attachments 1 - 20**.
- (2) Council approves the revised projected operating surplus (before capital amounts) of \$336,755, a projected net surplus (total comprehensive income amounts) of \$884,405, and a projected Net Borrowing position of \$5,561,322.

## 3. RELEVANCE TO CORE STRATEGIES / POLICY

- *Local Government Act 1999 S.123 (13)*
- Budget Framework Policy

**Strategic Plan to 2020 Theme 4 – Services** "Leaders of the sector providing efficient, responsive, accessible services"

Strategy 4.2 Sound Financial Management	Although the budget underpins and finances the entire strategic plan, the principles of good budget management are in keeping with the good governance of Sound Financial Management.
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### Intelligent Community Indicators

6. Advocacy	Engaging leaders and citizens, businesses and institutions, in identifying opportunities to champion positive change.	Although the budget underpins and finances all of Councils operations towards supporting the Intelligent Community Indicators, the principles of good budget management are in keeping with the good governance of the Advocacy Indicator.
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#### 4. REGIONAL IMPACT

While the budget contains funding for regional support activities, its focus is on all aspects of Council's operations and services.

#### 5. COMMUNITY INVOLVEMENT

There is no community involvement in the preparation of Budget Reviews. The community were consulted on the original budget before adoption with budget reviews able to be sourced and reviewed by the community from Council's website after adoption.

#### 6. DISCUSSION

The Original Budget was adopted by Council at the meeting 27 June 2017. The Original Budget forecast an operating surplus before capital amounts of \$106,607.

The First Budget Review subsequently projected a revised operating surplus before capital amounts of \$225,894.

The Second Budget Review now projects a further favourable adjustment of the operating result (before capital amounts) of \$110,861 from the First Budget Review. This results in an improved, revised operating surplus before capital amounts of \$336,755.

The movement can be summarised in the following items:-

Favourable Items include

- Deferral of CLIC construction costs of \$1.3m to 2018-2019
- Reduction in Interest Paid on Loan Borrowings \$83k
- Reduction in Workers Compensation Expenditure \$50k
- Reduction in forecast Fringe Benefits Taxation Expenditure \$40k
- Additional Development Assessment Income \$20k

Unfavourable Items include

- Reduction in forecast fines and interest on late payment of Rates \$30k
- Reduction in forecast interest income on bank investments \$40k
- Reduction in Hall Hire Income reflecting that the facilities are not available during transition \$9k

##### 6.1 Key Financial Performance Indicators

Adjustments to the Second Budget Review have impacted Council's key financial indicators.

These indicators are forecast to be as follows for the financial year;

Financial Indicator	Target Range	Original Budget	Budget Review (BR1)	Proposed Budget Review (BR2)	Target Achieved in Proposed Budget Review
Operating Surplus Ratio	(1.0%) - 5.0%	0.5%	1.0%	1.4%	
Net Financial Liabilities Ratio	10% - 90%	57%	65%	59%	
Asset Sustainability Ratio	100% - 120%	231%	227%	224%	

The Asset Sustainability Ratio continues to assume the entire Community Hub, Library and Innovation Centre (CLIC) project will be a 'Replacement and Renewal' project. In reality a portion of the project will be considered an upgrade and reduce this ratio accordingly. An accurate measure or allocation cannot be made until design plans are available, at which point the ratio will be re-forecast.

## 6.2 Recurrent Budget

Although the second budget review impacts a number of items in the recurrent budget, these are expected to affect the 2017-2018 budget year only.

The 2017-2018 recurrent budget anticipated the need to begin to borrow funds for the CLIC project by December 2017. In line with Council's Treasury Management policy, these funds will be drawn down when required, saving interest paid to date. While this delay has occurred, Council has been able to utilise its cash reserves to pay for expenditure incurred. It is anticipated that a reduced borrowing of \$2.2m (previously \$3.5m) will still be required by April 2018. The saving is partly eroded by \$30k in not recognising interest on investments due to Council utilising the cash reserves.

The first quarter instalment of the 2017-2018 Workers Compensation Insurance (\$50k) was incorrectly accrued to 2016-2017. The alignment of expenditure to the relevant year will occur from 2018-2019 onwards.

Council's fringe benefits taxation costs are expected to be less in 2017-2018 following the assessment of 2017. Council's staff engagements and activities are aligned to this year and it is not anticipated that a more fringe benefits tax will be attracted as a result.

An unfavourable adjustment to Fines and Interest received on late rate payments is included in the second budget review. The reduction is reflective of both reduced interest rates than originally forecast and a change in timing of applying fines. Previously applied after the due date of the rates notice, fines are now applied at the due date of a reminder notice. The replacement of a fine notice with a reminder notice is part of Council's revised debt collection process and on-boarding of a new debt collection agency in April 2017. The new collection process has generated a greater success, without reliance on the collection agency at the initial step.

Also included in the second budget review is the reduction of anticipated income from hall hire of both the community hall and town hall. In order to prepare for the transition from the office for CLIC, hiring of these facilities was suspended from 31 December 2017. No further income is expected from these facilities as a result. This has resulted in an unfavourable adjustment of \$8,200.

A summary of all Operating budget adjustments is included in **Attachment 12-20**.

### 6.3 Operating Projects

A list of Operating Projects and applicable adjustments is included in **Attachments 7-11**. The list also includes a project status comment.

The second budget review includes a reduction in costs of \$18,000 for delivering the Reconciliation Action Plan. The saving is anticipated with the project to now be completed by internal resources.

Following delivery of the Prospect Spring Fair, a net unfavourable adjustment of \$13,595 is required. The adjustment includes \$2,500 for reduction in trader fee income with more than anticipated charity groups exhibiting who were not charged a site fee. In addition, \$5,000 of additional radio advertising was used to promote the event.

Preparing transition sites for staff occupancy has necessitated a number of minor updates to Emergency Management procedures. This has been funded from the WHS budget but costed to the transition costs in order to identify it. \$10,500 is transferred from the WHS recurrent budget to the transition project to cover these costs and has no overall effect on the budget.

### 6.4 Capital Projects

A list of Capital Projects and applicable adjustments is included in **Attachments 7-11**.

At the time of setting the budget, it was anticipated that the new CLIC construction would cover three financial years. \$3.5m was allocated to 2017-2018. Given current scheduling this is now expected to be \$2.2m with the remainder to be re-budgeted in 2018-2019.

### 6.5 Nature of Budget Review Changes

The nature of the budget review changes is itemised in schedules of **Attachments 7 – 20**.

These are summarised as follows:

Identifier	Nature	Total Value
a	Policy Change	\$20,000
b	Revised Budget Estimates Approved by Council	\$0
c	Budget Savings/(Overruns)	\$1,367,561
d	Internal Adjustments	\$0
e	Operational Efficiency or Productivity Gains	\$18,000
	<b>Total</b>	<b>\$1,405,561</b>

#### 6.6 Impacts on the Long Term Financial Plan (LTFP)

The items contained within the second budget review are predominately related only to the 2017-2018 financial year and have no effect on the future years.

The LTFP is framed on the expectations on increased borrowings and reduced cash reserves to finance the CLIC project. As a result, income from interest earned had already been varied to reflect this reduction in cash invested.

As highlighted in 6.4 above, the CLIC project has been retimed (a shift of \$1.3m from 2017-2018 to 2018-2019 or 2019-2010) and while this will have a saving to 2017-2018, it does not have an overall impact on the total project cost.

#### 6.7 Other Potential Adjustments

The Second Budget Review brings to account, information and activities that have occurred since the preparation and subsequent adoption of the First Budget Review.

As Council's 2016-2017 Roads to Recovery grant was to fund an incomplete and subsequently carried forward project, Council did not receive its grant allocation of \$483,620. As the funds were not utilised, under the programme rules the grant was rolled forward to 2018-2019, being the last year of the programme. Application has been made to receive these funds in 2017-2018. Once this confirmation has received, it will be updated in the next budget review.

It is anticipated that the favourable adjustment of roads to recovery will be able to indirectly fund the contribution to SA Power Networks for Prospect Road PLEC in 2017-2018. Discussions to finalise the timing of the payment to SA Power Networks are ongoing. In order to ensure the funds are available to make the payment, should it be required 2017-2018, recognition of the saving of PLEC – Hampstead Road has been deferred to the third budget review.

The Asset Sustainability Ratio continues to assume the entire Community Hub, Library and Innovation Centre (CLIC) project will be a 'Replacement and Renewal' project. In reality a portion of the project will be considered an upgrade and reduce this ratio accordingly. An accurate measure or allocation cannot be made until design plans are available, at which point the ratio will be re-forecast.

## Financial and Resource Implications

The second budget review projects a Net Borrowing of \$5,561,322. This is a reduction of \$1,183,839 from the first budget review net borrowing position of \$6,966,883.

A net borrowing position means that Council does not have sufficient funds within the individual year to fund its budget. In order to ensure the budget is delivered, a borrowing position will be funded from cash reserves or new borrowings.

The reduction has stemmed from the retiming of CLIC construction anticipated in 2017-2018 and is reflected in the reduction in anticipated new loan borrowings required.

## 7. CONCLUDING STATEMENTS

The Second Budget Review brings to account, information and activities that have occurred since the preparation and subsequent adoption of the First Budget Review at the Council Meeting 28 November 2017.

Overall, the Second Budget Review projects a favourable adjustment of the operating result (before capital amounts) of \$110,861 from the first budget review. This results in an improved revised operating surplus before capital amounts of \$336,755.

## ATTACHMENTS

<b><u>Attachment 1:</u></b>	Financial Indicators
<b><u>Attachment 2:</u></b>	Uniform Presentation of Finances
<b><u>Attachment 3:</u></b>	Statement of Comprehensive Income
<b><u>Attachment 4:</u></b>	Statement of Financial Position
<b><u>Attachment 5:</u></b>	Statement of Changes in Equity
<b><u>Attachment 6:</u></b>	Statement of Cash Flows
<b><u>Attachment 7-11:</u></b>	Operating and Capital Projects
<b><u>Attachment 12-20:</u></b>	Recurrent and Operating Projects Adjustments

## City of Prospect

### Financial Indicators

for the period ended 31 December 2017

	Target 2017-18	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed Revised BR2 Budget	Target Achieved
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These Financial Indicators have been calculated in accordance with Information paper 9 - Local Government Financial Indicators prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

#### Operating Surplus Ratio

By what percentage does the operating income vary from operating expenses.  
This ratio expresses the operating surplus as a percentage of total operating revenue.

<b>Operating Surplus / (Deficit)</b>	(1.0%) - 5.0%	0.5%	1.0%	1.4%	
<b>Total Operating Revenue</b>					

#### Net Financial Liabilities Ratio

How significant is the net amount owed to others, compared to operating income?  
Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses).  
These are expressed as a percentage of total operating revenue.

<b>Net Financial Liabilities</b>	10% - 90%	57%	65%	59%	
<b>Total Operating Revenue</b>					

#### Adjusted Net Financial Liabilities Ratio

How significant is the net amount owed to others, compared to operating income with the loan to North Adelaide Football Club eliminated?

<b>Net Financial Liabilities</b>	10% - 90%	49%	57%	51%	
<b>Total Operating Revenue</b>					

#### Asset Sustainability Ratio

Are assets being renewed and replaced in an optimal way?  
Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

<b>Net Asset Renewals</b>	100% - 120%	231%	227%	224%	
<b>Infrastructure &amp; Asset Management Plan required expenditure</b>					

## City of Prospect

## Uniform Presentation of Finances

for the period ended 31 December 2017

	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget
	\$ '000	\$ '000	\$ '000	\$ '000
<b>Income</b>	23,054	23,371	(44)	23,326
<i>less</i> <b>Expenses</b>	22,946	23,145	155	22,990
<b>Operating Surplus / (Deficit)</b>	107	226	111	337
<i>less</i> <b>Net Outlays on Existing Assets</b>				
Capital Expenditure on Renewal and Replacement of Existing Assets	8,153	9,196	1,295	7,901
<i>less</i> Depreciation, Amortisation and Impairment	3,624	3,624	-	3,624
<i>less</i> Proceeds from Sale of Replaced Assets	90	90	-	90
<b>Net Outlays on Existing Assets</b>	4,439	5,482	1,295	4,187
<i>less</i> <b>Net Outlays on New and Upgraded Assets</b>				
Capital Expenditure on New and Upgraded Assets	1,310	2,166	-	2,166
<i>less</i> Amounts Received Specifically for New and Upgraded Assets	507	457	-	457
<i>less</i> Proceeds from Sale of Surplus Assets	-	-	-	-
<b>Net Outlays on New and Upgraded Assets</b>	803	1,710	-	1,710
<b>Net Outlays on Existing, New and Upgraded Assets</b>	5,242	7,192	1,295	5,897
<b>Net Lending / (Borrowing) for Financial Year</b>	(5,136)	(6,967)	(1,184)	(5,561)

## City of Prospect

## Statement of Comprehensive Income

for the period ended 31 December 2017

	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget
	\$ '000	\$ '000	\$ '000	\$ '000
<b>Income</b>				
Rates Revenues	19,993	20,057	(30)	20,027
Statutory Charges	500	500	19	518
User Charges	217	248	(9)	239
Grants, Subsidies and Contributions	1,857	1,762	3	1,766
Investment Income	236	236	(40)	196
Reimbursements	115	175	13	188
Other Income	132	388	(0)	388
Net Gain - Equity Accounted Council Businesses	5	5	-	5
<b>Total Income</b>	<b>23,054</b>	<b>23,371</b>	<b>(44)</b>	<b>23,326</b>
<b>Expenses</b>				
Employee Costs	8,241	8,288	50	8,239
Materials, Contracts & Other Expenses	10,407	10,559	22	10,537
Depreciation, Amortisation & Impairment	3,624	3,624	-	3,624
Finance Costs	674	674	83	591
<b>Total Expenses</b>	<b>22,946</b>	<b>23,145</b>	<b>155</b>	<b>22,990</b>
<b>Operating Surplus / (Deficit)</b>	<b>107</b>	<b>226</b>	<b>111</b>	<b>337</b>
Asset Disposal & Fair Value Adjustments	90	90	-	90
Amounts Received Specifically for New or Upgraded Assets	507	457	-	457
<b>Net Surplus / (Deficit)</b>	<b>704</b>	<b>774</b>	<b>111</b>	<b>884</b>
<b>Total Comprehensive Income</b>	<b>704</b>	<b>774</b>	<b>111</b>	<b>884</b>

## City of Prospect

## Statement of Financial Position

for the period ended 31 December 2017

	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget
	\$ '000	\$ '000	\$ '000	\$ '000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	1,984	2,869	(2,665)	204
Trade & Other Receivables	1,322	1,322	-	1,322
Other Financial Assets	147	-	-	-
Inventories	1	2	-	2
<b>Total Current Assets</b>	<b>3,454</b>	<b>4,192</b>	<b>(2,665)</b>	<b>1,528</b>
<b>Non-Current Assets</b>				
Financial Assets	1,433	1,433	-	1,433
Equity Accounted Investments in Council Businesses	46	44	-	44
Infrastructure, Property, Plant & Equipment	173,275	174,799	(1,295)	173,504
<b>Total Non-Current Assets</b>	<b>174,754</b>	<b>176,276</b>	<b>(1,295)</b>	<b>174,981</b>
<b>TOTAL ASSETS</b>	<b>178,208</b>	<b>180,468</b>	<b>(3,960)</b>	<b>176,509</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade & Other Payables	4,214	5,872	-	4,214
Borrowings	1,181	800	-	1,181
Provisions	650	1,712	-	650
<b>Total Current Liabilities</b>	<b>6,045</b>	<b>8,384</b>	<b>-</b>	<b>6,045</b>
<b>Non-Current Liabilities</b>				
Borrowings	11,868	12,249	(1,300)	10,568
Provisions	59	109	-	59
<b>Total Non-Current Liabilities</b>	<b>11,927</b>	<b>12,358</b>	<b>(1,300)</b>	<b>10,627</b>
<b>TOTAL LIABILITIES</b>	<b>17,972</b>	<b>20,742</b>	<b>(1,300)</b>	<b>16,672</b>
<b>Net Assets</b>	<b>160,236</b>	<b>159,726</b>	<b>(2,660)</b>	<b>159,837</b>
<b>EQUITY</b>				
Accumulated Surplus	76,850	74,210	111	74,321
Asset Revaluation Reserves	83,134	83,122	-	83,122
Other Reserves	252	2,394	-	2,394
<b>Total Council Equity</b>	<b>160,236</b>	<b>159,726</b>	<b>111</b>	<b>159,837</b>

## City of Prospect

## Statement of Changes in Equity

for the period ended 31 December 2017

	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget
	\$ '000	\$ '000	\$ '000	\$ '000
<b>Accumulated Surplus</b>	76,850	74,210	111	74,321
<b>Asset Revaluation Reserve</b>	83,134	83,122	-	83,122
<b>Other Reserves</b>	252	2,394	-	2,394
Transfers between Reserves	-	-	-	-
<b>Balance at the end of period</b>	<b>160,236</b>	<b>159,726</b>	<b>111</b>	<b>159,837</b>

Attachment

## City of Prospect

## Statement of Cash Flows

for the period ended 31 December 2017

	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget
	\$ '000	\$ '000	\$ '000	\$ '000
<b>Cash Flows from Operating Activities</b>				
<b>Receipts</b>				
Operating Receipts	22,650	23,130	(4)	23,126
Investment Receipts	236	236	(40)	196
<b>Payments</b>				
Operating Payments to Suppliers and Employees	(19,171)	(18,847)	(136)	(18,983)
Finance Payments	(674)	(674)	83	(591)
<b>Net Cash provided by (or used in) Operating Activities</b>	<b>3,041</b>	<b>3,845</b>	<b>(97)</b>	<b>3,748</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts</b>				
Amounts Received Specifically for New/Upgraded Assets	507	457	-	457
Sale of Replaced Assets	90	90	-	90
Repayments of Loans by Community Groups	157	157	-	157
<b>Payments</b>				
Expenditure on Renewal/Replacement of Assets	(8,153)	(9,196)	1,295	(7,901)
Expenditure on New/Upgraded Assets	(1,310)	(2,166)	-	(2,166)
<b>Net Cash provided by (or used in) Investing Activities</b>	<b>(8,709)</b>	<b>(10,659)</b>	<b>1,295</b>	<b>(9,364)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts</b>				
Proceeds from Borrowings	3,500	6,992	(1,300)	5,692
<b>Payments</b>				
Repayments of Borrowings	(1,017)	(1,017)	-	(1,017)
<b>Net Cash provided by (or used in) Financing Activities</b>	<b>2,483</b>	<b>5,975</b>	<b>(1,300)</b>	<b>4,675</b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>(3,185)</b>	<b>(839)</b>	<b>(102)</b>	<b>(941)</b>
plus: <b>Cash &amp; Cash Equivalents at beginning of period</b>	<b>5,169</b>	<b>1,984</b>		<b>1,145</b>
<b>Cash &amp; Cash Equivalents at end of period</b>	<b>1,984</b>	<b>1,145</b>	<b>(102)</b>	<b>204</b>

## Operating Recurrent and Projects Budget Review 2 Proposed Adjustments

	Original Budget	Revised	Proposed BR2 Adjustments			Proposed Revised	Comments	Favourable / Unfavourable	Budget Adjustment Nature
	2017-18	BR1 Budget	Recurrent	Projects	Total	BR2 Budget			
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000			
<b>Income</b>									
Rates Revenues									
<i>Recurrent Income</i>									
Rates Revenue - General Fines/Interest			(30)		(30)		Lower rates fines/interest attributed to decrease in annual interest rate by 0.25% (from 7% 16/17 to 6.75% in 17/18) and interest now applied 3 weeks after due date rather than after 1 week previously.	✗	c
Total Rates Revenues	19,993	20,057	(30)	-	(30)	20,027			
Statutory Charges									
<i>Recurrent Income</i>									
Development Assessment - Planning Fees			20		20		Value of development applications has exceeded budget estimates.	✓	c
Library - Fines			(2)		(2)		Reduction in expected fine income.	✗	c
Total Statutory Charges	500	500	18	-	18	518			
User Charges									
<i>Project Income</i>									
Spring Fair Income - User Charges Income				(3)	(3)		Estimate did not take into account the large number of charities attending (who incur no charge).	✗	c
<i>Recurrent Income</i>									
Library - User Charges Income			2		2		Increased membership fees.	✓	c
Town Hall Facilities - User Charges Income			(6)		(6)		To reflect actuals as no external hirers of halls from 1 Jan 2018.	✗	c
Prospect Community Hall - User Charges Income			(3)		(3)		Due to Community Hall being unavailable from 30 Dec 2017, many hirers left early before end of year.	✗	c
Total User Charges	217	248	(6)	(3)	(9)	239			
Grants, Subsidies and Contributions									
<i>Recurrent Income</i>									
Library - Operating Grant Income			3		3		Revised Operating Grant Income	✓	d
Total Grants, Subsidies and Contributions	1,857	1,762	3	-	3	1,766			

## Operating Recurrent and Projects Budget Review 2 Proposed Adjustments

	Original Budget	Revised	Proposed BR2 Adjustments			Proposed Revised	Comments	Favourable / Unfavourable	Budget Adjustment Nature
	2017-18	BR1 Budget	Recurrent	Projects	Total	BR2 Budget			
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000			
<b>Income (cont.)</b>									
Investment Income			(40)		(40)		Reduction in investment income expected as Council defers new borrowings & consumes cash reserves first. Reduction indirectly offset by loan borrowing interest expense savings.	✘	c
Total Investment Income	236	236	(40)	-	(40)	196			
Reimbursements									
<i>Recurrent Income</i>									
Financial Management - Fuel Tax Credits			(2)		(2)		Revision to fuel tax credit budget in 17/18.	✘	c
Private Works Income - Trees/Nature Strips			13		13		Private Works contribution 2017-18	✓	c
Total Reimbursements	115	175	13	-	13	188			
Other Income									
<i>Recurrent Income</i>									
Library - Other Income			(2)		(2)		Reduction in expected general income.	✘	c
OOTS School Holidays Program - Ticket Sales Income			2		2		Income now possible for the April 2018 School Holidays due to Town Hall availability in 2018.	✓	c
Total Other Income	132	388	(0)	-	(0)	388			
Net Gain - Equity Accounted Council Businesses	5	5	-	-	-	5			
<b>Total Income</b>	<b>23,054</b>	<b>23,371</b>	<b>(43)</b>	<b>(3)</b>	<b>(45)</b>	<b>23,326</b>			

## Operating Recurrent and Projects Budget Review 2 Proposed Adjustments

	Original Budget	Revised	Proposed BR2 Adjustments			Proposed Revised	Comments	Favourable / Unfavourable	Budget Adjustment Nature
	2017-18	BR1 Budget	Recurrent	Projects	Total	BR2 Budget			
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000			
<b>Expenses</b>									
Employee Costs									
<i>Recurrent Expenditure</i>									
Workers Compensation Premium			50		50		Reduction in expenditure for 17/18, following accrual of instalment 1 to 2016-17.	✓	c
Total Employee Costs	8,241	8,288	50	-	50	8,239			
Materials, Contracts & Other Expenses									
<i>Project Expenditure</i>									
Reconciliation Action Plan Implementation				18	18		Activities will be completed utilising existing in-house staff resources. Fair held 28 October 2017. BR2 required for additional unbudgeted Radio Presence (\$5K) plus additional printing required for first event promotion.	✓	e
Spring Fair				(11)	(11)			✗	c
Tourrific - Indigenous Welcome to Country				(3)	(3)		Indigenous Welcome to Country (including Kaurna welcome). Funded through savings in Reconciliation Action Plan project.	✗	c
CLIC				(11)	(11)		Reallocation from WHS/Risk to fund Walkerville Transition and Emergency Evacuation Signage	✗	d
<i>Recurrent Expenditure</i>									
WHS/Risk			11		11		Reallocation to Walkerville transition and emergency evacuation signage.	✓	d
Financial Management - Fringe Benefits Tax Expense			40		40		Reduction in anticipated Fringe Benefits Tax costs following lodgement of 2017 return.	✓	c
Prospect Community Hall - Contractors & Equip			1		1		Due to Community Hall being unavailable from 30 Dec 2017, many hirers left early before end of year.	✓	c
Twilight - Indigenous Welcome to Country			(2)		(2)		Indigenous Welcome to Country (including Kaurna welcome). Funded through savings in Reconciliation Action Plan project.	✗	c
Rates - External Services			(6)		(6)		Increased cost of valuation roll from Business Services due each October and higher than forecast Australia Post commissions.	✗	c
Private Works - Contractors			(15)		(15)		Private Works program 2017-18	✗	c
Total Materials, Contracts & Other Expenses	10,497	10,559	29	(6)	23	10,537			
Depreciation, Amortisation & Impairment									
Total Depreciation, Amortisation & Impairment	3,624	3,624	-	-	-	3,624			
Finance Costs									
Financial Management - Loan Interest			83		83		Loan interest savings from deferral in new loan drawdowns. Favourable interest savings will offset interest earned from deposits - due to consuming cash reserves prior to loan borrowing.	✓	c
Total Finance Costs	674	674	83	-	83	591			
Net loss - Equity Accounted Council Businesses									
Total Net loss - Equity Accounted Council Businesses	-	-	-	-	-	-			
<b>Total Expenses</b>	<b>22,946</b>	<b>23,146</b>	<b>162</b>	<b>(6)</b>	<b>155</b>	<b>22,991</b>			

## Operating Recurrent and Projects Budget Review 2 Proposed Adjustments

	Original Budget 2017-18	Revised BR1 Budget	Proposed BR2 Adjustments			Proposed Revised BR2 Budget	Comments	Favourable / Unfavourable	Budget Adjustment Nature
			Recurrent	Projects	Total				
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000			

Attachment

## Operating Recurrent and Projects Budget Review 2 Proposed Adjustments

	Original Budget 2017-18	Revised BR1 Budget	Proposed BR2 Adjustments			Proposed Revised BR2 Budget	Comments	Favourable / Unfavourable	Budget Adjustment Nature
	\$ '000	\$ '000	Recurrent \$ '000	Projects \$ '000	Total \$ '000	\$ '000			
Operating Surplus / (Deficit)	107	225			111	337			
Asset Disposal & Fair Value Adjustments									
Total Asset Disposal & Fair Value Adjustments	90	90	-	-	-	90			
Amounts Received Specifically for New or Upgraded Assets									
	507	457	-	-	-	457			
Physical Resources Received Free of Charge									
Total Investment Income	-	-	-	-	-	-			
<b>Net Surplus / (Deficit)</b>	<b>704</b>	<b>773</b>	<b>-</b>	<b>-</b>	<b>111</b>	<b>884</b>			
<b>Other Comprehensive Income</b>									
Total Other Comprehensive Income	-	-	-	-	-	-			
<b>Total Comprehensive Income</b>	<b>704</b>	<b>773</b>	<b>-</b>	<b>-</b>	<b>111</b>	<b>884</b>			

Legend: Budget Adjustment Nature

- |   |  |
|---|--|
| a | Policy Change  |
| b | Revised Budget Estimates Approved by Council                             |
| c | Budget Overruns/Savings  |
| d | Internal Adjustment Excluding Budget Overruns (inc Grants, Reallocation) |
| e | Operational Efficiency Gain / Productivity Saving                        |



# People

Know, empower, celebrate, educate and activate our community.



## 2017-18 Operating & Capital Projects

Project Ref. No.	Operating Project	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget 2017-18	Actual to 31 Dec 2017	Project Status	Project Comment
O.39	SCRamble - Safer Active Travel Project	8,000	8,000	-	8,000	-	Not Started	Scheduled to be held in April 2018.
O.28	Hiring of Cloth Nappies	2,000	2,000	-	2,000	-	On Track	No applications received to date. Engagement Strategy being reviewed.
O.18	Publications - Prospect Magazine	101,000	101,000	-	101,000	27,463	On Track	Summer Edition completed and posted to the community in December. Awaiting invoices for this edition.
O.16	Communications Strategy Implementation Plan	20,000	20,000	-	20,000	3,310	On Track	Establishing Communications Staff Champions Group. Elected Member Social Media training scheduled for 20 February 2018.
O.21	Bi-Annual Prospect Portrait Prize	6,000	6,000	-	6,000	4,042	On Track	Exhibit currently open. Prize money due to be paid in January 2018.
O.20	Reconciliation Action Plan - Implementation	23,000	23,000	(18,000)	5,000	2,125	On Track	Activities will be completed utilising existing in-house staff resources. \$2k transfer to Twilight Concerts for Indigenous Welcome to the Country (Kaurna Welcome).
O.12	Prospect Spring Fair	55,000	55,000	11,095	66,095	66,125	Completed	Fair held 28 October 2017. BR2 required for additional unbudgeted Radio Presence (\$5K) plus additional printing required for first event promotion.
O.19	Events Grants	22,000	22,000	-	22,000	9,500	On Track	Applications in progress with agreements being finalised. Anticipate \$10k grant to be provided in the next quarter.
O.06	Local History Digitisation	22,000	22,000	-	22,000	12,742	On Track	Ongoing from 2016-2017. Project will progress throughout the financial year.
O.30	Tourific Prospect	250,000	250,000	2,800	252,800	57,219	On Track	Event scheduled for 15 January 2018. Finalising event planning & trader registrations.
O.10	Community Satisfaction Survey	25,000	25,000	-	25,000	24,700	Completed	Completed in October 2017.
O.16	Web Site Design & Redevelopment	20,000	20,000	-	20,000	201	On Track	Request For Tender released to market in December 2017. Scheduled for evaluation and contract award by February 2018. Seeking completion by June 2018
		<b>554,000</b>	<b>554,000</b>	<b>(4,105)</b>	<b>549,895</b>	<b>207,427</b>		

Attachment



# People

Know, empower, celebrate, educate and activate our community.



## 2017-18 Operating & Capital Projects

Project Ref. No.	Capital Project	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget 2017-18	Actual to 31 Dec 2017	Project Status	Project Comment
C.21	Bus Shelter Upgrades (DDA Compliance)	12,000	12,000	-	12,000	-	On Track	Scheduled to be installed in January 2018.
C.09	Library Capital Book Purchases	84,000	84,000	5,300	89,300	88,750	Completed	Books provided through State Government Bookshop. Books have been ordered and awaiting delivery.
		<b>\$96,000</b>	<b>\$96,000</b>	<b>\$5,300</b>	<b>\$101,300</b>	<b>\$88,750</b>		

Attachment



# Place

Loved heritage, leafy streets, fabulous places.



## 2017-18 Operating & Capital Projects

Project Ref. No.	Operating Project	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget 2017-18	Actual to 31 Dec 2017	Project Status	Project Comment
O.27	Heritage Grant Program	15,000	18,500	-	18,500	3,850	On Track	Funds allocated for 2017-18 program. Funds disbursed as private works completed and reimbursement requested.
O.29	Housing Diversity and Desirable Neighbourhoods DPA	45,000	45,000	-	45,000	5,400	On Track	Project commenced with preliminary investigations and waiting on advice from DPTI regarding progressing the DPA.
O.26	Veggie Verges	10,000	10,000	-	10,000	-	On Track	Advertising scheduled for 2018
20 - C/F	Main North Central Precinct Concept Plan	-	100,000	-	100,000	16,359	On Track	Detailed Design being finalised with EM workshop held November 2017. Council report due January 2018.
O.07	Main North Road Design Development	120,000	-	-	-	-	Cancelled	DPTI grant application not successful. Project not proceeding.
O.41	Design Development George Whittle Reserve	70,000	70,000	-	70,000	3,610	Not Started	Masterplan presented to Council in November which will follow with a detailed design.
	North Park Lands Project	-	200,000	-	200,000	200,000	On Track	Project prospectus developed with Adelaide City Council for submission to Minister Rau. Fully funded by DPTI.
44 - C/F	Green Neighbourhoods Connections & Attractions	-	4,648	-	4,648	-	Completed	Works completed with costs finalised in 2016-2017. Saving to be identified in BR3
48 - C/F	Village Heart & Surrounds Tree Project	-	49,341	-	49,341	49,341	Completed	Trees installed.
O.14	White Cedar Tree Program (Project)	55,000	55,000	-	55,000	26,435	On Track	Collating and assessing suitable trees for replacement.
66 - C/F	Memorial Gardens Playspace 3/3 (Project)	-	11,641	-	11,641	11,641	Completed	Works Completed.
O.25	City Wide Public Art Advisory Board	15,000	15,000	-	15,000	8,201	On Track	Meetings progressing on schedule with programme and grants.
		<b>\$330,000</b>	<b>\$579,130</b>	<b>\$0</b>	<b>\$579,130</b>	<b>\$324,837</b>		



# Place

Loved heritage, leafy streets, fabulous places.



## 2017-18 Operating & Capital Projects

Project Ref. No.	Capital Project	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget 2017-18	Actual to 31 Dec 2017	Project Status	Project Comment
	Rose Street Streetscape Cinema Upgrade	-	300,000	-	300,000	305,722	Completed	Works completed. Awaiting final placement of 2 bench seats. Final invoice to be sent to Maras Group and State Government.
	Beautification Project for All Parks & Reserves	-	12,925	-	12,925	12,925	Completed	Works Completed.
<b>14 - C/F</b>	Prospect Road Footpath Upgrade - Gordon to Regency	-	713,546	-	713,546	530,852	On Track	Design completed and works commenced.
<b>C.03</b>	Pedestrian Kerb Ramp	25,850	25,850	-	25,850	6,956	On Track	Finalising scope.
<b>C.24</b>	Water Sensitive Urban Design for LATM Devices	14,000	14,000	-	14,000	-	On Track	Design completed. Tender brief being prepared for delivery of project works.
<b>38 - C/F</b>	Upgrade of Playspace in Identified Parks	-	12,397	-	12,397	13,450	Completed	Works Completed.
<b>53 - C/F</b>	Memorial Gardens Playspace Stage 3 of 3	-	33,679	-	33,679	14,291	On Track	Toilet block rendering completed with mural installation to commence prior to mid-February.
<b>C.12</b>	Broadview Oval - Public Tennis Courts Upgrade	40,000	40,000	-	40,000	-	Not Started	Awaiting tennis off season to commence works.
<b>C.13</b>	B/view Oval - Beautification & Oval Fitness Track	250,000	289,955	-	289,955	11,691	On Track	Design being prepared and consultation with Council via workshop undertaken.
<b>C.16</b>	Prospect Rd Footpath Upgrade - Regency to Angwin	95,000	95,000	-	95,000	-	Not Started	Design works to be undertaken following PLEC design completion.
<b>C.20</b>	Public Art - Capital	25,000	25,000	-	25,000	5,000	On Track	Artist agreement is being finalised. Installation to follow.
		<b>\$449,850</b>	<b>\$1,562,352</b>	<b>\$0</b>	<b>\$1,562,352</b>	<b>\$900,887</b>		



# Prosperity

More jobs, more investment, more activity, more vibrancy.



## 2017-18 Operating & Capital Projects

Project Ref No.	Operating Project	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget 2017-18	Actual to 31 Dec 2017	Project Status	Project Comment
O.17	Digital Economy Strategy Implementation	108,100	108,100	-	108,100	32,306	On Track	Prospect Fast WiFi system installed and being promoted through installation of new street signage. Gig City proposal lodged. Innovation precinct concept developed & Smart Cities funding Awarded.
O.08	Business Incubator (Incubator Support Initiative)	200,000	200,000	-	200,000	2,520	On Track	Grant application submitted in October.
O.15	Prospect Road Destination Marketing	15,000	15,000	-	15,000	31	On Track	Marketing committee established with businesses and marketing theme/logo & campaign strategy being developed. To be presented to January 2018 Council Workshop
		<b>\$323,100</b>	<b>\$323,100</b>	<b>\$0</b>	<b>\$323,100</b>	<b>\$34,856</b>		

Project Ref No.	Capital Project	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget 2017-18	Actual to 31 Dec 2017	Project Status	Project Comment
C.15	Developer Partnership Grant Program	423,300	123,300	-	123,300	-	On Track	Budget allocated to 'Rose Street Streetscape Cinema Upgrade' project. New application being assessed and scoped for Council consideration.
C.17	High Speed WiFi Network	25,000	25,000	-	25,000	21,064	Completed	Installation complete. Developing Business Engagement Plan.
		<b>\$448,300</b>	<b>\$148,300</b>	<b>\$0</b>	<b>\$148,300</b>	<b>\$21,064</b>		



# Services

Leaders of the sector providing efficient, responsive, accessible services.



## 2017-18 Operating & Capital Projects

Project Ref No.	Operating Project	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget 2017-18	Actual to 31 Dec. 2017	Project Status	Project Comment
O.09	Power line undergrounding Hampstead Road (PLEC)	114,544	114,544	-	114,544	-	Cancelled	Council Meeting 19/12/17, agenda item 13.4, project to be deferred in 2017/18, to be reconsidered 2020/21. Funds to be retained for Prospect Road PLEC pending timing confirmation from DPTI
O.47	East West Traffic Movements	20,000	20,000	-	20,000	-	On Track	Feasibility study to be conducted to introduce right turn at Thomas St/Main North Rd intersection as reported at workshop on 14/11/2017. Project to commence Feb 2018.
51 - C/F	Prospect Oval Seating Repairs	-	14,000	-	14,000	14,543	Completed	Works Completed.
O.31	Flood Impacted Properties Stormwater Assessment	55,000	55,000	-	55,000	-	On Track	Assessment being made based on previous work in conjunction with Stan Watson flood and mitigation work.
O.01	Civic Centre and CLIC Transition	220,000	220,000	10,500	230,500	95,103	On Track	Relocation scheduled for March 2018.
O.02	Depot Relocation	40,000	40,000	-	40,000	-	Not Started	Investigation of potential sites continuing. Timing dependent on Main North Road Expressions Of Interest.
O.23	Digital Transformation - Facilities Booking System	15,000	15,000	-	15,000	35	On Track	Awaiting confirmed business model from all participating Councils.
O.04	Service Innovation Initiative	17,000	25,000	-	25,000	-	On Track	Service Review Project being scoped. Presentation to be made to January 2018 Council Workshop
118 - C/F	Scope Design & Delivery of an Extranet	-	20,000	-	20,000	-	Not Started	Budget will be incorporated into Web Redesign project.
O.05	Sentencing, Boxing and Listing of Legacy Files	23,500	23,500	-	23,500	23,500	Completed	Project completed ready for transition.
O.22	Community Portal Implementation	19,000	19,000	-	19,000	1,051	On Track	Implemented and configured in test environment. Portal is now being customised for use by CoP.
		<b>\$524,044</b>	<b>\$566,044</b>	<b>\$10,500</b>	<b>\$576,544</b>	<b>\$134,232</b>		



# Services

Leaders of the sector providing efficient, responsive, accessible services.



Project Ref No.	Capital Project	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget 2017-18	Actual to 31 Dec 2017	Project Status	Project Comment
C.02	Driveway Upgrade Program	123,010	123,010	-	123,010	5,238	On Track	Contract awarded in November, works to commence in near term.
C.04	Road Design/Reconstruction (Capital)	1,201,555	1,201,555	-	1,201,555	344,516	On Track	Road program on track. Design 90% complete.
C.05	Footpath Construction - Miscellaneous	330,199	330,199	-	330,199	87,396	On Track	Programmed works ongoing.
C.06	Kerb and Gutter Constructions	295,921	295,921	-	295,921	195	On Track	Linked to C.04.
C.35	Alexandra St Prospect Reconstruction	1,005,000	1,005,000	-	1,005,000	6,340	On Track	Design nearing completion. Construction to commence early 2018.
C.07	Drainage Design/Construction	38,808	38,808	-	38,808	-	Not Started	Design to commence in early 2018.
BR1 -16/17	Connecting Prospect Oval to Main North Rd (Cap)	-	9,850	-	9,850	16,084	Completed	Overspend on additional footpath works not previously identified.
22 C/F	Brussels St - Road Design/Construction - C/F	-	85,664	-	85,664	87,263	Completed	-
23 C/F	Brussels St - Footpath Construction - C/F	-	118,018	-	118,018	118,018	Completed	-
24 C/F	Brussels St - Kerb & Gutter Construction - C/F	-	54,756	-	54,756	57,890	Completed	-
31 C/F	Brussels St - Drainage Design/Constr - C/F	-	266,559	-	266,559	265,588	Completed	-
31 C/F	Churchill Rd S/water Diversion Drain - C/F	-	227,267	-	227,267	227,267	On Track	Awaiting gas connections.
44 C/F	Council Buildings Capital Works - C/F	-	30,000	-	30,000	30,332	Completed	-
C.08	Council Buildings & Structures - Capital Works	85,268	85,268	-	85,268	14,243	On Track	-
C.01	Fleet Management - Capital Acquisitions	283,500	578,500	-	578,500	363,345	On Track	Orders placed.
C.10	Community Hub, Library and Innovation Centre (CLIC	3,500,000	3,500,000	(1,300,000)	2,200,000	276,447	On Track	Original Budget estimated ahead of design and construction schedule, \$1.3m costs now to occur 2018-19
C.11	Broadview Oval - Tennis Court Rejuvenation	35,000	35,000	-	35,000	-	Not Started	Awaiting tennis off season to commence works.



# Services

Leaders of the sector providing efficient, responsive, accessible services.



Project Ref No.	Capital Project	Original Budget 2017-18	Revised BR1 Budget 2017-18	Proposed BR2 Adjustments	Proposed Revised BR2 Budget 2017-18	Actual to 31 Dec 2017	Project Status	Project Comment
C.14	Prospect Oval - Roof Replacement - Robert Lewis	450,000	450,000	-	450,000	4,070	On Track	Contract awarded, works to commence April 2017
C.18	Stan Watson Pump Station Upgrades	5,500	5,500	-	5,500	5,390	Completed	-
C.19	Asbestos Removal	90,000	90,000	-	90,000	-	On Track	Works being scoped at Nailsworth Community Hall, to commence April 2018
C.23	Connected Parks	110,000	110,000	-	110,000	-	On Track	Federal Grant secured in November, agreement will be signed with the five partnering councils in late January pending council approval.
C.39	Flood Mitigation - Prospect North West	115,000	115,000	-	115,000	-	Not Started	To be delivered following completion of O.31 - Flood Impacted Properties Assessment
C.25	Stan Watson Park Expansion & Flood Mitigation Work	800,000	800,000	-	800,000	685,158	On Track	Property acquired. Demolished in December. Design of flood mitigation is underway. Engineers report due February.
		<b>\$8,468,761</b>	<b>\$9,555,375</b>	<b>-\$1,300,000</b>	<b>\$8,255,875</b>	<b>\$2,594,782</b>		

## TOTAL OPERATING PROJECT EXPENDITURE

Total New / Upgrade Asset

Total Renewal Asset

## TOTAL CAPITAL PROJECT EXPENDITURE

<b>\$1,731,144</b>	<b>\$2,022,274</b>	<b>\$6,395</b>	<b>\$2,028,669</b>	<b>\$701,353</b>
\$1,309,808	\$2,166,364	\$0	\$2,166,364	\$1,550,500
\$8,153,103	\$9,196,163	-\$1,294,700	\$7,901,463	\$2,054,983
<b>\$9,462,911</b>	<b>\$11,362,527</b>	<b>-\$1,294,700</b>	<b>\$10,067,827</b>	<b>\$3,605,483</b>

**AGENDA ITEM NO.:** 10.2 ON AGENDA

**TO:** Audit Committee on 21 March 2018

**DIRECTOR:** Ginny Moon, Director Corporate Services

**REPORT AUTHOR:** Chris Birch, Manager Financial Services

**SUBJECT:** 2016-2017 Interim Audit Letter Update

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### 1. EXECUTIVE SUMMARY

At the 13 June 2017 Audit Committee Meeting, a presentation and letter from Council's External Auditor Galpins was received. Both the presentation and letter focused on the findings from the recent Interim Audit visit.

The Audit Committee requested to receive an update on actions identified in the letter by December 2017.

This report provides the requested update.

### 2. RECOMMENDATION

**(1) The Audit Committee having considered Item 10.2 2016-2017 Interim Audit Letter Update, receive and note the report.**

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### 3. RELEVANCE TO CORE STRATEGIES / POLICY

- *Local Government Act 1999, Section 125 and 129*

**Strategic Plan to 2020 Theme 4 – Services** "Leaders of the sector providing efficient, responsive, accessible services"

Strategy 4.2 Sound Financial Management	An external audit, while required under the Local Government, adds value to Council's operations through the independent review process to ensure that Council is financially sound and its reporting is true and accurate.
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**Intelligent Community Indicators**

<p>6. Advocacy</p>	<p>Engaging leaders and citizens, businesses and institutions, in identifying opportunities to champion positive change.</p>	<p>Auditing of Councils operations provides reassurance to external parties of the accuracy of Councils reports in delivering the change it has embarked upon.</p>
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**4. REGIONAL IMPACT**

The report does not have a region impact beyond that of the City. Council's finances do however include subsidiaries and contributions that do have regional coverage beyond city boundaries.

**5. COMMUNITY INVOLVEMENT**

There was no community involvement in this report.

Subsequent to the interim audit, a final audit report was provided to the Council, its community and other readers of the financial reports where an unqualified audit opinion was provided.

**6. DISCUSSION**

At the 13 June 2017 Audit Committee meeting a presentation was made by Galpins in regards to the findings from their recent interim audit process. At this time the Audit Committee resolved the following:

- (1) The Audit Committee having considered Item 12.1 Interim Audit Report 2016-2017, receives and note both the letter and management responses.*
- (2) Process reports addressing improvements against the Interim Audit findings be presented to Audit Committee at the meeting of December 2017.*

As the December 2017 Audit Committee agenda was full, the report was deferred to this meeting.

The report presented by Galpins had reviewed a total of 78 controls. The report concluded that 59 controls were operating effectively and made recommendations for actions to address the remaining 19.

An update on the remaining 19 actions is as follows:

**Finding 1:** Procurement: Audit identified a number of purchases for which evidence of procurement procedures undertaken could not be located.

**Status Update: In Progress:** All identified purchases have now been through a procurement process. With the exception of two, the identified items are now operating under either tendered contracts or Local Government Procurement Group (LGAP)/Procurement Australia panel contracts. One is currently embarking on a tender process which is yet to be finalised. The final one was an engagement for a one off project and the engagement had been completed/ended.

**Finding 2:** Procurement: Procurement policy has not been reviewed since its adoption. Inconsistencies between the policy and the Accounting Policy and Procedure.

**Status Update: Complete:** The revised Procurement Policy was adopted by Council 22 August 2017.

**Finding 3:** Procurement: Contract register does not include all contracts in place and is missing some critical data (eg amounts, expiry dates, etc)

**Status Update: Complete:** The contract register has been reviewed and updated to include all relevant information. A separate contract register is being maintained for the Community Hub, Library and Innovation Centre (CLIC) construction.

**Finding 4:** Procurement: Purchase Orders (PO's) issued after the date of the invoice/purchases without approved PO's / PO's not approved in accordance with Delegations of Authority.

**Status Update: In Progress:** Delegations have been reviewed and amended if necessary within the Authority purchasing system. The draft Purchasing Protocols were presented to the Audit Committee in December 2017 and formed the basis for the staff training and trial process undertaken from January 2018. The trial with the Assets and Infrastructure Directorate was completed in February 2018. Following Executive Leadership Team (ELT) approval (scheduled for March 2018), the protocols and related training will be rolled out to the remainder of the organisation.

**Finding 5:** General Ledger: Further review of users' access rights allocated to different modules in Authority.

**Status Update: Complete:** The user access rights questioned was that of the CEO who had been granted greater access than required. This has been reviewed and amended.

**Finding 6:** General Ledger: Manual journal entries are not always independently reviewed.

**Status Update: Complete:** As identified in the original response, this was a training gap with a new staff member which was quickly corrected upon identification.

**Finding 7:** Accounts Payable: Audit Trail of changes to the supplier master file is not reviewed on a regular basis.

**Status Update: Complete:** As identified in the original response, this was addressed before the presentation of the original report to the Audit Committee. Periodic review has been maintained during 2017-2018.

**Finding 8:** Accounts Payable: Further review of users' access rights allocated to the accounts payable module in Authority.

**Status Update: Complete:** As with other modules, the user access rights questioned was that of the CEO who had been granted greater access than required. This has been reviewed and amended.

**Finding 9:** Accounts Payable: Improvements necessary in the process of uploading the EFT file into the online banking system.

**Status Update: In Progress:** The banking file has not yet been made 'read only' as requested. This remains a compatibility issue between Councils corporate software vendor and contracted banking service provider. It has been identified for rectification in Council's current banking tender. In the meantime, a tick back process of the banking report to the Civica Authority payment report is being undertaken.

**Finding 10:** Accounts Payable: Aged payables listing is not reviewed on a regular basis.

**Status Update: Complete:** As identified in the original response, aged payables only relate to Elected Member allowances as these are loaded and future dated at the beginning of the year. All other invoices are processed within the month of payment.

**Finding 11:** Payroll: Improvements necessary in the process of uploading the EFT file into the online banking system

**Status Update: In Progress:** The finding and alternate process being utilised is the same of that of finding 10 for Accounts Payable.

**Finding 12:** Payroll: Indoor workers are not required to have their timesheets approved.

**Status Update: In Progress:** The implementation of online timesheets and authorisation remains in progress with Council working closely with Civica to develop the product to a commercially usable standard. Alternate strategies in the meantime and considering multi-site arrangements during transition are being discussed by the Management Team.

**Finding 13:** Payroll: Further review required of users access rights allocated to the payroll module in Authority.

**Status Update: Complete:** As with other modules, the user access rights questioned was that of the CEO who had been granted greater access than required. This has been reviewed and amended.

**Finding 14:** Rates: A list of non-rateable properties is not formally reviewed to ensure they are still valid before processing the rates modelling.

**Status Update: Complete:** Non-Rateable properties were reviewed by the Rates Officer and Manager Financial Services prior to billing of rates for 2017-2018. These Non-Rateable properties and associated valuations were reconciled to the Valuer Generals supplied reports.

**Finding 15:** Rates: A list of rebates is not formally reviewed to ensure they are still valid before processing the rates modelling.

**Status Update: Complete:** All rates rebates were reset for 2017-2018. Historic beneficiaries were written to request re-application of their discretionary rebate. Upon receipt of these applications, all were presented for Council for decision. Council decision were actioned within the rates module and communicated to applicants. Council will consider an updated list for 2018-2019. It is not proposed to write to applicants before the presentation of the report this year. Recipients have remained consistent and no changes to their holdings have been identified. It is proposed to write to recipients every couple of years with a future policy governing this to be presented to the Audit Committee in May 2018.

**Finding 16:** Rates: Council does not conduct a regular independent review of the rates aged receivables reports.

**Status Update: Complete:** Periodic review have been introduced in 2017-2018. As per the original report, Council implemented a new Debt Collection contract in May 2017. This relationship and the implementation of Civica's debt recovery module has provided a more efficient method for monitoring and referring of unpaid rates for follow up and legal action should it be required.

**Finding 17:** Rates: There is no audit trail of changes to the property master file containing changes in key data such as capital value, rate in the dollar and property type.

**Status Update: Complete:** Audit trail reporting is now in place and reviewed monthly.

**Finding 18:** Fixed Assets: Further review required of users' access rights allocated to the Fixed Asset module in Authority.

**Status Update: Complete:** As with other modules, the user access rights questioned was that of the CEO who had been granted greater access than required. This has been reviewed and amended.

**Finding 19:** Banking: Audit identified two users with admin access to the EFT banking system that are no longer employees of Council.

**Status Update: Complete:** As identified in the original report, user accounts were deactivated by Council administration at the termination of employment and security tokens retained. Council administration are not able to reactivate these accounts. The bank has been asked to expedite the removal of these closed users.

## Financial and Resource Implications

There are no resource or implications impact for the completion of this report. All outstanding actions have and continue to be completed as part of the recurrent budget.

## **7. CONCLUDING STATEMENTS**

Actions to date have enabled the completion of most of the findings with the remaining few well advanced and awaiting external actions to have completed in the coming months.

As Galpins are undertaking their 2017-2018 interim audit review on 9 – 12 April 2018, it is not considered necessary for a further update on 'in progress' items to be made. Should external audit still have concerns with these items they will appear on the 2017-2018 letter.

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## **ATTACHMENTS**

Nil

**AGENDA ITEM NO.:** 10.3 ON AGENDA

**TO:** Audit Committee on 21 March 2018

**DIRECTOR:** Ginny Moon, Corporate Services

**REPORT AUTHOR:** Jo-Ann Tanti, Manager Governance & Administration

**SUBJECT:** Internal Audit – Complaints Handling

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## 1. EXECUTIVE SUMMARY

The powers conferred on the Audit Committee by the Council are contained within the Committee Terms of Reference. A key objective of the Committee is to act as a source of advice to the Council and Chief Executive Officer in matters facilitating audit initiatives; accordingly, an Audit Work Plan for 2017-2019 has been established.

The Internal Audit for Complaints Handling was undertaken during 2017. The key findings and observations have been assessed with the drafting of action plans ongoing. It is expected there will be resourcing implications in the need to achieve and maintain an acceptable risk rating.

A further report demonstrating completion of outstanding action items as key outcomes of the audit, will be tabled at the May 2018 Audit Committee meeting.

## 2. RECOMMENDATION

- (1) **The Audit Committee having considered Item 10.3 Internal Audit – Complaints Handling (as presented in Attachments 1-3) receives and notes the report.**
  - (2) **The Audit Committee receive a progress report at the next meeting to be held in May 2018 providing status of outstanding items.**
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## 3. RELEVANCE TO CORE STRATEGIES / POLICY

### 3.1 *Local Government Act 1999*

Corporate Governance & Internal Control Framework

City of Prospect Audit Committee Terms of Reference

**Strategic Plan to 2020 Theme 4 – Services** “Leaders of the sector providing efficient, responsive, accessible services”

Strategy 4.4	Evaluating a process or set of activities and providing a transparent platform of continuous improvement; instils
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<p>Accountable and people-focused services</p>	<p>integrity and raises confidence in the provision of services to the community. Council strategy 4.4 accountable and people-focused services, seeks visibility and improved systems, the internal audit program supports the delivery of these outcomes.</p> <p>The Audit Committee is responsible for the calling of internal audits and monitoring improvement progress. The establishment of good governance principles ensures Council meets its legislative compliance as outlined within Council's Corporate Governance Framework.</p>
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**Intelligent Community Indicators**

<p>4. Digital Equality Allowing everyone access to broadband technologies and skills to use them</p>	<p>The idea of providing digital access to all members of the community will be further enhanced with the improvements to information collection and the ability to monitor progress of complaints and service requests.</p>
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**4. REGIONAL IMPACT**

The complaints handling internal audit provides limited direct benefit or detriment on a regional perspective. Although it will likely improve council's risk profile when all controls have been reviewed and in turn advance our position when measuring operational performance against similar organisations.

**5. COMMUNITY INVOLVEMENT**

No community engagement was undertaken in the preparation of this report.

**6. DISCUSSION**

Background

The Audit Committee Work Program 2017-2019, includes a review of Councils complaint handling policy and processes in assessing the commitment to the provision of quality service to customers in the handling of complaints and request for services.

Current Matters

Council administration has continued to address those areas identified for improvement, reporting on an exception basis and indicating progress as provided at **Attachments 1-3**.

### **Financial and Resource Implications**

Limited funding is currently available in the 2017-2018 Budget committed to complaint handling service improvement. Reallocation of funding was secured during Budget Review 1, and endorsed at the November Council meeting to progress recommendations highlighted by Council's internal auditors.

Whilst responsibility for the assessed findings has included senior officers, it is envisaged that many officers across each division of Council will be required to contribute to the improvement and ongoing support of an improved customer experience.

The extent of the resource implications is yet to be determined and will continue to evolve as program planning strengthens.

## **7. CONCLUDING STATEMENTS**

The improvement strategy is envisaged to reach across many teams, including our field staff and administrative services. The Executive Leadership and Management Teams will lead the progression of systemic improvement during the transitional arrangements.

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## **ATTACHMENTS**

**Attachments 1-3:** Internal Audit - Complaints Handling as at February 2018

**INTERNAL AUDIT – COMPLAINTS HANDLING as at 28 February 2018**

Description of Findings	Risk Rating	Status	Audit Comment	Action Progress
<p><b>1.</b> Customer Service Charter (incorporating Council's Complaint Policy) due for review</p>	<p><b>Moderate</b></p>	<p><b>Target Date:</b> September 2018</p>	<p>We recommend that management review the Charter in line with Council's Corporate Governance Framework, while the application of the Charter will be subject to ongoing review to ensure Council continues to meet best practice service provision and complaints management</p>	<p>An action plan will be developed to discover current practices and communication modes, in preparing an improved complaints handling and request for service policy and procedure.</p>
<p><b>2.</b> Service Standard not reviewed and not reflect the current practice</p>	<p><b>Moderate</b></p>	<p><b>Target Date:</b> June 2018</p>	<p>We recommend management review the Service Standard which should be in line with the Council's current Strategic Plan 2016-2020.</p>	<p>Additional funding has been secured via the second budget review for 2017-18, for administration to conduct either service or management reviews.</p> <p>Management and Executive Teams were tasked to come up with a list for review.</p> <p>It is anticipated that the list will consider Council's Strategic Plan, Resident Survey and the results of the Australasian LG Professional Excellence Program Survey. The proposed list of services to be reviewed will be presented to the April 2018 Council Meeting.</p> <p>A program for the review will need to be established.</p>

**INTERNAL AUDIT – COMPLAINTS HANDLING as at 28 February 2018**

Description of Findings	Risk Rating	Status	Audit Comment	Action Progress
				Pending the outcome of a service review, the standard of a particular service will be require variation or establishment.
2. Service Standard not reviewed and not reflect the current practice	<b>Moderate</b>	<b>Target Date:</b> June 2019	We recommend management develop measurable service standard. When a performance indicator is more specific and objectively measurable at the individual facility level, it may be a suitable implementation target for level-of-service standards (waste management), or minimum acceptable condition levels (road maintenance).	
3. Incompleteness of CRM data	<b>Low</b>	<b>Target Date:</b> June 2018	We recommend that all requests including complaints should be recorded into CRM.	Capturing all complaints and service request data in the CRM may be incorporated in the Customer Service Charter review action plan (Finding 1.)
3. Incompleteness of CRM data	<b>Low</b>	<b>Target Date:</b> December 2018	We also recommend management provide training to staff to ensure their awareness of recording all requests into CRM.	
4. Parameter (service level days) in CRM not accurate and not consistent with service standard	<b>Moderate</b>	<b>Target Date:</b> December 2017	We recommend management review the CRM service level parameters to ensure its integrity	A review will be undertaken to validate the service level days as shown in the service standards

**INTERNAL AUDIT – COMPLAINTS HANDLING as at 28 February 2018**

Description of Findings	Risk Rating	Status	Audit Comment	Action Progress
			and consistency with the Service Standard.	and council policy, agree to those found in the CRM.
5. Lack of KPI's monitoring	<b>Moderate</b>	<b>Target Date:</b> December 2017	We recommend that a regular monthly report, along with appropriate commentary, be sent to management to enable them to more effectively monitor complaints handling to adapt Council operations to better the Community.	Monitoring of complaints will be incorporated into the Management Team monthly workshops as part 1 of the 2 recommendations identified.
5. Lack of KPI's monitoring	<b>Moderate</b>	<b>Target Date:</b> December 2018	We recommend management establish KPI's for the complaints handling to monitor and identify opportunities or problems associated with the complaints processes.	Establishing KPI's for complaints handling will be incorporated in Finding 2 Stage 2 Service Standards review projected for 2018/2019.
6. Overdue service requests	<b>Moderate</b>	<b>Target Date:</b> December 2017	We recommend management improve the complaints handling by prioritising the services requests/complaints received and review of complaints aging, which should form part of KPI's reporting in Finding 5.	Monitoring of complaints will be reviewed and incorporated into the Management Team monthly workshops.

**AGENDA ITEM NO.:** 10.4 ON AGENDA

**TO:** Audit Committee on 21 March 2018

**DIRECTOR:** Ginny Moon, Corporate Services

**REPORT AUTHOR:** Jo-Ann Tanti, Manager Governance & Administration

**SUBJECT:** Internal Audit – Human Resource Management

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## 1. EXECUTIVE SUMMARY

The powers conferred on the Audit Committee by the Council are contained within the committee Terms of Reference. A key objective of the committee is to act as a source of advice to the Council and Chief Executive Officer in matters facilitating audit initiatives; accordingly an Audit Work Plan for 2017-2019 has been established.

The Internal Audit for Human Resource Management was undertaken during 2017. The key findings and observations have been assessed with the drafting of action plans ongoing. It is expected there will be resourcing implications in the need to achieve and maintain an acceptable risk rating.

A further report demonstrating progress and completion of outstanding action items as key outcomes of the audit, will be tabled at the May 2018 Audit Committee meeting.

## 2. RECOMMENDATION

- (1) The Audit Committee having considered Item 10.4 Internal Audit – Human Resource Management (as presented in Attachments 1-3) receives and notes the report.**
  - (2) The Audit Committee receive a progress report at the next meeting to be held in May 2018 providing status of outstanding items.**
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## 3. RELEVANCE TO CORE STRATEGIES / POLICY

- 3.1 *Local Government Act 1999 Section 107*  
Corporate Governance & Internal Control Framework  
City of Prospect Audit Committee Terms of Reference

**Strategic Plan to 2020 Theme 4 – Services** “Leaders of the sector providing efficient, responsive, accessible services”

<p>Strategy 4.4</p> <p>Accountable and people-focused services</p>	<p>Evaluating a process or set of activities and providing a transparent platform of continuous improvement; instils integrity and raises confidence in the provision of services to the community. Council strategy 4.4 accountable and people-focused services, seeks visibility and improved systems, the internal audit program supports the delivery of these outcomes.</p> <p>The Audit Committee is responsible for the calling of internal audits and monitoring improvement progress. The establishment of good governance principles ensures Council meets its legislative compliance as outlined within Council’s Corporate Governance Framework.</p>
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**Intelligent Community Indicators**

There are no direct links to the indicators.

**4. REGIONAL IMPACT**

The human resources management internal audit provides limited direct benefit or detriment on a regional perspective. Although it will likely improve council’s risk profile once all controls have been reviewed and in turn advance our position when measuring operational performance against similar organisations.

**5. COMMUNITY INVOLVEMENT**

No community engagement was undertaken in the preparation of this report.

**6. DISCUSSION**

Background

Council must ensure its Human Resource Management System (HRMS) complies with the *Local Government Act 1999* (the Act) and principles (Section 107). As such, the Chief Executive Officer (CEO) must ensure sound principles of human resource management are applied to employment in the administration of the council, and must take reasonable steps to ensure those principles are known to all employees.

The Audit Committee Work Program 2017-2019, includes a review of Councils Human Resource Management system of internal controls and related management processes, providing reasonable assurance that adequate management controls exist to mitigate risk and maximise opportunity.

### Current Matters

Council administration has continued to address those areas identified for improvement, reporting on an exception basis and indicating progress as provided at **Attachments 1-3**.

### **Financial and Resource Implications**

A 2017/2018 project to implement an integrated HR Information System has been delayed to provide time for site transition needs. In addition further enquiries are being made for alternative software solutions, with a focus on integration and value for money.

There remains an opportunity to explore a shared service arrangement with a neighbouring council to assist the development of our strategic document needs; this is reliant on additional financial resources.

Whilst responsibility for the assessed findings has included senior officers, it is envisaged that a number of officers across each division of Council will be required to contribute to an effective Human Resource Management Strategy.

The extent of the resource implications is yet to be determined and will continue to evolve as program planning strengthens.

## **7. CONCLUDING STATEMENTS**

In considering the matters identified for Councils attention, the Audit Committee may wish to take the approach of balancing resource allocation, as a legislative compliance improvement strategy versus a best practice model.

It is proposed to continue the progression of the Human Resources Management System through the actioning of the improvement opportunities identified during the June 2017 internal audit.

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## **ATTACHMENTS**

**Attachments 1-3** Internal Audit – Human Resource Management as at 28 February 2018

## INTERNAL AUDIT – HUMAN RESOURCE MANAGEMENT as at 28 February 2018

Description of Findings	Risk Rating	Status	Audit Comment	Action Progress
1. Lack of Human Resource Management Strategy	High	Target Date: June 2019	We recommend management develop the HRM Strategy to include strategic human resource planning, strategic recruitment and selection, strategic training and development, strategic performance management, strategic compensation and reward management.	A budget application has been developed for consideration throughout the planning sessions for 2018/2019 Annual Business Plan.
2. Policies and procedures due for review	Moderate	Target Date: June 2019 (Two year cycle)	We recommend management review the policies and procedures relating to HR Management.	HR policy review program has commenced in accordance with the Consultation Procedure.  <u>Current review documents:</u> <ul style="list-style-type: none"> <li>• HRMS Document Management Policy</li> <li>• Consultation Policy</li> </ul>
2. Policies and procedures due for review	Moderate	Target Date: Ongoing	We also recommend management provide training to staff on the updated policies and procedures.	
3. Inconsistency of application of HR policies	Low	Target Date: June 2018	We recommend management review the relevant cases and ensure the correct procedures are being followed by the business units.	A confidential internal review of the relevant cases for Position Classification Procedure and Complaints Handling Procedure will be undertaken.
3. Inconsistency of application of HR policies	Low	Target Date: June 2018	We also recommend management provide policy and procedure training to employees to ensure	

## INTERNAL AUDIT – HUMAN RESOURCE MANAGEMENT as at 28 February 2018

Description of Findings	Risk Rating	Status	Audit Comment	Action Progress
			their awareness of the process of HR management activities.	
4. Succession plan not in place	<b>Moderate</b>	<b>Target Date:</b> June 2019	<p>We recommend management develop a formal succession planning process to:</p> <ul style="list-style-type: none"> <li>• Define the future talent requirements as part of the annual workforce plan;</li> <li>• Develop talent within the Council;</li> <li>• Create mentorship or talent exchange programs between business units.</li> <li>• Develop knowledge management plans for specific services in the Council to ensure that all relevant knowledge and data is captured before key talent exits the Council.</li> </ul>	<p>As referenced in Finding 1. Establishing an HRM Strategy, aligned with Council's Strategic Plan to 2020 addresses the 'Talent Management &amp; Succession Planning' gap as identified.</p> <p>A budget application has been developed for consideration throughout the planning sessions for 2018/2019 Annual Business Plan.</p>
5. Lack of reporting and monitoring	<b>Moderate</b>	<b>Target Date:</b> June 2019	We recommend management add key KPI data to the HR function performance meeting, and monitor any action items that are raised from the meeting. This will evidence all KPI's are being reviewed and constantly monitored, and that the Council's HR is operating at optimal effectiveness.	The opportunity to develop relevant KPI's will be associated with the recommended action in Finding 1. to develop a HRM Strategy.

## INTERNAL AUDIT – HUMAN RESOURCE MANAGEMENT as at 28 February 2018

Description of Findings	Risk Rating	Status	Audit Comment	Action Progress
5. Lack of reporting and monitoring	<b>Moderate</b>	<b>Target Date:</b> June 2019	We also recommend that a regular monthly report, along with appropriate commentary, be sent to management to enable them to more effectively monitor HR management to ensure activities are aligned with legislation and Council strategies.	A 2017/2018 project to implement an integrated HR Information System is in progress and is expected to provide the ability for increased management reporting.  HR matters continue to be addressed as an agenda standing item for the Management Team monthly meetings.

Attachment

**AGENDA ITEM NO.:** 10.5 ON AGENDA

**TO:** Audit Committee on 21 March 2018

**DIRECTOR:** Ginny Moon, Director Corporate Services  
Nathan Cunningham, Director Community and Planning

**REPORT AUTHOR:** Chris Newby, CLIC Project Lead  
Victor DiMaria, Risk Management Officer

**SUBJECT:** Community Hub, Library & Innovation Centre (CLIC) – Project Management Process

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## 1. EXECUTIVE SUMMARY

The Audit Committee received a report at its meeting of 18 December 2017 presenting the Prudential Review for the Community Hub, Library and Innovation Centre (CLIC) Project. In noting the recommendations of the Prudential Report, the Audit Committee resolved to receive a report at its next meeting in March 2018 regarding the governance and overall performance management of the CLIC Project.

## 2. RECOMMENDATION

**(1) That the Audit Committee having considered Item 10.5 Community Hub, Library & Innovation Centre (CLIC) – Governance and Performance Management receives and notes the report as being satisfied with the processes undertaken for the CLIC Project.**

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## 3. RELEVANCE TO CORE STRATEGIES / POLICY

Council's Community Engagement and Consultation Policy (adopted November 2012) provides the framework to engage and consult with our community such to enable their participation in and contribution to Council's decision making.

**Strategic Plan to 2020 Theme 1 – People** "Know, empower, celebrate, educate and activate our community"

Strategy 1.1	Know our community	The Community Engagement Plan for the project is based upon the requirement to 'know' our communities, be inclusive of a broad cross section of our residents and ensure that
Strategy 1.2	Environmentally active, sustainably focused	
Strategy 1.3	Active living for every age, every	

stage	
Strategy 1.4 Celebrate our diverse and creative community	residents are well informed of the steps being taken for the development of the CLIC.

**Strategic Plan to 2020 Theme 2 – Place** “Loved heritage, leafy streets, fabulous places”

Strategy 2.1 Respect the past, create our future	Delivery of the CLIC will be based upon that aspect of the Strategic Plan referring to ‘fabulous places’, requiring a high quality facility that is loved by our communities.
Strategy 2.2 Loved parks and places	
Strategy 2.3 An accessible City	
Strategy 2.4 A greener future	

**Strategic Plan to 2020 Theme 3 – Prosperity** “More jobs, more investment, more activity, more vibrancy”

Strategy 3.1 A stronger local economy	The CLIC’s location in the heart of Prospect Road, in combination with the improved community facilities and longer hours of accessibility, will contribute to more vibrancy in this part of the city.
Strategy 3.2 A more vibrant night-time	
Strategy 3.3 Leverage our digital advantage	
Strategy 3.4 International Prospect	

**Strategic Plan to 2020 Theme 4 – Services** “Leaders of the sector providing efficient, responsive, accessible services”

Strategy 4.1 Excellence in Infrastructure	The strategies within Theme 4 of the Strategic Plan speak to Council’s requirement that the CLIC is delivered on time and on budget according to our standards of excellence.
Strategy 4.2 Sound Financial Management	
Strategy 4.3 Responsible Waste Management	
Strategy 4.4 Accountable and people-focused services	

**Intelligent Community Indicators**

3. Innovation	Intelligent Communities pursue innovation through a relationship between business, government and institutions (ie. universities).	The new facility has the potential to provide for new relationships with businesses and institutions, whilst allowing access to broadband technologies and continuing to provide services to improve the community's skills in the use of technology.
4. Digital Equality	Allowing everyone access to broadband technologies and skills to use them	
5. Sustainability	Economic growth while reducing the environmental impact of that growth	

**4. COMMUNITY INVOLVEMENT**

A wide range of community engagement and consultation processes have been undertaken to inform the work completed for the CLIC project. These processes have occurred in accordance with the Community Engagement Strategy adopted by Council specifically for the project. Extensive details of this were outlined in a report to Council at its ordinary meeting in February 2018 and is all available through Council's Engagement Hub website established specifically for this project.

**5. DISCUSSION**

**5.1 Background**

The Audit Committee received a report at its meeting of 18 December 2017 presenting the Prudential Review – Community Hub, Library and Innovation Centre (CLIC) Project. The Prudential Review was required under the Local Government Act 1999 given the value of the project exceeds \$4 million. Council engaged John Jovicevic from Dean Newbery and Partners to undertake the Prudential Review.

The independent prudential review identified 16 outstanding items (including items related to transitional arrangements, sale of sites, projected operating cost savings, the design of the new facility and the lease potential, and whole-of-life costs), which informed the identification of six key project risks which Council needs to keep front of mind throughout the project:

- Poor contract documentation leads to increased costs
- Unexpected project expansion leads to increased costs
- Professional fees exceed budget leading to increased costs

- Depot sale price fails to achieve target resulting in increased borrowings
- The location of future depot operations does not result in anticipated operational savings
- Operational savings related to a co-located facility are not able to be achieved

Responses to the 16 identified items and six key risks (from a prudential review perspective) were provided within the report to the Audit Committee. Following consideration and discussion of the report, it was resolved as follows:

- (1) *The Audit Committee having considered Item 6.12 Prudential Review – Community Hub, Library and Innovation Centre (CLIC) on 18 December 2017 receive and acknowledge the key project risks identified by the independent person in preparation of this report.*
- (2) *The Audit Committee notes the fluid nature of the risks associated with the project and recommends regular reporting on the status of the risks and mitigation strategies.*
- (3) *The Audit Committee receives a report at the next meeting in March 2018 regarding the governance and overall performance management of the CLIC Project.*

The feedback from the Audit Committee was verbally presented to Council on 19 December 2017, where it was resolved to receive and acknowledge the key project risks that had been identified in the report. These risks were subsequently incorporated into Council's risk register as they were additional to previously identified risks.

Excerpts from the risk register (highlighting the key project risks and existing controls) were subsequently included in a report to Council on the project on 23 January 2018. The complete project risk register (including risks, controls, and any further recommended controls) was provided to Council at its meeting of 27 February 2018. Risk is a matter considered at weekly project management meetings held between key Council staff and consultants who are working together on the delivery of the CLIC. Further discussion on risk is provided in section 5.3 of this report.

## **5.2 Project Governance and Performance Management**

The governance arrangements that were established for the CLIC project have continued largely unchanged since the project's commencement, with the Project Executive Group (PEG) meeting on a regular basis (on the first and third Tuesdays of the month) to discuss information and updates on the project. The PEG comprises the Mayor, Deputy Mayor, CEO, Director Community and Planning, and CLIC Project Lead.

The PEG is not a Section 41 Committee under the Local Government Act, as there is a detailed operational view on the status of the project discussed. Its meetings are not therefore required to be open to the broader community and, importantly the PEG does not have decision-making authority. A key benefit of the PEG meetings is that they allow for discussion on the level (and breadth) of detail that is being provided for discussion at Workshops and for decision at Council Meetings and they provide a regular 'check-in' outside of the pure staff and consultant project team.

A regular guest at the PEG Meeting is Luigi Rossi of Jim Allen & Associates, who has been engaged as Project Manager for the CLIC design and construction. The PEG meetings are open to attendance by interested Councillors, with one or two Elected Members usually in attendance at each meeting. Those elected members often contribute to the discussion based on their experiences and observations of related projects and assist the project team to understand where local community interest might lie which further assists the staff to prepare for workshops and Council meetings.

The PEG agenda for the first meeting of the month is focussed on an open discussion of key topics relating to the project, including:

- the procurement and engagement of contractors
- the sale of sites (132-134 Prospect Road, Prospect and 82-90 Johns Road & 218 Main North Road, Prospect)
- related projects that are outside the scope of the CLIC project but have a potential impact (such as the Vine Plaza Integration Plan)
- ideas and options that are outside of the project brief but could be incorporated subject to design and funding approval (such as a Changing Places facility, or providing improved access to the Town Hall basement).

The PEG agenda for the second meeting of the month provides opportunity for review and discussion of draft Council reports, to assist the staff Project Management Team (PMT) in understanding whether a sufficient level of detail has been provided to assist Council in making key decisions. The PEG does not exist to provide direction to staff on the content or recommendation of the reports, the review and discussion has proven to be beneficial in ensuring the reports to Council are sufficiently detailed as to allow for confident and timely decision-making.

The regular (monthly) Project Update report to Council covers a range of topics directly relevant to the project, including architectural design iterations and options (including investigations), transitional arrangements (staff locations and service delivery impacts), the current CLIC Project Program and Milestones (as updated by the Project Manager), key procurements, updates on consultation activities (such as the Community Reference Group), a financial overview (including updates on anticipated income and project expenditure), and details of risk analysis and mitigation (including the risk register). This report provides timely updates on how the project is progressing to full Council (and community) and provides opportunity for direction from Council.

The PEG's discussions are driven by the Project Management Team (PMT), which is comprised of the CEO, Director Community and Planning, CLIC Project Lead, and the Project Manager. The PMT meets weekly on Wednesdays to discuss and progress key actions coming out of Council meetings, workshops and/or PEG discussions that are required to ensure timely and considered reports are provided to Council. The PMT also receives periodic updates from key contributors such as the Manager Community Development (on matters relating to community / staff engagement), the Manager Library Services (on matters relating to future operations of the Library service) and the Risk Management Officer (on matters relevant to risk).

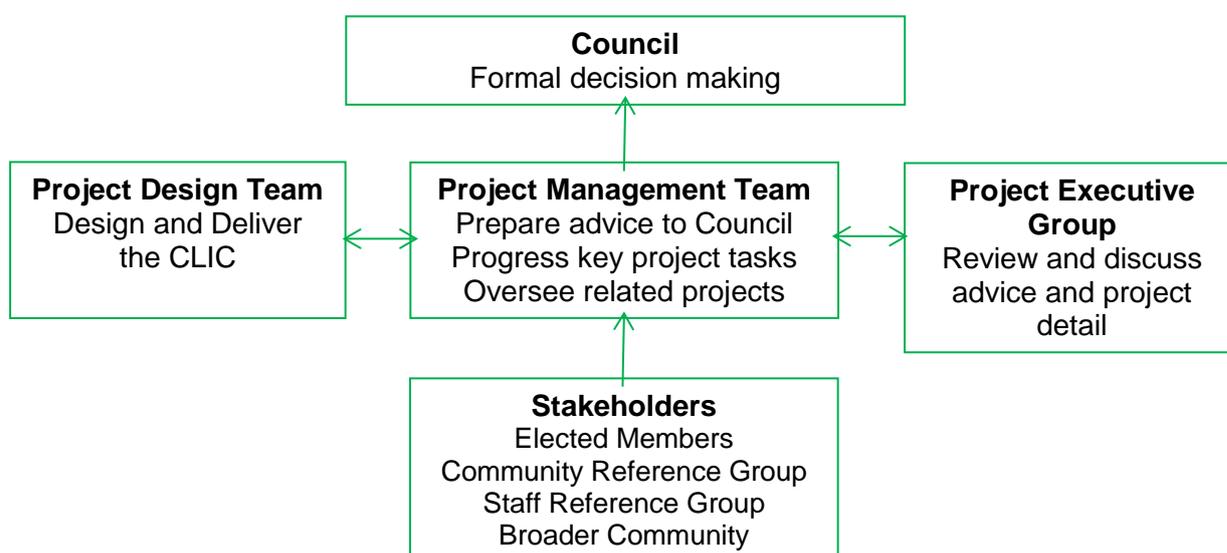
The PMT has replaced the Internal Project Team, which met monthly from late 2016 through to December 2017 to coordinate project delivery (and also had additional representation more broadly from the organisation's Management Team). The increase in meeting frequency and reduction in membership was a conscious decision by the CEO and the Director Community and Planning to further focus on project delivery in the lead-up to works commencing on site. At this point in the project, the focus needed to shift and this revised approach has ensured that the internal working group has maintained its focus on project delivery performance and risk mitigation.

Key stakeholder groups continue to be engaged with on a monthly basis, with the Community Reference Group meeting with key Council staff on the first Wednesday of each month to receive an update on the project and be provided with an opportunity to provide feedback. The outcomes of those meetings are included in subsequent updates to Council and are also discussed with PEG to ensure great awareness of community sentiment. The Staff Reference Group also meets monthly (on the third Tuesday of the month) to receive updates on the project and to provide feedback so as to help guide the internal layout and future operations of the CLIC. This is an important step in managing expectations of staff across the organisation (as a risk minimisation tool) and ensuring staff feel a sense of ownership and pride in the finished product. The outcomes of those discussions are provided to the project architects for consideration (via the IPT/PMT).

The Project Design Team meets weekly to progress the design of the CLIC, and is comprised of the Project Manager and Project Lead, architects, consulting engineers, cost consultant and the appointed builder. The meeting focuses on tasks and actions required of individuals within the Design Team, with a particular emphasis on identified client and project manager needs, contractor requirements, architecture/interior/landscape design, structure and civil requirements, services (hydraulic, electrical, mechanical, fire, acoustic, ESD, etc), traffic and waste management, budget, and program.

The building design has recently progressed to 75% completion of design development, which will be presented to Council for adoption and will allow for the preparation of early works packages for the commencement of building construction. It is anticipated that a Project Control Group will be established to align with the commencement of construction on site to complement (and eventually replace) the Project Design Team.

The governance framework is illustrated in the diagram below:



## 5.3 Risk Reporting

### Scope & Context

The risk management process, including information provided by the independent Prudential Report, is utilised to ensure identified risk exposure is effectively managed throughout the course of design, transition and construction of CLIC.

The creation of Council's risk assessment process provides data analysis within a unique set of criteria, including total financial exposure should mitigation strategies fail, traffic light system to visualize current risks and treatment options available to mediate and minimise identified risks using measured and reasonable methodologies.

### Risk Assessment and Mitigation

Risks have been categorised to relate to all components of this project's management, giving regard to individual project activities.

Considering the above, the Risk Register provides risk information based on a number of Project Milestones which are (and continue to be) critical to overall project design, construction and service continuity. Risk exposure levels have been rated so that any mitigation work is regulated and accurately costed across all project milestones.

### Service Continuity

Continued service provision requirement, across all sites of Council has been analysed, with focus on IT, communications and servicing protocols - resulting in minimal disruption across Council operations. Transition processes have been employed to ensure little interruption to on-line and face to face services across the three sites, whilst demolition and construction occurs. WHS/Insurance (people and culture) and other regulatory requirements have been considered and implemented. Future operational requirements (eg Depot function) continue to be explored with Council, where Executive staff and Project Groups undertake analysis. Reputational risk is flagged with Council and project groups to provide transparency and open communication.

### Financial Management & Procurement

As with the defined Prudential Report recommendations, financial exposures have been identified and mitigation processes employed to manage issues such as project "creep" and any budget pressures. Council continues to utilise internal and external expertise to manage budgets relating to the project design and construction, transition and (current and future) servicing protocols. Independent (cost) analysis has provided further advice regarding impacts to short and long term financial targets of Council. Third party engagement provides Council with (expert based) advice to ensure best practice processes are considered and implemented.

### Design and Construction

CLIC's Internal Project Lead undertakes formal analysis of impacts and risks in consultation with independent parties, including design, project management and building (expert) contractors. Tenders and Contractual matters are communicated to Council and Project

Groups, with the provision of design elements to staff, the community and key stakeholders. Essential design elements have been implemented to ensure the development provides the most practical and efficient (community) service in one central location. Compliance with regulatory functions relating to planning and development have been considered and implemented.

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## **ATTACHMENTS**

Nil

**AGENDA ITEM NO.:** 10.6 ON AGENDA

**TO:** Audit Committee on 21 March 2018

**DIRECTOR:** Ginny Moon, Director Corporate Services

**REPORT AUTHOR:** Ginny Moon, Director Corporate Services

**SUBJECT:** Audit Committee Outstanding Resolutions 28 February 2018

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### 1. EXECUTIVE SUMMARY

The Audit Committee Outstanding Resolutions are provided for noting.

### 2. RECOMMENDATION

**(1) That the Audit Committee notes the Audit Committee Outstanding Resolutions Report and associated scheduled action items for the period ending 28 February 2018.**

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### 3. RELEVANCE TO CORE STRATEGIES / POLICY

**Strategic Plan to 2020 Theme 4 – Services** “Leaders of the sector providing efficient, responsive, accessible services”

<p>Strategy 4.2</p> <p>Sound Financial Management</p>	<p>The LTFP is a key strategic document which gives the reader an indication to the long term financial direction and health of Council. The use of Financial Targets provides guidance around tolerances within the decision making process.</p>
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<p>Strategy 4.4</p> <p>Accountable and people-focused services</p>	<p>Evaluating a process or set of activities and providing a transparent platform of continuous improvement; instils integrity and raises confidence in the provision of services to the community. Council strategy 4.4 accountable and people-focused services, seeks visibility and improved systems, the governance audit supports the delivery of these outcomes. The Audit Committee is responsible for the calling of internal audits and monitoring improvement progress. The establishment of good governance principles ensures Council meets its legislative compliance as outlined within Council's Corporate Governance Framework.</p>
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### Intelligent Community Indicators

There are no direct links to the indicators.

#### 4. REGIONAL IMPACT

The Audit Committee has an internal focus and will therefore have no impact on our region.

#### 5. COMMUNITY INVOLVEMENT

No community engagement was undertaken in the preparation of this report, although the Audit Committee provides an important independent role between Council and our community.

#### 6. DISCUSSION

The following table contains Audit Committee Outstanding Resolutions and a tentative date for actioning.

<b>Audit Committee Minutes (Outstanding Resolutions)</b>			
<b>AC Meeting</b>	<b>Resolution</b>	<b>Status</b>	<b>Comments</b>
<b>03/12/2012</b>	<p><b>Item 10.5 Community Engagement and Consultation Policy</b></p> <p>(2) The Audit Committee recommends consideration is given to using the on-line community panel to provide comparable analysis to the McGregor Tan Biennial Resident Satisfaction Survey.</p> <p>(3) An annual report be provided to evidence compliance with the Community Engagement and Consultation Policy.</p>	<p>Refer AC Work Program Jan 2017 – Dec 2018 &amp; Resolution 22/08/16 Item 10.3 #OpSrv9</p>	<p>Noted</p> <p>Rescheduled to 2019</p>
<b>17/08/2015</b>	<p><b>Item 10.5 Risk Assessment Report</b></p> <p>(5) Council adopts the 2 Year Audit Plan and provide appropriate resources in each budget cycle for the audits.</p>	<p>2 Year Audit Plan included in AC Work Program Sep 2015 – Oct 2016 &amp; AC Work Program Jan 2017 – Dec 2018 # G.CG4</p> <p>IA Report - Assurance Mapping #G.CG2</p> <p>IA Report - Procurement &amp; Contract Management Processes (June 2015)</p>	<p>Presented To Aug &amp; Sep AC 2015 Completed</p> <p>Presented to Dec 2015 Completed</p>

<b>Audit Committee Minutes (Outstanding Resolutions)</b>			
<b>AC Meeting</b>	<b>Resolution</b>	<b>Status</b>	<b>Comments</b>
		#OpSrv2 & #OpSrv3  IA Report - Business Planning and Budget Process (Mar 2015/16) #F.RPT2  IA Report - Asset Management Plan and Long Term Financial Plan (Oct 2015/16) #F.SUS1  IA Report - Communications #OpSrv9  IA Report - Infringements (Aug 2016/17) #OpSrv8  IA Report - Payroll (Oct 2016/17) #F.PAY1  IA Report - Strategic Planning Alignment #S.SP1	Scheduled for Aug 2016 Completed  Presented To May 2016 Completed  Audit Rescheduled to 2019  Presented to Dec 16 Completed  <b>Audit Rescheduled for Mar 2018</b>  Audit Rescheduled to Aug 2018
<b>19/12/2016</b>	<b>Item 11.7 Rating Audit Health Check – Annual Review</b>  (1) That the Audit Committee having considered Item 11.7 Rating Audit Health Check – Annual Review (as presented in Attachments 1 – 13) receive and note the report.  (2) That the Audit Committee receives the next annual review in December 2017.	Refer AC Work Program Jan 2017 – Dec 2018 #OpSrv10	Noted  Rescheduled for May 2018 To Close-Out Action Items
<b>20/03/2017</b>	<b>Item 11.2 Internal Audit Report – Infringements – Progress Update</b>  (1) That the Audit Committee having considered Item 11.2 Internal Audit Report – Infringements – Progress Update receives and notes the report.  (2) That the Audit Committee recommend Council receive a report on the Enforcement Policy and	Refer AC Work Program Jan 2017 –	Noted  Rescheduled from Dec 2017 to May 2018

<b>Audit Committee Minutes (Outstanding Resolutions)</b>			
<b>AC Meeting</b>	<b>Resolution</b>	<b>Status</b>	<b>Comments</b>
	associated procedures by December 2017.	Dec 2018 # OpSrv8	to coincide with resolution per AC Agenda Item 11.2 16/10/2017  <i>"The Audit Committee receive an update on process improvements on the recovery of the past three (3) years outstanding expiation income by the May 2018 Audit Committee Meeting."</i>
<b>20/03/2017</b>	<p><b>Item 11.4 Information Technology Strategy Plan Update</b></p> <p>(1) That the Audit Committee having considered Item 11.4 Information Technology Strategy Plan Update receives and notes the report.</p> <p>(2) That the Audit Committee recommends Council consider the development of an Information Technology Strategy around the link between the Information Technology Strategy Plan, Councils 2016-2020 Strategic Plan, Councils Digital Economy Strategy and its participation in the Intelligent Communities Forum Framework.</p> <p>(3) That the Audit Committee recommends a report is presented to Council on a revised Information Technology Strategy incorporating the results of recommendation 2 above, including a regular review process with a draft Strategy to inform the 2017-2018 budget deliberations.</p>	<p>Refer AC Work Program Jan 2017 – Dec 2018 #G.IT2</p> <p>Refer AC Work Program Jan 2017 – Dec 2018 #G.IT2</p>	<p>Noted</p> <p>Rescheduled for May 2018</p> <p>Rescheduled for May 2018</p> <p>No significant spend earmarked for IT in 2017/2018, pending the completion of 11.4(2) above</p>
<b>13/06/2017</b>	<p><b>Item 12.1 Interim Audit 2016–2017</b></p> <p>(1) The Audit Committee having considered Item 12.1 Interim Audit Report 2016-2017, receives and note both the letter and management responses.</p>		Noted

<b>Audit Committee Minutes (Outstanding Resolutions)</b>			
<b>AC Meeting</b>	<b>Resolution</b>	<b>Status</b>	<b>Comments</b>
	(2) Progress reports addressing improvements against the Interim Audit findings be presented to Audit Committee at the meeting of December 2017.	Work Program Jan 2017 – Dec 2018 # F.CTRL1	<b>Scheduled for Mar 2018</b>
<b>7/08/2017</b>	<p><b>Item 11.1 Economic Development Annual Progress Report</b></p> <p>(1) That the Audit Committee having considered Item 11.1 Economic Development Annual Progress Report receives and notes the report.</p> <p>(2) The Audit Committee recommend Council develop the future program of works for the Business and Innovation portfolio continuing to be informed by Council's Strategic Economic Development Plan 2020 and Next Generation Digital Economy Strategy 2014 – 2018 with funding of this program of work incorporated into Council's Long Term Financial Plan.</p> <p>(3) The Audit Committee recommend Council develop measures to quantify the outcomes of the initiatives and investments undertaken.</p>	Work Program Jan 2017 – Dec 2018 # OpSrv5	<p>Noted</p> <p>Noted</p> <p>Scheduled for Aug 2018</p>
<b>16/10/2017</b>	<p><b>Item 11.2 Expiation Income Write Off</b></p> <p>(1) The Audit Committee having considered Item 11.2 Expiation Income Write Off receives and notes the report.</p> <p>(2) The Audit Committee recommend that Council having considered Item 11.2 Expiation Income Write Off approve the write off of \$190,384.03 in unpaid expiation income.</p> <p>(3) The Audit Committee receive an update on process improvements on the recovery of the past three (3) years outstanding expiation income by the May 2018 Audit Committee Meeting.</p>	Refer AC Work Program Jan 2017 – Dec 2018 # OpSrv8	<p>Noted</p> <p>Noted</p> <p>Scheduled for May 2018</p>

<b>Audit Committee Minutes (Outstanding Resolutions)</b>			
<b>AC Meeting</b>	<b>Resolution</b>	<b>Status</b>	<b>Comments</b>
<b>16/10/2017</b>	<p><b>Item 11.9 Internal Audit – Complaints Handling</b></p> <p>(1) The Audit Committee having considered Item 11.9 Internal Audit – Complaints Handling (as presented in Attachments 1-21) receives and notes the report.</p> <p>(2) The Audit Committee receive a progress report at the next meeting to be held in March 2018 providing status of outstanding items.</p>	Work Program Jan 2017 – Dec 2018 #S.STKH2	<p>Noted</p> <p><b>Scheduled for Mar 2018</b></p>
<b>16/10/2017</b>	<p><b>Item 11.10 Internal Audit – Human Resource Management</b></p> <p>(1) The Audit Committee having considered Item 11.10 Internal Audit – Human Resource Management (as presented in Attachments 1-18) receives and notes the report.</p> <p>(2) The Audit Committee receive a progress report including an action plan aligning with existing risk assessments at the next meeting to be held in March 2018 providing status of outstanding items.</p>	Work Program Jan 2017 – Dec 2018 #HR3	<p>Noted</p> <p><b>Scheduled for Mar 2018</b></p>
<b>19/12/2017</b>	<p><b>Item 6.3 Recruitment of Independent Member</b></p> <p>(1) The Audit Committee having considered Item 6.3 Recruitment of Independent Member of 18 December 2017, receive and note the report with an extended period of expression of interest to mid-February 2018.</p>		Noted
<b>19/12/2017</b>	<p><b>Item 6.4 Governance Audit Close Out</b></p> <p>(1) That Audit Committee having considered Item 6.4 Governance Audit Close Out of 4 December 2017, receives and notes the report.</p> <p>(2) That Audit Committee include the removal of 'or sub-delegated' from Accounting Policies and Procedure Manual Clause 7.10.3 Bad Debts/Write Offs, at item F.POL1 of the committee work program.</p>		<p>Noted</p> <p>Noted</p>

<b>Audit Committee Minutes (Outstanding Resolutions)</b>			
<b>AC Meeting</b>	<b>Resolution</b>	<b>Status</b>	<b>Comments</b>
19/12/2017	<p><b>Item 6.8 Periodic Review of Asset &amp; Asset Management Policies</b></p> <p>(1) That the Audit Committee having considered Item 6.8, Asset Policy Review, recommend Council:</p> <ul style="list-style-type: none"> <li>• Endorses the Asset Management Policy, as presented in Attachments 1 - 5;</li> <li>• Endorses the Fixed Asset Financial Reporting Policy, as presented in Attachments 6 - 16;</li> <li>• Endorses the Sale or Disposal of Assets Policy, as presented in Attachments 17 - 21; with the exception of clause 5.2.3 which the Audit Committee requests to be reconsidered prior to the Policy being presented to Council for adoption.</li> <li>• Revoke, Chapter 10 of the Accounting Policy and Procedure Manual 'Accounting for Council Assets – Property, Plant, Equipment and Infrastructure'.</li> </ul>		Noted
19/12/2017	<p><b>Item 6.9 Periodic Review of Key Financial Indicators</b></p> <p>(1) That Audit Committee having considered Item 6.9, Key Performance Financial Indicators, recommends for Council's adoption in preparation of the Long Term Financial Plan and 2018-2019 Budget deliberations Key Financial Indicator target ranges of:</p> <ul style="list-style-type: none"> <li>• Operating Surplus Ratio for an individual year (1%) to 5%;</li> <li>• Operating Surplus Ratio for a 10 year average period 1% to 3%;</li> <li>• Net Financial Liabilities Ratio for an individual year 10% to 90%;</li> <li>• Net Financial Liabilities Ratio for a 10 year average period 10% to 60%; and</li> <li>• Asset Sustainability Ratio 100% to 120%.</li> </ul>		Noted

<b>Audit Committee Minutes (Outstanding Resolutions)</b>			
<b>AC Meeting</b>	<b>Resolution</b>	<b>Status</b>	<b>Comments</b>
<b>19/12/2017</b>	<p><b>Item 6.12 Prudential Review – Community Hub, Library and Innovation Centre (CLIC)</b></p> <p>(1) The Audit Committee having considered Item 6.12 Prudential Review – Community Hub, Library and Innovation Centre (CLIC) on 18 December 2017 receive and acknowledge the key project risks identified by the independent person in preparation of this report.</p> <p>(2) The Audit Committee notes the fluid nature of the risks associated with the project and recommends regular reporting on the status of the risks and mitigation strategies.</p> <p>(3) The Audit Committee receives a report at the next meeting in March 2018 regarding the governance and overall performance management of the CLIC Project.</p>	<p>Work Program Jan 2017 – Dec 2018 #G.CG10</p>	<p>Noted</p> <p><b>Scheduled for Mar 2018</b></p> <p><b>Scheduled for Mar 2018</b></p>

**ATTACHMENTS:** NIL.

**AGENDA ITEM NO.:** 10.7 ON AGENDA

**TO:** Audit Committee on 21 March 2018

**DIRECTOR:** Ginny Moon, Director Corporate Services

**REPORT AUTHOR:** Ginny Moon, Director Corporate Services

**SUBJECT:** Audit Committee Work Program Status Report March 2018

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**1. EXECUTIVE SUMMARY**

The Audit Committee Work Program Status Report for March 2018 is provided as **Attachments 1–12** for noting.

**2. RECOMMENDATION**

**(1) That the Audit Committee notes the revised Audit Committee Work Program Status Report for March 2018 as presented in Attachments 1-12.**

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**3. RELEVANCE TO CORE STRATEGIES / POLICY**

**Strategic Plan to 2020 Theme 4 – Services** “Leaders of the sector providing efficient, responsive, accessible services”

Strategy 4.2 Sound Financial Management	The LTFP is a key strategic document which gives the reader an indication to the long term financial direction and health of Council. The use of Financial Targets provides guidance around tolerances within the decision making process.
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Strategy 4.4 Accountable and people-focused services	Evaluating a process or set of activities and providing a transparent platform of continuous improvement; instils integrity and raises confidence in the provision of services to the community. Council strategy 4.4 accountable and people-focused services, seeks visibility and improved systems, the governance audit supports the delivery of these outcomes.  The Audit Committee is responsible for the calling of internal audits and monitoring improvement progress.  The establishment of good governance principles ensures Council meets its legislative compliance as outlined within
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	Council's Corporate Governance Framework.
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### **Intelligent Community Indicators**

There are no direct links to the indicators.

#### **4. REGIONAL IMPACT**

The Audit Committee has an internal focus and will therefore have no impact on our region.

#### **5. COMMUNITY INVOLVEMENT**

No community engagement was undertaken in the preparation of this report, although the Audit Committee provides an important independent role between Council and our community.

#### **6. DISCUSSION**

Implementing a Work Program assists with ensuring Council is delivering services in an effective and relevant manner, and that Council is complying with its statutory and legal requirements.

It also assists Council to promote and demonstrate corporate fairness, transparency and accountability, and provides Council and the community with a level of assurance the organisation is managing its risks within the context of its Risk Management Policy.

The Audit Committee's Work Program must include the principal functions and extent of authority for an Audit Committee as set out in Section 126 (4) of the Local Government Act as follows:

- (a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and*
- (ab) proposing, and providing information relevant to, a review of the council's strategic management plans or annual business plan; and*
- (ac) proposing, and reviewing, the exercise of powers under section 130A; and*
- (ad) 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; and*
- (b) liaising with the council's auditor; and*
- (c) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.*

In relation to sub-section (c) above, Council has an Internal Audit Function. This function, along with a number of areas identified during the Audit Committee's Risks Workshop on 16 March 2015, has provided a foundation in formulating the Revised Audit Committee's Work Program.

Council's Internal Auditor, Bentleys was initially engaged to conduct an assurance mapping review in June 2015, in line with the Audit Committee Internal Audit program.

The Audit Committee was satisfied with the process undertaken to provide an overview of the types of assurance in place, gaps and overlaps in accountability arrangements and the review resulted in Audit Committee being presented a revised Work Program.

The results of the Risk Assessment and Assurance Mapping has helped informed the Audit Committee of the activities in the following activity areas:-

#### Strategy

1. Business Plan
2. Strategic Plan
3. Resource Planning
4. Stakeholder Engagement

#### Governance

1. Corporate Governance
2. Risk Management
3. WHS Compliance
4. Business Continuity/Disaster Recovery
5. Fraud (fraud risk management, whistleblowing)
6. Information Security

#### Finance

1. Financial Budget and Management Reporting
2. Financial Sustainability /Asset Management Plan and Long Term Financial Plan
3. Accounting Policies & Procedures
4. Statutory Reporting
5. Financial Treatment of Fixed Assets
6. Control Self-Assessment / Internal Controls over financial reporting
7. Payroll

#### HR

1. Workers Compensation Scheme
2. Retention / multi skilling of staff

#### Operational Services

1. Purchasing & Procurement
2. Contract Management
3. Infrastructure Integrity
4. Business and Economic Development – Rate of Return to Council
5. ICT Shared Service Initiatives
6. Conflict of Interest

7. Infringements
8. Communications
9. Rating Health Check
10. Fringe Benefit Tax Review
11. Service Delivery/Customer Service Review
12. Project Management
13. Community Hub Library Innovation Centre (CLIC)
14. Banking Review

Council's Internal Auditor, Bentleys presented an updated Risk Management Review Report to the 20 March 2017 Audit Committee Meeting.

A new program for the period of January 2017 – December 2018 has been established to include the internal audit recommendations from Bentleys' updated Risk Management review. A copy of the new Audit Committee Work Program is presented in **Attachments 1-12**.

The following are the internal audits originally planned for the two year period. The timing of some of the audits may be adjusted according to Council's business needs at the time:-

1. Human Resource Management (#HR3 - Presented to Oct 17)
2. Payroll (#F.Pay1 - To be Presented - March 18)
3. Complaints Handling (#S.STKH2 - Presented to Oct 17)
4. Compliance Mapping (#G.CG9 - Planned for Dec 2018)
5. Resource Planning (#S.SP2 - Planned for Aug 2018)
6. Review of project assessment/feasibility process – CLIC Project (#G.CG10/#OpServ14 – Presented to Dec 2017)

Projects tentatively earmarked for 2019 and beyond 2019: -

1. Communication (#OpServ9)
2. Project Management (#OpServ 13)
3. Strategic Plan Alignment (#S.SP1)
4. Procurement (#OpServ 1 & 3)
5. Contract Management (#OpServ 1 & 3)
6. Volunteers
7. Recruitment, Selection, Induction and Probation
8. Rating procedures
9. Planning Assurance and Development Assessment
10. Financial Delegations and Credit Card Review

11. Conflict of Interest and Gifts and Benefits
12. Training and Development
13. User Fees and Charges
14. Internal financial Controls

The Audit Committee should address issues which fall within the activity areas determined by its terms of reference. Some issues may be addressed on a once-off basis and others on a regular basis.

This Work Program will be resourced by Council and needs to be budgeted accordingly. The consultation between the Audit Committee and Council and its Chief Executive Officer should balance the needs identified in the Work Program against the level of resources required.

Some of the key areas that the Audit Committee should address are:-

#### Financial Reporting

The Audit Committee needs to be satisfied that practices adopted by Council and supported by its external auditor (unless otherwise indicated by a qualification to the audit or commented on in the accompanying management letter) are appropriate having regard to its circumstances and practices elsewhere and are reflected in formal Council policies as appropriate.

#### Internal Controls and Risk Management Systems

The Local Government Act 1999 (Section 125) requires Councils to maintain effective internal controls. The Audit Committee needs to ensure that Council and its management team have in place locally appropriate plans, policies and arrangements to manage and mitigate the organisation's business risks.

#### Internal Audit

In the context of Council's overall risk management system, the Audit Committee needs to monitor and review the effectiveness of Council's internal audit function.

#### External Audit

The Audit Committee needs to:-

- meet as necessary, and monitor Council's relationship, with its external auditor;
- consider and make recommendations to Council in relation to all aspects of the appointment, re-appointment, remuneration, and removal or resignation of Council's external auditor;
- assess the effectiveness of the external audit process and outputs relative to the scope of the engagement; and,
- review management's response to the external auditor's findings and recommendations.

## Reporting

In addition to receiving minutes of Audit Committee meetings, Council also needs to have significant, urgent findings of the Audit Committee promptly brought to its attention. The Audit Committee should also review its charter and performance annually (either by self assessment or through an external reviewer) and report these conclusions and its overall activity outputs to, and invite comment from, Council.

## Other Matters

A key role of Council Audit Committees, recognised in the Local Government Act and arguably warranting special emphasis based on the findings of the Financial Sustainability Inquiry, is to identify areas where Council's financial governance policies and practices can be improved. In particular Audit Committees have a role in ensuring Council's strategic management and annual business plan development, management and reporting processes take account of, and support, Council's future financial sustainability.

## Resources

Resource for the Audit Committee (2017/2018) includes:-

- an amount of \$20,000 to fund the Audit Committee's Work Program, including the conduct of any Internal Audits (by external person(s)), Service Reviews, etc. Council resolved the entire \$20,000 budget be committed for an internal audit function as a priority.
- a separate budget appropriation for Audit Committee sitting fees.
- a separate budget appropriation for the External Audit (new external auditor Galpins), and
- salary budgets that cover staff time consumed in supporting the Audit Committee.

The \$20,000 may not be sufficient to fund all of the internal audits dependent on the scope of the proposed Work Program to be undertaken by external person(s), taking into account additional internal audits required as a result of S128 of the Local Government Act 1999, "The Auditor".

Internal resources will be used to minimise the additional cost of the internal audit function. A number of 'areas of interest' could be identified for "Review" (as opposed to "Audit"). A Review will generally be undertaken by the Administration, either with or without the assistance of an Internal Auditor, with a report submitted to the Audit Committee for consideration outlining the review methodology, findings and recommendations. Whilst not conducted by an independent person, such reviews will enable the Audit Committee to obtain a level of comfort Council is managing the risks associated that it functions adequately.

Should further resources be required, a request for budget adjustment can be submitted to Council for consideration.

Audit Committee Work Program Status Report January 2017 – December 2018

The Audit Committee Program Status Report will be refined over time to take account of variables such as available budget, scope of the internal audits to be undertaken and potential collaboration with other councils.

The results of the Risk Assessment and Assurance Mapping helped inform the Audit Committee of the activities for the two years. The Revised Audit Committee Work Program Status Report for **January 2017 – December 2018** is presented at **Attachments 1–12**.

---

**ATTACHMENTS**

**Attachments 1-12** Audit Committee Work Program Status Report – January 2017 – December 2018



**City of Prospect  
Audit Committee Work Program January 2017 - December 2018**

			Current Practice				Increasing Assurance						Summary		Audit Committee Work Program (January 2017 - December 2018)												
Code #	Activity / Process	ACW P & BPM Ref	Current Status / Action to be taken	Reports	Frequency by CoP	Frequency Proposed	Business Management (First Line)			Corporate Oversight (Second Line)		Independent Assurance (Third Line)			Assurance Provision - Current Plan	Bentleys Recommendations	12-Jan-17	20-Mar-17	15/05/2017-13/06/2017	7-Aug-17	16-Oct-17	18-Dec-17	21/03/2018 Rescheduled (original date 19/03/2018)	21-May-18	20-Aug-18	15-Oct-18	19/12/2018 (Date to be set in Oct 2018 AC)
							Management review	System Control	Procedures	Segregation and Access Controls	Training	Executive Leadership Team (ELT)	Policies	Internal Audit (IA)													
<b>Governance</b>																											
G.CG1		6.1	Report annually to Council; • outlining outputs relative to the audit committee's work program and the results of a self-assessment of performance for the preceding period including whether it believes any changes to its charter are appropriate; • outlining any identified training needs; • advising future work program proposals; and, • invite comment from the Council on all of the above	Audit Committee's Work Program	Annually	Annually																					
G.CG2		4.2	Map assurance activities of the Council to reduce the risk/cost of over auditing and regulation council activities.	IA Report - Assurance Mapping	as request	as request																					
G.CG3		6.2	Review Audit Committee Membership • appoint Chair of Audit Committee • commence process - appoint/review Audit Committee Member (AC Membership expires March) • inform Audit Committee Elected Member appointment to the Audit Committee	Audit Committee Membership  Review Membership & Appointment of Chair	Annually - Commence Dec Report to Mar	Annually - Commence Dec Report to Mar																					
G.CG4		4.1	Recommend to Council the internal audit annual work program, and monitoring the implementation of this program and provide feedback as appropriate.	3 Year Internal Audit Plan	Annually	Annually																					
G.CG5	<b>Corporate Governance</b>	4.3.7	The Corporate Governance Framework incorporating the Risk Management and Internal Control Framework. To be reviewed annually.	The Corporate Governance Framework	Annually	Annually																					
G.CG6		4.3.8	Governance Assessment Program/Continuous improvement Plan/Governance Audit	Governance Assessment Program Status Report	Annually	Annually																					





**City of Prospect  
Audit Committee Work Program January 2017 - December 2018**

			Current Practice				Increasing Assurance						Summary		Audit Committee Work Program (January 2017 - December 2018)														
Code #	Activity / Process	ACW P & BPM Ref	Current Status / Action to be taken	Reports	Frequency by CoP	Frequency Proposed	Business Management (First Line)					Corporate Oversight (Second Line)		Independent Assurance (Third Line)		Assurance Provision - Current Plan	Bentleys Recommendations	12-Jan-17	20-Mar-17	15/05/2017 13/06/2017	7-Aug-17	16-Oct-17	18-Dec-17	21/03/2018 Rescheduled (original date 19/03/2018)	21-May-18	20-Aug-18	15-Oct-18	19/12/2018 (Date to be set in Oct 2018 AC)	
							Management review	System Control	Procedures	Segregation and Access Controls	Training	Executive Leadership Team (ELT)	Policies	Internal Audit (IA)	External Audit (EA)														External Consultant/Lawyer
<b>Finance</b>																													
F.RPT1	Financial Budget and Management Reporting	7.1, 7.2, BP1.1, 1.4	Review, and where warranted suggest improvements in, the formats of budget and actual financial performance information reported to the Council to ensure they: • are succinct, easy to follow and pitched with a strategic focus; • are based on accrual accounting information and include the material required by Regulation 5B and Regulation 7(3) of the Local Government (Financial Management) Regulations 1999; and, • incorporate key financial sustainability information including comparison of actual and budgeted performance against targets, where they have been set by Council, for sector-endorsed financial indicators.	Budget Review Reports	Quarterly	Quarterly	✓																						
F.RPT2		IA Report - Business Planning and Budget Process (Mar 2015/16)	as request	as request				✓																					
F.RPT3		Potential Emerging Issues/Budget Pressure. Regular Status Report	as request	as request				✓																					



**City of Prospect  
Audit Committee Work Program January 2017 - December 2018**

			Current Practice				Increasing Assurance						Summary		Audit Committee Work Program (January 2017 - December 2018)										
Code #	Activity / Process	ACW P & BPM Ref	Current Status / Action to be taken	Reports	Frequency by CoP	Frequency Proposed	Business Management (First Line)			Corporate Oversight (Second Line)		Independent Assurance (Third Line)	Assurance Provision - Current Plan	Bentleys Recommendations	12-Jan-17	20-Mar-17	15/05/2017 13/06/2017	7-Aug-17	16-Oct-17	18-Dec-17	21/03/2018 Rescheduled (original date 19/03/2018)	21-May-18	20-Aug-18	15-Oct-18	19/12/2018 (Date to be set in Oct 2018 AC)
							Management review	System Control	Procedures	Segregation and Access Controls	Training	Executive Leadership Team (ELT)													
F.POL5		New		Assets Disposal /Asset Management / Asset Report																					
F.POL6		New		Land Acquisition																					
F.SR1	Statutory Reporting	1.1, BP1.3	Identify areas of accounting treatment that are open to discretion, and in particular have material impact on reported financial performance and position. (e.g. assumed asset lives, depreciation methodology, asset revaluation frequency and techniques, capitalisation policies and overhead accounting treatments all can have material effect on the operating result and net asset values)	Annual Financial Statements Audit Report	Annually	Annually																			
F.FA1	Financial Treatment of Fixed Assets	1.3, 4.5(2), BP2.7	Ensure that asset values and depreciation rates are up to date and soundly based, including that they have particular regard to local conditions and do not just reflect common practice elsewhere e.g. <ul style="list-style-type: none"> <li>• whether land values reflect the current local market;</li> <li>• whether infrastructure asset values reflect local replacement costs and the condition of existing assets;</li> <li>• whether an infrastructure asset condition audit been undertaken recently to assist in making this judgement.</li> </ul> Asset Accounting - AASB13 - Fair Value Asset Revaluation Asset Accounting - Review Asset Sustainability Ratio, Operating Surplus Ratio & Net Financial Liabilities Ratio	Annual Financial Statements Audit Report	Annually	as request																			
F.CTRL 1		2.1, BP1.2	Ensure a thorough review is undertaken to identify locally appropriate internal control and risk management policies and procedures using formal tools and processes such as the Internal Financial Controls – Best Practice Manual, 2002 (produced by the SA Local Government Financial Management Group, with funding from the Local Government Research and Development Scheme) and/or other locally appropriate reference tools. Ensure that identified improvement opportunities can be appropriately addressed. [Note – this could be undertaken progressively in stages with the locally most important and highest risk areas tackled first.]	Financial Internal Control Status Report (Control Track - Deloitte) Adopt 'Best Practice Model'	Annually	Annually																			
			Identify whether weaknesses in internal	Interim Audit Report	March & June	March & June																			







**City of Prospect  
Audit Committee Work Program January 2017 - December 2018**

			Current Practice				Increasing Assurance						Summary		Audit Committee Work Program (January 2017 - December 2018)																			
Code #	Activity / Process	ACWP & BPM Ref	Current Status / Action to be taken	Reports	Frequency by CoP	Frequency Proposed	Business Management (First Line)					Corporate Oversight (Second Line)		Independent Assurance (Third Line)	Assurance Provision - Current Plan	Bentleys Recommendations	12-Jan-17	20-Mar-17	15/05/2017 13/06/2017	7-Aug-17	16-Oct-17	18-Dec-17	21/03/2018 Rescheduled (original date 19/03/2018)	21-May-18	20-Aug-18	15-Oct-18	19/12/2018 (Date to be set in Oct 2018 AC)							
							Management review	System Control	Procedures	Segregation and Access Controls	Training	Executive Leadership Team (ELT)	Policies	Internal Audit (IA)														External Audit (EA)	External Consultant/Lawyer					
OpSrv5	Business and Economic Development – Rate of Return to Council	4.3.6	Report to update progress towards achieving economic growth targets	Business and Economic Development Progress Report (Last Reported 17/08/2015)	Six Monthly	Quarterly- Request to alter to Annually	√					√							√	Resol 22/08/16 Item 10.1								√	Resol 7/08/17 Item 11.1					
OpSrv7	Conflict of Interest	4.3.11	Develop Conflict of Interest Policy to aid procurement, investment, development assessment and other Council decision making paths. Working with LGA in developing model policy following the review of Conflict of Interest provision in LG Act.	Conflict of Interest Policy & Progress Report	Annually Last Presented to AC 7/12/15	Tri-annually	√	√	√	√	√	√																						
OpSrv8	Infringements	from proposed IA Plan	Analysis of documents including strategies, plans, policies, guidelines and reports and a review of outstanding fines. In addition, it would include a review of the writing off/waiving of infringement process.	IA Report - Infringements (Aug 2016/17)	as request Last Presented to AC 7/12/15	as request		√	√	√	√	√						√	Resol 19/12/16 Item 11.11 Update on progress & actions														√	Resol 20/03/17 Item 11.2 (2) Enforcement Policy & Associated Procedures and Resol 16/10/17 Item 11.2 Update on process improvements on the recovery of the past three (3) years outstanding expiation income .
OpSrv9	Communications	from proposed IA Plan	Review of current policies, procedures and staff awareness relating to how and when to respond in the event of media misrepresentation and potential of reputation damage.	IA Report - Communications (After adoption & implementation of Communication Strategy)	as request	as request	√					√		√																				To 2019 Resol 3/12/12 Item 10.5 & Resol 17/08/15 Item 10.5
OpSrv10	Rating Health Check	5.4	Rating Health Check	Rating Health Check Report (October)	Annually	Annually	√	√				√																					√	Rescheduled to March 18 for Complete Close-Out of Action Items Resol 19/12/16 Item 11.7 Close-Out Report Resol- 19/12/16 Item 11.7 Close Out Report Resol 19/12/16 Item 11.7

**City of Prospect  
Audit Committee Work Program January 2017 - December 2018**

			Current Practice				Increasing Assurance						Summary		Audit Committee Work Program (January 2017 - December 2018)													
Code #	Activity / Process	ACWP & BPM Ref	Current Status / Action to be taken	Reports	Frequency by CoP	Frequency Proposed	Business Management (First Line)					Corporate Oversight (Second Line)		Independent Assurance (Third Line)	Assurance Provision - Current Plan	Bentleys Recommendations	12-Jan-17	20-Mar-17	15/05/2017 13/06/2017	7-Aug-17	16-Oct-17	18-Dec-17	21/03/2018 Rescheduled (original date 19/03/2018)	21-May-18	20-Aug-18	15-Oct-18	19/12/2018 (Date to be set in Oct 2018 AC)	
							Management review	System Control	Procedures	Segregation and Access Controls	Training	Executive Leadership Team (ELT)	Policies	Internal Audit (IA)														External Audit (EA)
OpSrv1 1	Fringe Benefit Tax Review	5.5	Fringe Benefit Tax Review	Fringe Benefit Tax Review Report	as request	as request	√	√			√			√														
OpSrv1 2 also refer S.STKH 1	Service Delivery/Custom er Service Review	5.7	Review Service Delivery/Custom er Service	Service Delivery/Custom er Service Review Report. Service Std Review to be conducted in 2016/2017 pending adoption of New Strategic Plan. Scheduled for May 2017.	as request	as request		√			√									√ Resol 14/10/13 Item 10.9								
OpSrv1 3	Project Management		The audit would include assessing and providing assurance on the adequacy and effectiveness of the internal controls over the PM. The audit also aims to assist management in continuously improving the processes in place.	IA Report - Project Management																								
OpSrv1 4 Also refer G.CG10	Community Hub Library Innovation Centre (CLIC)		Review current project acceptance decision making process to and compare to best practice. Points to consider: Project governance structures, Financial viability, How community value is determined, Milestone identification decision management Sufficiency of resources to execute the project efficiently and effectively (Internal v external support), Project selection process (in the case of competing projects), Mechanisms to select providers (component tendering), Reporting and monitoring.	IA Report - Review of Project Assessment/ Feasibility Process												√					√ CLIC Prudential Report Refer G.CG10							

**Legend:**

**Internal Audit Projects**

**Assurance Provision**

**ACWP**  
**BPM**

High risk areas, per 3 years Internal audit plan

Maintain current plan

Opportunity to remove / refocus effort

Potential to increase assurance in this area - Suggested Quarterly - Not practical. Request to alter to Annually.

Essential to increase assurance in this area

Audit Committee Work Program

Best Practice Model

**AGENDA ITEM NO.:** 10.8 ON AGENDA

**TO:** Audit Committee on 21 March 2018

**DIRECTOR:** Ginny Moon, Director Corporate Services

**REPORT AUTHOR:** Chris Birch, Manager Financial Services  
Jo-Ann Tanti, Manager Governance and Administration

**SUBJECT:** Internal Audit Report - Payroll

---

### 1. EXECUTIVE SUMMARY

The powers conferred on the Audit Committee by the Council are contained within the Committee Terms of Reference. A key objective of the Committee is to act as a source of advice to the Council and Chief Executive Officer in matters facilitating audit initiatives; accordingly, an Audit Work Plan for 2017-2019 has been established.

The Internal Audit for Payroll was undertaken throughout August and delivered for management response mid October 2017. The key findings and observations have been assessed with the drafting of action plans ongoing. It is expected there will be resourcing implications in the need to achieve and maintain an acceptable risk rating.

Administration have progressed those actions highlighted within Findings 2 & 3 which may be found below.

A further report demonstrating completion of outstanding action items as key outcomes of the audit, will be tabled at the May 2018 Audit Committee meeting.

### 2. RECOMMENDATION

- (1) The Audit Committee having considered Item 10.5 Internal Audit Report – Payroll (as presented in Attachments 1-25) receive and note the report.**
  - (2) The Audit Committee receive a progress report at the next meeting to be held in May 2018 providing status of outstanding items.**
- 

### 3. RELEVANCE TO CORE STRATEGIES / POLICY

*Local Government Act 1999 Section 125*  
Corporate Governance & Internal Control Framework  
City of Prospect Audit Committee Terms of Reference

**Strategic Plan to 2020 Theme 4 – Services** “Leaders of the sector providing efficient, responsive, accessible services”

<p>Strategy 4.4</p> <p>Accountable and people-focused services</p>	<p>Evaluating a process or set of activities and providing a transparent platform of continuous improvement; instils integrity and raises confidence in the provision of services to the community. Council strategy 4.4 accountable and people-focused services, seeks visibility and improved systems, the internal audit program supports the delivery of these outcomes.</p> <p>The Audit Committee is responsible for the calling of internal audits and monitoring improvement progress. The establishment of good governance principles ensures Council meets its legislative compliance as outlined within Council's Corporate Governance Framework.</p>
--	--

**Intelligent Community Indicators**

<p>2. Knowledge Workforce</p> <p>6. Advocacy</p>	<p>A labour force that creates economic value through its knowledge, skills and ability to use information effectively</p> <p>Engaging leaders and citizens, businesses and institutions, in identifying opportunities to champion positive change.</p>	<p>Internal Audits ensure best practice process and compliance which aligns with the ICF indicator of Knowledge Workforce and Advocacy.</p>
--	---	---

**4. REGIONAL IMPACT**

The payroll internal audit provides limited direct benefit or detriment on a regional perspective. Although it will likely improve council's risk profile when all controls have been reviewed and in turn advance our position when measuring operational performance against similar organisations.

**5. COMMUNITY INVOLVEMENT**

No community engagement was undertaken in the preparation of this report.

**6. DISCUSSION**

Background

The Audit Committee Work Program 2017-2019, includes a review of Council's payroll policies and processes, assessed against good business practice and council's system of internal controls.

### Audit Objectives

- Review and assess the controls over existing processes for pay runs, time sheeting, adding, editing and terminating employees from the payroll system;
- Perform testing on a sample basis to ensure adequacy and effectiveness of key controls; and
- Assess whether policies, procedures and relevant legislation have been complied with and adhered to.

### Audit Scope

- Review of current process including pay runs, time sheeting, adding, editing and terminating employees from payroll system;
- Assessing process to best practice;
- Review of compliance with enterprise agreements and awards;
- Transactional testing where required;
- Application of payroll policy;
- Leave policy and process review and application; and
- Review and reporting.

### Good Practices Observed

The Internal Audit Report (Attachments 1-25) highlights on page 4, the following practices:

- Internal controls related to payroll addressed in the Control Track action plans were implemented by Finance and monitored by the Audit Committee;
- Roles and responsibilities are defined in the personal job descriptions and procedures;
- Fortnightly payroll EFT transfer is checked by the Payroll Officer and appropriately authorised by the Manager Financial Services and Accountant;
- Payroll reconciliations were independently reviewed by Finance; and
- Labour budget was maintained to track the FTE's and costs for the relevant financial year.

### Key Findings and Actions Taken

Description of Findings	Risk Rating
1. Authorisation of employee appointments and terminations	High
<ul style="list-style-type: none"> <li>• A review of the current work practice will be undertaken in consultation with responsible personnel.</li> <li>• The Recruitment Policy &amp; Procedure is scheduled for review during June 2018.</li> </ul>	
2. Rates in the Enterprise Agreement	Moderate

#### Correcting 2016 overpayment

- Administration engaged industrial relations assistance for the development of options to be made available to those employees (x11) impacted by the wage recovery.

- The matter was to remain confidential until after impacted employees were notified. A meeting was held in January 2018, at a time when the majority of employees had returned from annual leave and included advice on the following:
  - Payment methods
  - Long Service Leave and Superannuation impact
  - End of employment, prior to full debt recovery, and
  - Details of legal basis for debt recovery and community expectation.
- Administration is continuing to liaise with our employee's and their representative on this matter.

#### 2017 Negotiated Agreement

- The 2017 Enterprise Agreement expressly specifies the incorrect rates of pay in Schedule 1, based on the error in calculation from the 2016 overpayment.
- In order to adjust the rates in 2017 to what they should have been, Council may submit a Consent Variation, in accordance with the *SA Employment Tribunal Act 2014*, this is subject to all parties agreeing to the change.
- An alternative is to raise the error with the SA Employment Tribunal (SAET), for a decision based on the exercising of powers under Section 81 Correcting Mistakes. Such a decision may be retrospective, to the beginning of the Agreement or prospective and may include a future date to allow employees to adjust to the change.
- Administration is continuing to liaise with our employees and their representative on this matter.

#### Change of work practice

- The incremental process of all pay rates (EA, contract or otherwise) has been adjusted to include a sign off process including Human Resources and Financial Services.

### 3. Annual Leave Balance

Moderate

#### Negative annual leave balance

- Council's Human Resource Advisor (HRA) recently addressed the Management Team to clarify leave accrual and anniversary entitlements. Development of a one-page fact sheet will be made available via internal communications and include an awareness exercise.

#### Excessive annual leave balance

- Leave balance reporting to management is undertaken quarterly. The CEO has provided clear instruction to the Management Team to work with our people in the establishment of leave plans.
- Since the time of the August 2017 assessment, there has been a marked reduction of excessive leave accruals. The two example officers provided in the audit report have decreased leave entitlements by 50%, having worked with their managers to ensure ongoing service delivery expectations.
- Whilst the existing HR Policy review program includes review of the Leave Policy

for April 2019, it will be brought forward to coincide with forthcoming Enterprise Agreement negotiations. This review will include the areas of pro-rata annual leave and the leave cash-out provision.

4. Timesheet submission	Moderate
<ul style="list-style-type: none"> <li>Historically used manual processes were intended to be replaced by a Civica Online Timesheets module. This product has not been able to be implemented beyond testing with City of Prospect being the first Civica Council to purchase the product. Council is working with Civica to develop the product before an organisational roll out.</li> </ul>	
5. Policies and procedures	Moderate
<ul style="list-style-type: none"> <li>An existing HR Policy review program has commenced in accordance with the Consultation Procedure.</li> <li>Introduction of controls concerning end of employment (Termination Policy) will be considered for inclusion within the current policy suite or as an additional stand-alone policy.</li> </ul>	
6. Review and verification of payroll records	Moderate
<ul style="list-style-type: none"> <li>Identified gaps reviewed and authorised.</li> <li>Checklist to be developed in line with new timesheet processes.</li> </ul>	
7. Overtime prior approval	Low
<ul style="list-style-type: none"> <li>The process will be reviewed as part of the online timesheets implementation for an electronic process (Finding 4).</li> </ul>	

### Improvement Opportunities

1. Timesheet submission requirements for Directors	
<ul style="list-style-type: none"> <li>Senior Officers are generally engaged within specific conditions of an Employment Agreement. It is expected that such officers will commit their time to the level required to undertaken appropriate responsibilities, hence are remunerated on a salary basis. At this time it is not proposed to add the requirement for senior officers to submit a fortnightly timesheet, although the submission for access to accrued leave entitlements will remain consistent for all council officers.</li> <li>The example officer provided in the audit report did take annual leave prior to their first year anniversary date in November.</li> </ul>	

### Financial and Resource Implications

Recommended actions from the findings may result in some financial and resource implications. As some of these corrective items have been previously schedule it is anticipated that these will be funded from the existing recurrent budget and staff time. This includes the use of Civica for consulting support hours for the adjustment of some parameters within the payroll module.

## 7. CONCLUDING STATEMENTS

Overall the majority of findings are procedural in nature and will continue to be addressed through reviews of work practice and communication with the management team to ensure compliance.

As not all of the findings have been able to be addressed at the time of preparing this report it is recommended that an update report be prepared for the audit committee at the May 2018 meeting.

---

## ATTACHMENTS

**Attachments 1-25:** Payroll Process Internal Audit Report August 2017

# City of Prospect

## Payroll Process Internal Audit Report

August 2017



**Bentleys (SA) Pty Ltd**

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17 October 2017

Ginny Moon  
Director, Corporate Services  
City of Prospect  
PO Box 171,  
PROSPECT SA 5082

Dear Ginny,

**Internal Audit Report – Payroll Process**

Please find attached our report on the Payroll Process for the City of Prospect.

We would like to take this opportunity to thank management and staff for the assistance provided to us during the course of our audit.

If you have any queries please feel free to contact me on 08 8372 7900 at any time.

Yours sincerely,

DAVID PAPA  
PARTNER

Enclosure

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#### **Inherent Limitations**

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to this review operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by City of Prospect management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed. The findings expressed in this report have been formed on the above basis.

#### **Third Party Reliance**

This report is solely for the purpose set out in the Official Order and for City of Prospect information, and is not to be used for any other purpose or distributed to any other party without Bentleys (SA) Pty Ltd's prior consent.

This summary report has been prepared at the request of City of Prospect management or its delegate. Other than our responsibility to the management of City of Prospect, neither Bentleys (SA) Pty Ltd nor any member or employee of Bentleys (SA) Pty Ltd undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Prospect external advisors, on this summary report. Any reliance placed is that party's sole responsibility. Liability limited by a scheme approved under Professional Standards Legislation.

# EXECUTIVE SUMMARY

## Background

The Council has engaged Bentleys SA Pty Ltd to conduct an internal audit project – Payroll Process review in August 2017 in line with the Audit Committee's Internal Audit Program.

This report outlines findings and recommendations in respect of the Payroll Process.

## Audit Objectives

The overall objective of the audit was to review the system of internal controls and related management processes, providing reasonable assurance that adequate management controls exist to mitigate risk and maximise opportunity.

The specific objectives of the audit were to:

- Review and assess the controls over existing processes for pay runs, time sheeting, adding, editing and terminating employees from the payroll system;
- Perform testing on a sample basis to ensure adequacy and effectiveness of key controls; and
- Assess whether policies, procedures and relevant legislation have been complied with and adhered to.

Governance objectives, where relevant, were considered. This included an assessment of whether governance processes were in place, including:

- Defined roles and responsibilities;
- Segregation of duties;
- Appropriate levels of delegated authority;
- Monitoring and reporting of abnormal activity; and
- Records management and documented audit trails.

## Audit Scope and Approach

The audit scope includes:

- Review of current process including pay runs, time sheeting, adding, editing and terminating employees from payroll system;
- Assessing process to best practice;
- Review of compliance with enterprise agreements and awards;
- Transactional testing where required;
- Application of payroll policy;
- Leave policy and process review and application; and
- Review and reporting.

This audit covered the payroll period from July 2016 to June 2017.

Our approach involved reviewing the process, procedures, policies and documentation; interviewing key staff; observation, walkthrough and substantive testing where possible.

Our audit reviewed the key processes and documents which drive the Council' Payroll process. Refer to Documents Accessed and Consultation (Appendix 3) for detailed information.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

## Good Practices Observed

Throughout this review we compared the Council's processes to our knowledge and understanding of Local Government Association guidance and good business practice. The following good practices were observed during the review:

- Internal controls related to payroll addressed in the ControlTrack action plans were implemented by Finance and monitored by the Audit Committee;
- Roles and responsibilities are defined in the personal job descriptions and procedures;
- Fortnightly payroll EFT transfer is checked by the Payroll Officer and appropriately authorised by the Manager Financial Services and Accountant;
- Payroll reconciliations were independently reviewed by Finance; and
- Labour budget was maintained to track the FTE's and costs for the relevant financial year.

## Key Findings and Observations

A summary of the risk rated findings (residual risk) are provided below:

Ref #	Description of Findings	Residual Risk Rating
1	Authorisation of employee appointments and terminations	High
2	Rates in the enterprise agreement	Moderate
3	Annual leave balance	Moderate
4	Timesheet submission	Moderate
5	Policies and procedures	Moderate
6	Review and verification of payroll records	Moderate
7	Overtime prior approval	Low
Ref #	Improvement Opportunities	
1	Timesheet submission requirements for Directors	n/a

Refer to Detailed Findings and Agreed Action Plan (Appendix 1), Improvement Opportunities (Appendix 2) for detailed information.

Each key finding is rated based on the impact to the process considered. Refer to Risk Framework (Appendix 8) for detailed information.

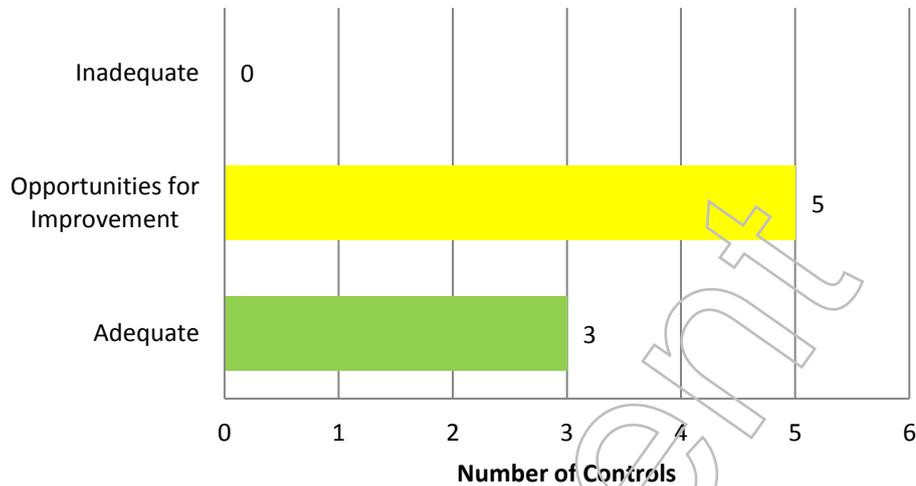
## Controls Assessment

The control effectiveness assessment below is an indicator of the current state of the control environment within business operations and its ability to mitigate against the risk exposures.

Key controls were identified during the audit. Refer to Controls Assessment (Appendix 7) for detailed information.

Based on the internal audit work completed, documents inspected and interviews with key stakeholders, it is the view of Bentleys SA that the control environment of Payroll Process is Opportunities for Improvement.

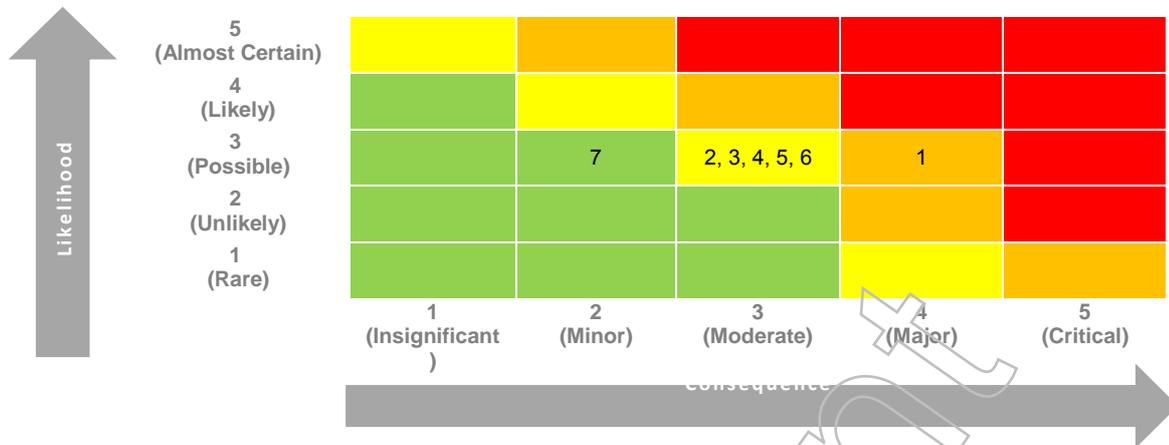
## Control Effectiveness



(1) Limited to audit scope and based on test results.

## Risk Assessment

Provided below is an audit assessment of the residual risk (based on the Council's risk framework) in respect of the process reviewed, having regard to the issues identified by the audit.



Key inherent risks (before controls) include:

- Non-compliance with the *Local Government Act 1999* and regulations;
- Non-compliance with South Australian industrial relations laws;
- Non-compliance with policies and procedures;
- Wages are paid at the incorrect rates of pay;
- Payroll calculation is inaccurate or incomplete and incorrect payment is made;
- Inaccurate employee information could be entered into the payroll system; and
- Payroll-related fraud risks such as unauthorised access to payroll master file and modification of records.

## Acknowledgement

We appreciate the assistance and cooperation received from management and staff of the City of Prospect in completing this review.

# APPENDIX 1

## Detailed Findings and Agreed Action Plan

Finding 1.	Authorisation of employee appointments and terminations	Impact:	Major
		Likelihood:	Possible
		Risk Rating:	High
<b>Finding(s)</b>			
<p>New appointments and employee terminations were not approved by the delegated authority.</p> <p>The <i>Local Government Act 1999</i> Section 103 "Appointment etc by chief executive officer" requires that "the chief executive officer is responsible for appointing, managing, suspending and dismissing the other employees of the council (on behalf of the council)". This power was not delegated within the Council. Therefore, the following non-compliance was identified:</p> <ul style="list-style-type: none"> <li>➤ Out of four new appointments tested, two (50%) were not approved by the Chief Executive Officer (CEO), including <ul style="list-style-type: none"> <li>○ One casual employee having current Letter of Engagement signed off by the Manager Infrastructure, Asset &amp; Environment; and</li> <li>○ One short term contractor having just old Short Term Contract (for the period from 1 July 2015 to 27 January 2016) on file and signed off by the Manager Arts Gallery and Events.</li> </ul> </li> <li>➤ Out of five employee terminations tested, five (100%) were not approved by CEO, including <ul style="list-style-type: none"> <li>○ One short term contractor having concluded the contract but with no current contract on file (the same new employee mentioned above);</li> <li>○ One short term contractor having concluded the contract but with the contract signed off by the Director Infrastructure, Asset &amp; Environment;</li> <li>○ Two resignations having resignation letters submitted; and</li> <li>○ One redeployment and transition to retirement with the supporting document of Redeployment Opportunity – 9 Month Contract signed off by the Manager Development Services and Communication.</li> </ul> </li> </ul> <p>As advised by the Human Resource (HR) Advisor, these employees who have resigned or who had fixed term contract concluded, do not require exit approval by CEO. However, the processes and relevant approval responsibilities/exemptions for different termination types (including resignations, end of a fixed term contract, retirements, involuntary dismissals and voluntary redundancies) are not formally documented to ensure appropriate authorisation and consistent implementation.</p>			
<b>Risk</b>			
<ul style="list-style-type: none"> <li>➤ Unauthorised employee appointments or terminations;</li> <li>➤ Non-compliance with the <i>Local Government Act 1999</i> Section 103; and</li> <li>➤ Errors and omissions during the processes of employee appointments or terminations.</li> </ul>			
<b>Recommendation</b>		<b>Management Response</b>	
<p>We recommend management:</p> <ul style="list-style-type: none"> <li>➤ Assess the feasibility for CEO to execute the appointment responsibilities for employees of all levels; and</li> <li>➤ Determine whether the CEO's appointment responsibilities are delegated appropriately to improve operational efficiency.</li> </ul>		<p>The MGA will undertake a review of the current work practice in consultation with responsible personnel. The Recruitment Policy &amp; Procedure is scheduled for review during June 2018.</p>	
		<b>Responsible Officer</b>	<b>Target Date</b>
		<b>Manager Governance &amp; Administration (MGA)</b>	<b>July 2018</b>

<b>Finding 2. Rates in the enterprise agreement</b>	<b>Impact:</b>	<b>Moderate</b>																																																											
	<b>Likelihood:</b>	<b>Possible</b>																																																											
	<b>Risk Rating:</b>	<b>Moderate</b>																																																											
<b>Finding(s)</b>																																																													
<p>The 2016 wage rates of 12 outside/depot employees were not in accordance with the City of Prospect and Australian Workers' Union Ninth Enterprise Agreement 2014 (AWU EA 2014).</p> <p>According to the AWU EA 2014 "Clause 37: Salary", the increase from the first full pay period after 1 January 2016 should be 3.5% (CPI 2.5%+Production 1%); however, the increase of 7.6% was recorded in Civica's payroll system and used until the next pay increase on 1 January 2017 due to a keying error (for details refer to the table below). This led to the overpayment of approximate \$25 thousand for the outside employees in 2016. Details are listed in Appendix 5.</p>																																																													
<table border="1"> <thead> <tr> <th rowspan="2">Rate Code</th> <th colspan="3">As per AWU EA 2014</th> <th>Civica</th> <th>Difference</th> <th>Check</th> </tr> <tr> <th>2014 hourly rate</th> <th>2015 hourly rate (CPI 3%+ Productivity 1%)</th> <th>2016 hourly rate (CPI 2.5%+ Productivity 1%)</th> <th>2016 hourly rate</th> <th>% of 2015 hourly rate</th> <th></th> </tr> <tr> <th></th> <th>a</th> <th>B</th> <th>b</th> <th>b/a-1</th> <th>B = b</th> <th></th> </tr> </thead> <tbody> <tr> <td>1001</td> <td>\$ 24.63</td> <td>\$ 25.62</td> <td>\$ 26.51</td> <td>\$ 27.57</td> <td>7.6%</td> <td>x</td> </tr> <tr> <td>2101</td> <td>\$ 26.66</td> <td>\$ 27.72</td> <td>\$ 28.69</td> <td>\$ 29.84</td> <td>7.6%</td> <td>x</td> </tr> <tr> <td>3101</td> <td>\$ 27.44</td> <td>\$ 28.53</td> <td>\$ 29.53</td> <td>\$ 30.71</td> <td>7.6%</td> <td>x</td> </tr> <tr> <td>4101</td> <td>\$ 28.22</td> <td>\$ 29.35</td> <td>\$ 30.38</td> <td>\$ 31.60</td> <td>7.6%</td> <td>x</td> </tr> <tr> <td>1111</td> <td>\$ 30.79</td> <td>\$ 32.02</td> <td>\$ 33.14</td> <td>\$ 34.47</td> <td>7.6%</td> <td>x</td> </tr> </tbody> </table>							Rate Code	As per AWU EA 2014			Civica	Difference	Check	2014 hourly rate	2015 hourly rate (CPI 3%+ Productivity 1%)	2016 hourly rate (CPI 2.5%+ Productivity 1%)	2016 hourly rate	% of 2015 hourly rate			a	B	b	b/a-1	B = b		1001	\$ 24.63	\$ 25.62	\$ 26.51	\$ 27.57	7.6%	x	2101	\$ 26.66	\$ 27.72	\$ 28.69	\$ 29.84	7.6%	x	3101	\$ 27.44	\$ 28.53	\$ 29.53	\$ 30.71	7.6%	x	4101	\$ 28.22	\$ 29.35	\$ 30.38	\$ 31.60	7.6%	x	1111	\$ 30.79	\$ 32.02	\$ 33.14	\$ 34.47	7.6%	x
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<p>The 2015, 2016 and 2017 wage rates of inside employees (as at 30 June 2017: 82 inside and 14 outside) and the 2015 and 2017 wage rates of outside employees were compliant with the Council EAs and awards.</p>																																																													
<b>Risk</b>																																																													
<ul style="list-style-type: none"> <li>➤ Non-compliance with the EAs and awards requirements;</li> <li>➤ Payroll calculation may be inaccurate or incomplete leading to incorrect payment; and</li> <li>➤ Employee may be paid at incorrect wage rates leading to financial loss and/or dispute.</li> </ul>																																																													
<b>Recommendation</b>		<b>Management Response</b>																																																											
<p>We recommend management:</p> <ul style="list-style-type: none"> <li>➤ Correct the overpayment of 2016;</li> <li>➤ Review and approve the wage rate increases to ensure the compliance with the EAs and awards;</li> <li>➤ Review and approve the wage rate input to Civica's payroll system against the relevant EAs and awards; and</li> <li>➤ Double check the first payment after the increase made according to the EAs and awards to ensure accuracy.</li> </ul>		<p>The 2014-2016 Enterprise Agreement was based on an incremental formula inclusive of Adelaide CPI.</p> <p>In late 2015 an indicative rate was prepared for the 1 January 2016 pay rates. This indicative rate was incorrectly used as a base for the 1 January 2016 increment calculation. As a result, the rate was effectively double indexed.</p> <p>The rate was not reviewed by an independent officer before loading into the payroll system.</p> <p>In addition, as the hourly rates were already loaded into the payroll system, all matching and verification audit reports produced in the course of a normal pay did not show any variance.</p> <p>The variance was not picked up in the budget monitoring process due to the amount (50% of the error) to 30 June 2016 being less than</p>																																																											

	<p>0.17% of the total salary budget (\$7.45m). The budget variance in 2016-2017 was also not obvious as the salary budget was established on the incorrect rates.</p> <p>In addition, the incorrect rate was used as the base rate for the enterprise negotiations for the 2017-2019 agreement.</p> <p><u>In response to the finding, the following actions have been implemented:</u></p> <p>The incremental process of all pay rates (EB, contract or otherwise) has been adjusted to include a sign off process by both the Manager of Financial Services and Human Resources Advisor. In the case of their employment arrangements, proxies of the Director Corporate Services for the Manager Financial Services and Manager Governance and Administration for the Human Resources Advisor.</p> <p>The finance team are also looking to restructure the payroll related costings in the general ledger. This involves the separation of wage staff from salary in order to give greater transparency and monitoring over these groups.</p> <p>Affected staff have been advised of the overpayment and negotiation for repayment is underway.</p> <table border="1" data-bbox="855 1234 1447 1332"> <thead> <tr> <th data-bbox="855 1234 1257 1272">Responsible Officer</th> <th data-bbox="1257 1234 1447 1272">Target Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="855 1272 1257 1332">Director Corporate Services</td> <td data-bbox="1257 1272 1447 1332">June 2018</td> </tr> </tbody> </table>	Responsible Officer	Target Date	Director Corporate Services	June 2018
Responsible Officer	Target Date				
Director Corporate Services	June 2018				

Finding 3. Annual leave balance	Impact:	Moderate
	Likelihood:	Possible
	Risk Rating:	Moderate
Finding(s)		
<p>Negative annual leave (A/L) balance and excess A/L balance were identified in the Payroll Leave Register extracted from Civica's payroll system.</p>		
<p><b>Negative annual leave balance</b></p>		
<p>Negative A/L balance were identified in the Payroll Leave Register as at 30 June 2016 (-647.77 hours of 19 employees), as at 30 June 2017 (-595.48 hours of 19 employees), and at the time of the audit on 8 August 2017 (-822.8 hours of 22 employees) (for details refer to Appendix 6). There is a risk of financial loss if the payment relating to a negative A/L balance is not collected on employment termination although there was no error identified during the audit.</p>		
<p>The A/L balance was negative because the Council's employees took pro-rata A/L after their supervisors' approval according to the Leave Policy Section 5.4 requirements. However, this was not the best practice and was not observed in other local Councils or state government within SA to our knowledge.</p>		
<p>HR Advisor indicated that pro-rata A/L should be approved at the discretion of management. However, mechanism was not in place to facilitate appropriate A/L approval. Review of five Leave Application Forms identified that the Entitlement Section on the form was filled in with a sum of accrued A/L balance and pro-rata, which did not clearly indicate the manager or supervisor that he/she was approving pro-rata A/L.</p>		
<p><b>Excess annual leave balance</b></p>		
<p>There were two employees identified with excess A/L balance over eight weeks (i.e. 304 hours), not compliant with the Council EAs or awards requirements. Details were as follows:</p>		
<ul style="list-style-type: none"> <li>➤ ██████████ had 330.00 hours A/L as at 8 August 2017 (30 June 2017: 330 hours; and 30 June 2016: 432 hours) – his manager has taken remedy action and emailed him for a leave plan on 3 August 2017; and</li> <li>➤ ██████████ had 374.25 hours A/L as at 8 August 2017 (30 June 2017: 450.75 hours; and 30 June 2016: 331.75 hours) – There were 51 hours approved by CEO on 21 July 2017 to be cashed out. However, this action of cash out was not compliant with the Council EAs or awards requirements although it was included in the Leave Policy. According to the Council EAs or awards, "Payment must not be made or accepted in lieu of taking annual leave except in the case of termination of employment". Further, after cash out, the remaining balance was still over eight weeks and there was no leave plan at the time of the audit.</li> </ul>		
<p>The current control of Monthly Leave Liability Report was provided by HR for management to monitor excess A/L. However, there was no sufficient follow up action to reduce the A/L balance below eight weeks.</p>		
Risk		
<ul style="list-style-type: none"> <li>➤ Financial loss if payment relating to a negative A/L balance is not collected on employment termination;</li> <li>➤ Employee's health and welfare may be influenced if no leave taken for a long time; and</li> <li>➤ Non-compliance with the EAs and awards requirements.</li> </ul>		
Recommendation	Management Response	
<p>We recommend management:</p> <ul style="list-style-type: none"> <li>➤ Assess the current practice of A/L entitlement and application and improve A/L processes to reduce the associated operational risks;</li> </ul>	<ul style="list-style-type: none"> <li>❖ <a href="#">Annual Leave Current Practice</a></li> <li>Council's HRA recently addressed the Management Team to clarify leave accrual and anniversary entitlements. Development of one</li> </ul>	

- Modify the relevant policies to reflect EAs and awards' requirements and provide refresher training within the Council; and
- Direct employees who have accrued in excess of eight weeks' annual leave to take their annual leave with four weeks' written notice as suggested by EAs and awards.

page fact sheets are proposed for Councils intranet users.

❖ Policy and Training

Whilst the existing HR Policy review program includes review of the Leave Policy for April 2019, it will be brought forward to coincide with forthcoming Enterprise Agreement negotiations.

All policy consultations will involve our people and their managers. This will include education sessions and a balancing of views to support a fair and equitable culture.

❖ Excessive Annual leave Balances

Leave balance reporting to management is undertaken quarterly. The CEO has provided clear instruction to the Management Team to work with our people in the establishment of leave plans.

Since the time of the August 2017 assessment, there has been a marked reduction of excessive leave accruals.

Responsible Officer	Target Date
<b>Manager Governance &amp; Administration</b> <b>Human Resource Advisor (HRA)</b>	<b>August 2018</b>

<b>Finding 4. Timesheet submission</b>	<b>Impact:</b>	<b>Moderate</b>
	<b>Likelihood:</b>	<b>Possible</b>
	<b>Risk Rating:</b>	<b>Moderate</b>
<b>Finding(s)</b>		
<p>Our review found that timesheets were consistently submitted late, after the pay date.</p> <p>For 2016-17, ten pay runs out of a total 26 were tested and 26 non-casual employees out of a total 91 non-casuals (28.6%) submitted their timesheets after the pay date. Out of 26 offenders, 18 employees (69%) were repeat offenders. There is no policy to provide guidance on the timesheet submission process and the associated responsibilities. Poor implementation might have adverse financial implications on both Council and their employees.</p> <p>Payroll Officer followed up with the non-casuals, who did not submit timesheets on the cut off day, i.e. the following Monday at 10am. When the timesheets were still not received on the following Tuesday morning, normal hours were paid for non-casuals.</p>		
<b>Risk</b>		
<ul style="list-style-type: none"> <li>➤ Employee dispute due to no evidence; and</li> <li>➤ Under/overpayment to employees due to no accurate timesheet submitted.</li> </ul>		
<b>Recommendation</b>	<b>Management Response</b>	
<p>We recommend management</p> <ul style="list-style-type: none"> <li>➤ Review the process to understand the responsibilities in submission of the timesheets;</li> <li>➤ Engage the repeat offenders to ensure all timesheets are reviewed and submitted on a timely manner; and</li> <li>➤ Once clarified, all roles and responsibilities associated with timesheet submission should be properly documented.</li> </ul>	<p>Timesheet submission processes have been under review for approximately a year. Historically used manual processes were intended to be replaced by a Civica Online Timesheets module. Unfortunately this product has not been able to be implemented beyond testing with Prospect being the first Civica Council to purchase the product. Council is working with Civica to develop the product before rolling it out through the organisation.</p>	
	<b>Responsible Officer</b>	<b>Target Date</b>
	Manager Financial Services	June 2018

<b>Finding 5. Policies and procedures</b>	<b>Impact:</b>	<b>Moderate</b>															
	<b>Likelihood:</b>	<b>Possible</b>															
	<b>Risk Rating:</b>	<b>Moderate</b>															
<b>Finding(s)</b>																	
<p>Our review found that not all payroll policies and procedures are reviewed and updated within the schedule, or implemented consistently. Further, there was no policy on termination, an area of high risk.</p> <p><b>Overdue policies and procedures</b></p> <p><i>The Local Government Act 1999</i> Section 125 “Internal control policies” requires the Council to maintain current documentation of policies, procedures and systems. The following payroll related policies and procedures have passed their scheduled review dates:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Date</th> <th>Next review date</th> </tr> </thead> <tbody> <tr> <td>Recruitment Policy</td> <td>May 2015</td> <td>May 2017</td> </tr> <tr> <td>Recruitment Procedure</td> <td>March 2015</td> <td>March 2017</td> </tr> <tr> <td>Position Classification Procedure</td> <td>May 2015</td> <td>May 2017</td> </tr> <tr> <td>Senior Officer Remuneration Policy</td> <td>May 2015</td> <td>May 2017</td> </tr> </tbody> </table> <p>HR Advisor explained that these policies and procedures are currently being reviewed.</p> <p><b>Gaps between policy and practice</b></p> <p>The Act Section 125 also requires the Council to implement policies. The Criminal History Check Policy dated September 2015 requires that “Where required, 3 yearly criminal history checks may be undertaken for existing employees”. As per discussion with the HR Advisor and review of two employees’ National Police Checking Service (NPCS) Application/Consent Forms, this policy requirement becomes void after the initial NPCS form is received and the Council is not meant to retain it.</p> <p><b>Lack of policies</b></p> <p>There was no Termination Policy. A draft procedure was developed by Information Management but was not provided during the course of the audit. The Council’s EAs state the notice requirement and the employee’s entitlement for payment; however, the following key areas are not included:</p> <ul style="list-style-type: none"> <li>➤ Termination payments are correct;</li> <li>➤ The Council’s assets, such as purchasing cards, are returned prior to termination although return of all mobile devices and IT equipment is included in a Knowledge and Information Management Exit Statement (requiring a signoff by a Department Director or Manager); and</li> <li>➤ Access to IT systems, such as Civica’s payroll system, are removed prior to termination.</li> </ul> <p>Although there was no issue identified so far, there is a potential of incorrect termination payment (such as, the payment relating to a negative A/L balance is not collected on employment termination, for details refer to Finding 3), assets loss, and inappropriate access to IT systems by terminated employees.</p>			Title	Date	Next review date	Recruitment Policy	May 2015	May 2017	Recruitment Procedure	March 2015	March 2017	Position Classification Procedure	May 2015	May 2017	Senior Officer Remuneration Policy	May 2015	May 2017
Title	Date	Next review date															
Recruitment Policy	May 2015	May 2017															
Recruitment Procedure	March 2015	March 2017															
Position Classification Procedure	May 2015	May 2017															
Senior Officer Remuneration Policy	May 2015	May 2017															
<b>Risk</b>																	
<ul style="list-style-type: none"> <li>➤ Incorrect payroll practice conducted by someone unfamiliar with the process;</li> <li>➤ Increased errors in process with no formalised and reviewed policies and procedures where there is a change of staff; and</li> <li>➤ Incorrect payment, assets loss, and inappropriate access due to lack of Termination Policy.</li> </ul>																	
<b>Recommendation</b>	<b>Management Response</b>																
We recommend management	Human Resource Management is an organisational function and will therefore																

<ul style="list-style-type: none"> <li>➤ Review the policies and procedures relating to payroll process timely according to the schedule;</li> <li>➤ Formalise the standard procedures such as termination; and</li> <li>➤ Provide refresher training to employees to ensure consistent implementation.</li> </ul>	<p>require contribution from across all council sites and responsible officers.</p> <p>An existing HR Policy review program has commenced in accordance with the Consultation Procedure.</p> <p><u>Current review documents:</u></p> <ul style="list-style-type: none"> <li>• HRMS Document Management Policy</li> <li>• Consultation Policy</li> </ul> <p>Introduction of controls concerning end of employment will be considered for inclusion within the current policy suite or as an additional stand alone policy.</p> <table border="1" data-bbox="847 629 1439 833"> <thead> <tr> <th data-bbox="847 629 1254 667">Responsible Officer</th> <th data-bbox="1254 629 1439 667">Target Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="847 667 1254 757"> <b>Manager Governance &amp; Administration</b> </td> <td data-bbox="1254 667 1439 757"> <b>Two year cycle</b> </td> </tr> <tr> <td data-bbox="847 757 1254 833"> <b>Human Resource Advisor (HRA)</b> </td> <td data-bbox="1254 757 1439 833"> <b>(July 2017 – June 2019)</b> </td> </tr> </tbody> </table>	Responsible Officer	Target Date	<b>Manager Governance &amp; Administration</b>	<b>Two year cycle</b>	<b>Human Resource Advisor (HRA)</b>	<b>(July 2017 – June 2019)</b>
Responsible Officer	Target Date						
<b>Manager Governance &amp; Administration</b>	<b>Two year cycle</b>						
<b>Human Resource Advisor (HRA)</b>	<b>(July 2017 – June 2019)</b>						

<b>Finding 6. Review and verification of payroll records</b>	<b>Impact:</b>	<b>Moderate</b>
	<b>Likelihood:</b>	<b>Possible</b>
	<b>Risk Rating:</b>	<b>Moderate</b>
<b>Finding(s)</b>		
<p>Our review found that not all fortnightly payroll reports were reviewed for accuracy and pertinence and there was no verification of employee profile data.</p> <p><b>Fortnightly payroll reports</b></p> <p>Fortnightly payroll reporting was prepared by the Payroll Officer, and reviewed by the Manager Financial Services. Reconciliation item was followed up and reviewed before the payment transfer. However, the following was identified from the ten pay runs selected:</p> <ul style="list-style-type: none"> <li>➤ One pay run ended on 3 July 2016 with no Employee Pay Audit Report on file to validate that all unusual items were investigated;</li> <li>➤ One pay run ended on 11 September 2016 with no Manager Financial Services' signoff on the Pay Edit Listing to verify that an independent review for accuracy and pertinence was conducted; and</li> <li>➤ One pay run ended on 26 February 2017 with no Manager Financial Services' signoff on the Employee Pay Audit Report to verify that an independent review was conducted.</li> </ul> <p><b>No verification of employee profile additions and modifications</b></p> <p>All new employees' records were entered by the Payroll Officer or the Accounts Payable Officer (as backup and Senior Finance Officer as backup since August 2017 when back from maternity leave) but no independent check was performed.</p> <p>There were five new employee data (out of the five instances selected) entered into the payroll system Civica's payroll system not independently verified and signed off. The industry best practice suggests that all employee profile additions and modifications in the payroll system should be verified against the source document by an independent and authorised approver.</p>		
<b>Risk</b>		
<ul style="list-style-type: none"> <li>➤ Inaccurate employee information could be entered into the payroll system; and</li> <li>➤ Payroll calculation is inaccurate or incomplete and incorrect payment is made without appropriate review on payroll reports.</li> </ul>		
<b>Recommendation</b>	<b>Management Response</b>	
<p>We recommend management</p> <ul style="list-style-type: none"> <li>➤ Enhance the review of the payroll reports during the processes;</li> <li>➤ Develop a Pay Run Checklist which is in line with the current practice to facilitate the payroll process;</li> <li>➤ Ensure all employee profile additions and modifications in Civica's payroll system are verified against source documents; and</li> <li>➤ Document the requirements into the relevant payroll policies and procedures, and communicate with the relevant responsible officers/managers.</li> </ul>	<p>Identified gaps reviewed and authorised.</p> <p>Checklist to be developed in line with new timesheet processes.</p>	
	<b>Responsible Officer</b>	<b>Target Date</b>
	Manager Financial Services	June 2018

<b>Finding 7. Overtime prior approval</b>	<b>Impact:</b>	<b>Minor</b>
	<b>Likelihood:</b>	<b>Possible</b>
	<b>Risk Rating:</b>	<b>Low</b>
<b>Finding(s)</b>		
<p>There was no evidence of prior approval on overtime and the overtime application document was not consistently used.</p> <p>The City of Prospect and Australian Services Union Tenth Enterprise Agreement (ASU EA) 2016 Clause 18 requires that "Overtime must be pre-approved by an Employee's supervisor". However, there was no evidence for compliance.</p> <p>Of 29 timesheets tested for the 2016-17, four had overtime recorded:</p> <ul style="list-style-type: none"> <li>➤ Three had post approval by supervisor on file but used different application document including email and Overtime/On Call Application Form; and</li> <li>➤ One was identified by the Payroll Officer as not approved and therefore no overtime was paid.</li> </ul> <p>There was no overtime policy in place to provide guidance and requirements for prior approval, application form, and legitimate reasons for overtime. This may lead to the risk of low staff morale.</p>		
<b>Risk</b>		
<ul style="list-style-type: none"> <li>➤ Employee fatigue due to unauthorised overtime; and</li> <li>➤ Low employees' morale due to their overtime conducted but not approved for payment.</li> </ul>		
<b>Recommendation</b>	<b>Management Response</b>	
<p>We recommend management</p> <ul style="list-style-type: none"> <li>➤ Develop an Overtime Policy to include specific requirements of prior approval, application form, and legitimate reasons for overtime; and</li> <li>➤ Provide training should be provided to inform employees when the policy is approved.</li> </ul>	<p>All overtime where possible, should be pre-approved via the Overtime/On Call Application Form. The process has been reiterated to the management team. The process will be reviewed as part of the online timesheets implementation for an electronic process.</p>	
	<b>Responsible Officer</b>	<b>Target Date</b>
	Manager Financial Services	June 2018

## APPENDIX 2

### Improvement Opportunities

#### 1. Opportunity – Timesheet submission requirements for Directors

##### Observation(s)

During our review, we noted that four Directors did not submit timesheets as there was no Council policy requirement for them to do so. When they applied for leave, the application was raised in the Authority system and CEO approval was obtained. Review of the Civica's payroll system records identified that Director Business & Economic Development (who started in November 2016) had no leave (e.g. no sick leave, no annual leave) taken from January to July 2017.

*The Local Government Act 1999* Section 107 "General principles of human resources management" requires "that employees are treated fairly and consistently". Therefore, Directors should submit their timesheets as other Council employees to ensure the administration of the Council.

##### Opportunity(ies)

We recommend management review the timesheet submission processes of the Directors and other Council employees to investigate the possibilities of the consistent approach.

##### Management Response

Directors and Managers are engaged separately to general staff and do not submit timesheets. Leave applications are processed by application and authorised by the CEO (as direct report). It does not seem exceptional that the DB&I did not have leave in this period and is consistent with the recommendation of finding 3.

##### Responsible Officer

Chief Executive Officer

##### Target Date

June 2018

## APPENDIX 3

# Documents Accessed and Consultation

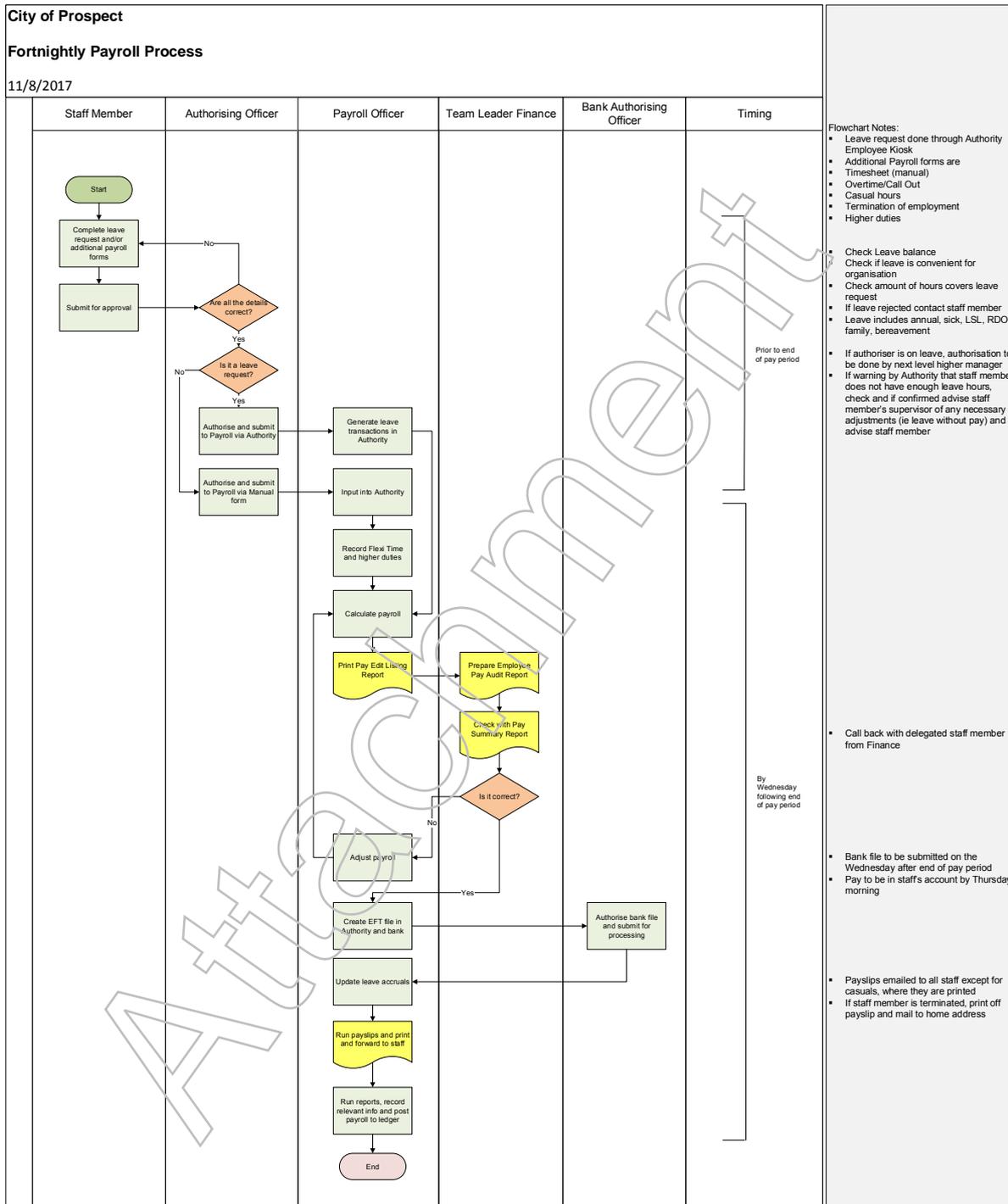
Documents provided by the City of Prospect and accessed include:

- Council enterprise agreements and awards
- Payroll policy and procedures
- Leave records for the period from July 2016 to June 2017
- Timesheet records for the period from July 2016 to June 2017
- Pay run reconciliations for the period from July 2016 to June 2017
- Labour budget 2016/17

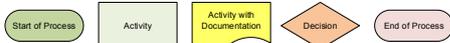
We would like to extend our appreciation to the following individuals who participated in, and provided information during this internal audit review.

- Ginny Moon, Director Corporate Services
- Chris Birch, Manager Financial Services
- Debbie McRitchie, Payroll & Finance Officer
- Anna Mellier, Human Resources Advisor
- Anubha Jain, Systems Analyst

# APPENDIX 4 Process Flow Chart



**Legend**



## APPENDIX 5

### Overpayment of AWU employees in 2016

The 2016 wage rates of 12 outside/depot employees were not in compliance with the AWU EA 2014, which lead to the approximate \$ 25 thousand overpayment. Details are as follows:

Employee Number	Weekly Hours	AWU 2016 Rate Code	2016 Actual Rate	2016 Entitled Rate	2016 Overpayment
	\$		\$	\$	\$
	a		b	c	$a*(b-c)*2*26$
█	38.25	3101	30.71	29.53	2,347.02
█	38.25	3101	30.71	29.53	2,347.02
█	38.25	4101	31.60	30.38	2,426.58
█	38.25	3101	30.71	29.53	2,347.02
█	38.25	3101	30.71	29.53	2,347.02
█	38.25	4101	31.60	30.38	2,426.58
█	38.25	3101	30.71	29.53	2,347.02
█	38.25	3101	30.71	29.53	2,347.02
█	38.25	2101	29.84	28.69	2,287.35
█	38.25	4101	31.60	30.38	2,426.58
█	10	1111	34.47	33.14	691.60
█	20	1001	27.57	26.51	1,102.40
<b>Total</b>					<b>25,443.21</b>

## APPENDIX 6

### Negative Annual Leave Balance

The employees with negative annual leave balances as at the time of the audit on 8/8/2017, and the year end as at 30/6/2017 and 30/6/2016 are listed below:

Employee Number	Annual Leave Hours Balance as at 8/8/2017	Annual Leave Hours Balance as at 30/6/2017	Annual Leave Hours Balance as at 30/6/2016
	-91.47	-91.47	-30.40
	-7.60		
	-7.60		
		-38.00	
	-30.40	-30.40	
	-82.22	-74.62	-88.38
	-62.50	-47.30	-47.30
	-7.60		
	-31.57	-31.57	
			-4.00
	-38.70	-31.10	
	-114.00		-15.20
			-37.40
			-15.20
	-0.15	-0.15	-42.70
	-38.00	-38.00	
		-38.00	
			-45.00
			-22.79
	-57.40	-57.40	-42.20
			-15.50
	-12.55	-18.55	
		-15.20	
			-53.20
	-37.80		-7.40
	-65.44		-58.56
		-7.60	
			-22.80
	-22.80	-22.80	
	-7.00		
	-25.40	-25.40	-60.80
			-8.54
			-30.40
	-15.20	-15.20	
	-57.18	-8.50	
	-4.22	-4.22	
<b>Total</b>	<b>-822.80</b>	<b>-595.48</b>	<b>-647.77</b>
<b>Number of employees with negative annual leave balances</b>	<b>22</b>	<b>19</b>	<b>19</b>

# APPENDIX 7

## Controls Assessment

### Key Controls

Key controls identified during the audit include:

NO.	CONTROL NAME	CONTROL EFFECTIVENESS
1	Defined policies and procedures	Opportunities for Improvement
2	Defined roles and responsibilities	Adequate
3	Segregation of duties	Adequate
4	Delegated authority	Opportunities for Improvement
5	Payroll Master File (Time Entry, Add/Edit/Terminate Employees, Leave)	Opportunities for Improvement
6	Fortnightly Payroll Reconciliation	Opportunities for Improvement
7	Monitoring and Reporting	Opportunities for Improvement
8	Records management	Adequate

### Council Control Assessment Table

Control / Mitigating Factor	Description	
<b>Adequate</b>	1. The controls address the identified risk and there is little scope for improvement.	2. There is no convincing cost/benefit justification to change the approach.
<b>Opportunities for Improvement</b>	1. The controls contain some inadequacies and scope for improvement can be identified.	2. There is some cost/benefit justification to change the approach.
<b>Inadequate</b>	1. The controls do not appropriately address the identified risk and there is an immediate need for improvement actions.	2. There is a significant cost/benefit justification to change the approach.

## APPENDIX 8

### Risk Framework

The following framework for Assurance ratings was developed by the Council to prioritise findings according to their relative significance depending on their impact to the process.

Likelihood	Consequences				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
E (Almost Certain)	Moderate	High	High	Extreme	Extreme
D (Likely)	Low	Moderate	High	Extreme	Extreme
C (Possible)	Low	Low	Moderate	High	Extreme
B (Unlikely)	Low	Low	Low	High	Extreme
A (Rare)	Low	Low	Low	Moderate	High

#### Measures of Corporate Risk Likelihood

The likelihood of a risk eventuating must be identified in the context of existing controls using the following as a reference:

Likelihood Rating	Description	Indicative Frequency Values
E - Almost Certain	Is expected to occur in most circumstances	Greater than one or more per annum
D - Likely	Will probably occur in most circumstances	Will probably occur on one occasion in the coming year. 20%-90% probability the event will occur in the next year
C - Possible	Might occur at some time	Between 3-10 years
B - Unlikely	Could occur at some time	Between 10-50 years
A - Rare	May occur only in exceptional circumstances	Every 50-100 years

## Measures of Corporate Risk Consequence or Impact

Where a risk has implications across a number of areas of impact, the highest rating should be used to determine the overall level of risk. However each identified risk should be assessed from a mitigation / action.

Consequence	Rating	Infrastructure and Assets	Business Continuity and Business Systems	Legal Compliance and Liability	Financial and Economic	Political	Social	Environmental	Customer/Citizen	Reputation	Partnership	Staff	WHS&M
<b>Catastrophic</b>	<b>5</b>	Widespread, long term loss of substantial key assets, infrastructure and/or IT network/hardware. Critical loss, irreversible damage property / infrastructure	The continuing failure of Council to deliver essential services. The Removal of key revenue generation.	Regulatory or contract breaches causing very serious litigation, including major class action. An event occurring outside City of Prospect's Insurance cover.	Above 60% of City of Prospect's annual revenue (excluding capital revenue).	Loss of power and influence restricting decision making and capabilities. Dismissal of Council by State Government.	Widespread loss of trust across the community.	Widespread and irreversible environmental damage attributed by the courts to be negligent or incompetent action of City of Prospect.	Significant demographic and economic changes impact on recruitment and retention. Operational availability deteriorates below published service standards. Programs/projects not delivered, resulting in significant decline in community outcomes. Significant damage to reputation	Loss of State Government support with scrutiny criticism and removal of the Council. National media exposure.	Resignation and or removal of major contractors and senior staff.	Staff issues cause continuing failure to deliver essential services.	Fatality or significant irreversible disability. Fatality of a member of staff or public. Critical loss, irreversible damage property / infrastructure
<b>Major</b>	<b>4</b>	Widespread, short to medium term loss of key assets, infrastructure and/or IT network/hardware. Serious structural damage.	Widespread failure to deliver several major strategic objectives and service plans. Long-term failure of Council causing lengthy service interruption.	Major regulatory or contract breaches and litigation. Liability implications and fines for CEO/Directors/Managers.	Between 2%-6% of City of Prospect's annual revenue (excluding capital revenue).	Adverse impact and intervention by State Government.	Tangible expressions of mistrust amongst some community members with significant influence on decision-makers.	Severe environmental impact requiring significant remedial action. Penalties and/or divestment or compliance order incurred.	Major economic changes impact on recruitment and retention. Department cannot meet service demand. Public confidence in the organisation uncertain. Outcome of a major program/project not achieved resulting in decline of community outcomes. Significant review of implementation of program required. Interrupt the development of essential infrastructure.	State media and public concern/exposure with adverse attention and long-term loss of support from City of Prospect residents.	Community dissatisfaction. Persistent questions in Council, external inquiry. Industrial action affecting service delivery.	Staff issues cause widespread failure to deliver several major strategic objectives and long-term failure of day to day service delivery.	Serious & extensive injuries requiring hospitalisation/rehabilitation. Lost time of more than 4 working days. Serious structural damage.
<b>Moderate</b>	<b>3</b>	Short to medium term loss of key assets, infrastructure and/or IT network/hardware. Moderate loss or infrastructure damage.	Failure to deliver minor strategic objectives and service plans. Temporary & recoverable failure of Council causing intermittent service interruption for a week.	Regulatory or contract breaches causing investigation / report to authority and prosecution and moderate fines.	Between 1%-2% of City of Prospect's annual revenue (excluding capital revenue).	Adverse impact and intervention by the ALG.	Tangible expression of mistrust amongst some community members with moderate influence on public opinion and decision-makers.	Moderate impact on the environment; no long-term or irreversible damage. May incur cautionary notice or infringement notice.	Major workforce development strategy changes cause employment contracts not able to meet Service needs. Complaints increase and cause local media long-term adverse publicity. Significant effect on staff morale and public perception of the organisation. Delivery of community program/project outcomes compromised for identified groups. Significant review/changes to programs required.	Significant state wide concern /exposure and short to mid term loss of support from City of Prospect residents.	Short term damage, public embarrassment of organisation. Local-wide industrial action (e.g. Bans)	Staff issues cause failure to deliver minor strategic objectives and temporary and recoverable failure of day to day service delivery.	Medical treatment/hospitalisation required. Lost time of up to 4 working days. Moderate loss or infrastructure damage.
<b>Minor</b>	<b>2</b>	Minor loss or infrastructure damage. Repairs required.	Temporary and recoverable failure of Council causing intermittent service interruption for several days.	Minor regulatory or contract breaches causing likely prosecution and minor fines.	Between 0.2%-1% of City of Prospect's annual revenue (excluding capital revenue).	Adverse impact by another local government.	Tangible expressions of mistrust amongst a few community members with some influence on public opinion and decision-makers.	Minor environmental damage such as remote temporary pollution.	Minor workforce development strategy changes cause minor financial and economic pressure effect the quality of customer service. Some public embarrassment. Local media coverage short term. Minor effect on staff morale / public attitudes. Community program/project outcome compromised. Minor impact on deficiency or effectiveness, managed internally.	Minor local community concern manageable through good public relations.	Local adverse publicity. Visible dissatisfaction from public, limited/localised partnership interest., specific internal reporting. Local industrial action.	Staff issues cause several days interruption of day to day service delivery.	First aid treatment required resulting in lost time >1 day. Minor loss or infrastructure damage.
<b>Insignificant</b>	<b>1</b>	Damage where repairs are required however facility, infrastructure, network/hardware is still operational. Negligible loss or damage to property or infrastructure.	Negligible impact of Council, brief service interruption for several hours to a day.	Negligible regulatory breaches that are detected early and rectified. Insignificant legal issues & non-compliance.	Less than 0.2% of City of Prospect's annual revenue (excluding capital revenue).	Negligible impact from another local government.	Tangible expressions of mistrust amongst a handful of community members with no influence on public opinion and decision-makers.	Brief, non hazardous, transient pollution or damage.	Lack of appropriate consultation. Rumours, no media coverage. Little effect on staff morale. Community program/project outcome compromised. Resolved by routine operations.	Transient matter, e.g. Customer complaint, resolved in day-to-day management.	Little or no publicity. Attention from minor stakeholder with no publicity, only routine internal reporting.	Staff issues cause negligible impact of day to day service delivery.	No injuries. No lost time. Negligible loss or damage to property or infrastructure.