

COMMITTEE AGENDA

Audit Committee

Notice is hereby given pursuant to the provisions of the Local Government Act, 1999, that the next Meeting of the Audit Committee will be held by electronic means via Zoom on

Tuesday 16 August 2022 6.30pm

for the purpose of considering the items included on the Agenda.

Chief Executive Officer

MEMBERS

Presiding Member D Powell (Presiding Member)
Councillor M Rabbitt
Councillor M Broniecki
Independent Member N Handley
Independent Member A Martin

ACKNOWLEDGEMENT

Ngadlurlu tampinhi, ngadlu Kurna yartangka inparrinhi. Ngadlurlu parnuku tuwila yartangka tampinhi.

*Ngadlurlu Kurna Miyurna yaitya yarta-mathanya Wama Tarntanyaku tampinhi. Parnuku yailtya, parnuku tapa purruna yalarra puru purruna.**

We would like to acknowledge this land that we meet on today is the traditional lands for the Kurna people and that we respect their spiritual relationship with their country.

We also acknowledge the Kurna people as the traditional custodians of the Adelaide region and that their cultural and heritage beliefs are still as important to the living Kurna people today.

*Kurna Translation provided by Kurna Warra Karrpanthi

ORDER OF BUSINESS

ITEM	PAGE NO
1. ADMINISTRATIVE MATTERS	
1.1 APOLOGIES	
Nil	
1.2 LEAVE OF ABSENCE	
Nil	
1.3 CONFLICT OF INTEREST	
<i>Members to advise if they have any material, actual or perceived conflict of interest in any Items in this Agenda and a Conflict of Interest Disclosure Form (attached) is to be submitted.</i>	
1.4 MINUTES	
1.4.1 Minutes of the Ordinary Audit Committee Meeting held Tuesday, 17 May 2022	
1.5 DEFERRED / ADJOURNED ITEMS	
Nil	
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4. OTHER BUSINESS

NEXT MEETING

Tuesday 18 October 2022 - 6.30pm

Council Chambers, 181 Unley Road Unley

INFORMATION REPORT

REPORT TITLE:	INTERNAL AUDIT - PURCHASE CARD - AUGUST 2022
ITEM NUMBER:	3.1
DATE OF MEETING:	16 AUGUST 2022
AUTHOR:	ALEX BROWN
JOB TITLE:	MANAGER FINANCE AND PROCUREMENT
ATTACHMENTS:	1. BENTLEY'S INTERNAL AUDIT REPORT - PURCHASE CARDS

1. **INTRODUCTION**

This report presents the findings, recommendations and agreed management actions from the internal audit of Purchase Cards conducted by Bentleys.

2. **RECOMMENDATION**

That:

1. The report be received.
-

3. **RELEVANT CORE STRATEGIES/POLICIES**

4. Civic Leadership
- 4.3 Our business systems are effective and transparent.

4. **BACKGROUND**

The City of Unley utilises Corporate Purchase Card's (Purchase Cards) as an effective and efficient method for the purchase of low value goods and services. There are presently 28 card holders with monthly transaction limits ranging from \$1,000 to \$10,000.

Outsourcing the Internal Audit

To ensure timely completion of the internal audit, the audit was outsourced and following a procurement process Bentleys was the preferred provider.

Internal Audit Scope

The scope of the audit contained two phases:

- **Phase One:** To determine the compliance of key controls in relation to the management and use of Council issued credit cards. This included:
 - Reviewing the current policy, processes, and controls in place for the management of credit cards.
 - Assessment of the overall compliance with relevant policies, procedures, and guidelines, based on sample testing.
 - Assess if the financial delegations of authority have been adhered to.
 - Review of the Better Practice Model – Internal Financial Controls in relation to credit cards.
 - Credit Card Reconciliation Process.
 - Review of expenditure against the Recognition Guidelines.
- **Phase Two:** To conduct an evaluation by assessing purchase card payments against best practice, recent purchase card reviews and changes to legislation by identifying key risks and improvement opportunities relating to this process.

Internal Audit and Report

The audit was conducted in June 2022 with a draft audit report provided to Administration for Management comments in early July. Management's responses were collated and provided to Bentleys prior to the Internal Audit Report being finalised in late July 2022.

Attachment 1

Review of the Corporate Purchase Card Policy

The Corporate Purchase Card Policy was last reviewed in June 2015. Prior to commencing the internal audit, the Administration was aware that the Policy was overdue for review. This was identified by Galpins, Council's external auditor, as part of their 2021-22 Interim Audit. The Administration decided that it would await for the findings of the Internal Audit prior to reviewing and updating the Policy.

5. DISCUSSION

Bentley's undertook a review of Purchase Card usage for a 13 month period between May 2021 and May 2022 inclusive. During this period, a

total of 2,501 transactions were made across 34 purchase cards, totalling \$363,176. For the vast majority of transactions, that is 93%, were below \$500, with less than 0.5% above \$2,000.

Bentley's have summarised their sample testing on page 9 of their report, and provided statistical analysis on pages 9-12.

Findings

Bentley's Internal Audit Report includes:

- a summary of the objectives and scope of the audit,
- statistical analysis of purchase card usage
- a risk assessment and cause analysis
- the detailed findings and agreed action plan
- the improvement opportunities.

Attachment 1

Bentley's have advised that the control environment, in their opinion, was effective on page 5 of their report:

"Based on the internal audit work completed, documents inspected and interviews with key stakeholders, it is our view the control environment for Purchase Cards is Majority Effective.

The audit period captured \$363,176 value of transactions between May 2021 to May 2022. Of the transactions sampled only one transaction, valued at \$103, was non-compliant with the current policy.

The audit identified two low risk findings and four business improvement opportunities as shown in the following table:

		Extreme	High	Medium	Low	Improvement Opportunity
Risk Findings						
1	Non-compliance with policies				■	
2	Financial Delegation of Authority				■	
Business Improvement Opportunity						
1	Policy improvements					■
2	Manual reconciliation process					■
3	Cyber security awareness					■
4	Transaction description					■

these findings are summarised below and in the table on page 6 of the audit report.

Low Risk Finding 1: Non-compliance with policies

While the audit identified that Council has a robust policy framework in place to guide the use of purchase cards for business purposes, it found the following instances of non-compliance with relevant policies:

- **Corporate Credit Card Policy:** Out of 2,501 transactions undertaken in the sample period, 10 transactions were either overdue for reconciliation or incomplete, which was not compliant with the policy requirement. During the period that field work was undertaken, all of the outstanding transactions were addressed.
- **Recognition Guidelines:** Two purchases, both relating to the purchase of flowers for reasons permissible within the guideline, exceed the purchase \$90 threshold within the guideline. One purchase was for \$130.30, while the second was \$103.00.

Low Risk Finding 2: Financial Delegation of Authority

This audit identified some inconsistencies between the Financial Delegation of Authority and the approved cardholders' limits per NAB/Council Approval Forms. These instances are described here:

- Three instances where the card limit on the Council approval forms were lower than the credit card limit listed on the Financial Delegation of Authority;
- Two instances where the limit on the Council Approval Forms was higher than the credit card limit listed on the Financial Delegation of Authority
- One instance where there was a limit on the Council Approved Forms, but no limit on the Financial Delegation of Authority.

As part of the recommendations from the external audit review of Internal Financial Controls, a new purchase card limit form was prepared and completed for each card holder in April 2022. The audit noted that these were all complete and up to date, however this has led to some inconsistencies with the limits previously documented on the Financial Delegation forms which the new form replaced for agreed purchased card limits.

Improvement Opportunities

Four improvement opportunities have been identified and are summarised in the following table.

<p>Policy Improvements</p> <p>The Corporate Purchase Card Policy has not been reviewed and updated to consider the current better practice among the State and Local Governments as well as the recommendations of the Auditor-General (AG) credit card audits of three Councils in 2020.</p> <p>The audit recommended a number of matters to be addressed in a revised policy, these are detailed on pages 16-19 of the report.</p>
<p>Manual reconciliation process</p> <p>The current monthly purchase card reconciliation process is still manual, with approximately 50% of transactions relying on hard copy purchase evidence being submitted for approval and reconciliation. This risks of loss of purchase evidence, record filing outside of system, and inefficient process exists.</p> <p>The audit recommended cardholders use an application or portal to scan the purchase evidence at the time of purchase, and then use Council's finance system for the submission, approval and reconciliation of transactions.</p>
<p>Cyber security awareness</p> <p>A suspicious transaction of \$4,217 was identified by the bank and subsequently recovered. The stakeholder interview found that there was no formal cyber security training provided except for occasional email correspondences from the BSI area.</p> <p>The audit recommended the responsible officer(s) attend cyber security webinars, and then pass the knowledge on to the cardholders.</p>
<p>Transaction description</p> <p>Sample testing identified the corporate credit card transaction description could be further improved.</p> <p>The audit recommended transaction descriptions be improved to provide correct and complete information for reviewers and approvers.</p>

Agreed Actions

Administration have provided the agreed actions contained within the Report have been provided as Attachment 1.

Attachment 1

The agreed actions will be monitored within the Internal Audit Agreed Actions document and this report will be presented to the Audit Committee twice a year.

New Legislative Requirements

Regulation 4 of the *Local Government (General) (Annual Reports) Variation Regulations 2021* requires the Annual Report to include “a statement of the total amount of expenditure incurred using credit cards provided by the council for use by members or employees of the council during the relevant financial year”. This statement will be incorporated within the 2021-22 Annual Report.

6. REPORT AUTHORISERS

Name	Title
Nicola Tinning	General Manager, Business Support & Improvement



July 2022

City of Unley

Purchase Cards Internal Audit Report

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29 July 2022

Alex Brown
Manager Finance and Procurement
Corporation of the City of Unley
181 Unley Road
UNLEY, SA 5061

Dear Alex

Internal Audit Report – Purchase Cards

Please find attached our report on the Purchase Cards for the City of Unley.

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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CoU Internal Audit Report – Purchase Cards // July 2022

Version history	Date
Draft report issued	5/7/2022
Final report issued	29/7/2022
Final report Executive Management approval	
Final report Audit Committee presentation	

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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 Unley 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 Unley 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 Unley management or its delegate. Other than our responsibility to the management of City of Unley, 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 Unley 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

The *Local Government Act 1999 S137* (Expenditure of funds) gives the City of Unley (Council) the power to spend its funds in performing its powers, functions or duties. A credit card can be an effective and convenient tool to use for goods and services purchases.

A summary of the Council's credit card uses for the audit period (May 2021 to May 2022) is presented below. Overall, corporate credit cards were used for their intended purpose, for low value and high-volume transactions (refer to Figure 3 on page 10).



28 current cardholders
(May 2021 – May 2022: 34)



2,501 transactions
(May 2021 – May 2022)



\$363K charged on credit cards
(May 2021 – May 2022)

Council has a robust policy framework in place to guide the use of purchase cards for business purposes, including:

- Corporate Purchase Card Policy (dated June 2015)
- Procurement Framework
- Procurement Policy (dated 14 December 2020)
- Hospitality, Travel and Expenditure Policy (dated 13 October 2020)
- Recognition Guidelines (dated May 2021)
- Elected Member Allowances and Benefits Policy (dated 24 November 2014)
- Elected Member Training and Development Policy (dated 23 June 2014).

However, the primary Corporate Purchase Card Policy has not been reviewed and updated recently to address the current practice among the State and Local Governments and the recommendations of the Auditor-General credit card audits of three Councils in 2020. The audit highlighted 10 areas for improvement within the policy (Improvement Opportunity 1).

The Purchase Card module in Council's finance system Technology One Purchase Card module is used for the entire supporting documentation and monthly reconciliation process. However, only 50% of supporting documentation is scanned and attached to each transaction in Technology One enabling easy retrievability, data back up and subsequent review (Improvement Opportunity 2). Further, at the time of the audit, we found that 10 transactions (totalling \$1,238.55) were overdue for reconciliation/incomplete on 10 June 2022 due to the priority of the cardholder's workload, of which all 10 (100%) were immediately rectified during the fieldwork and reporting, i.e., from 14 to 29 June 2022 (Finding 1).

Although the samples tested confirmed that the Council monitored and analysed their spending on individual credit cards in line with its Corporate Purchase Card Policy (for a summary of transactions sampled, refer to Figure 1 and Figure 2 on the next page), the Council's practice could further improve once the Policy is updated to include clear guidance in the following areas:

- Financial Delegation
- ICT assets and expenditures
- Invoice downloading
- Efficient use of Council's resources
- Sensitive expenditure
- Chief Executive Officer's (CEO's) purchase card transactions
- Executive Assistant's (EA's) use of card
- Temporary increase of card limit

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- Car wash
- Prior approval.

Based on the internal audit work completed, documents inspected and interviews with key stakeholders, it is our view the control environment for Purchase Cards is **Majority Effective**.

Figure 1: Analysis of transactions sampled May 2021 – May 2022

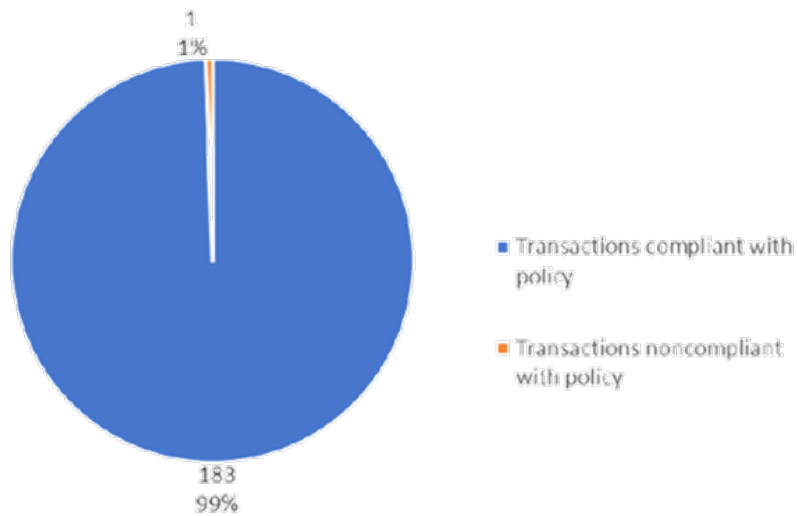
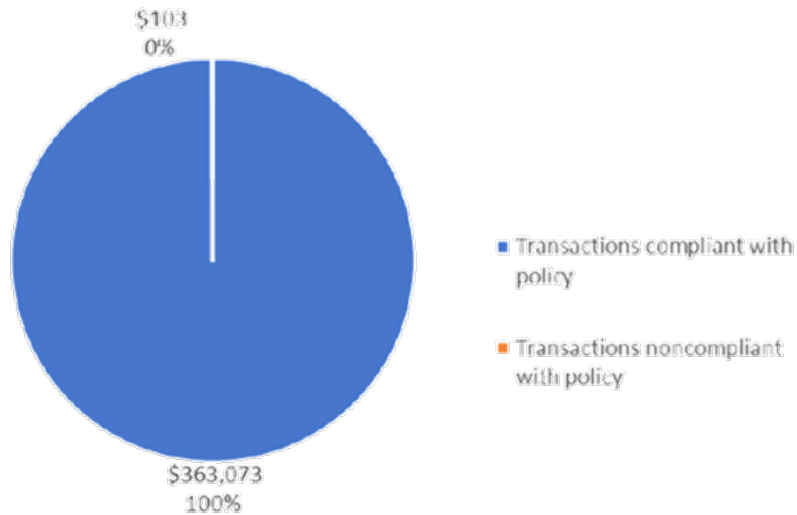


Figure 2: Analysis of transaction value sampled May 2021 – May 2022



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Table of findings/improvement opportunities and key recommendations:

No.	Findings	Key Recommendations	Rating
1	Non-compliance with policies	Management enforces the applicable policy requirements via induction and regular refresher training, including a monthly reconciliation process and the requirements in the Recognition Guidelines.	Low
2	Financial Delegation of Authority	Management assesses the appropriateness of the cardholders' limits approved (at least on an ongoing annual basis), makes sure the accurate card limits are approved and recorded in the Council's Financial Delegation of Authority, and reviews the alignment of delegations with the Card Limit within the NAB system.	Low
No.	Improvement Opportunities	Key Recommendations	
1	Policy improvements	<p>We recommend management should consider including the following improvement opportunities within the Corporate Purchase Card Policy:</p> <ul style="list-style-type: none"> • Financial Delegation – Refer within the current Policy to the Financial Delegation of Authority, i.e. Financial Delegation Register • ICT assets and expenditures – Restrict where possible using a purchase card to purchase ICT assets and expenditures such as chargers, keyboards, mice, phones, tablets, laptops, monitors or display monitors. These items may only be purchased on a corporate purchase card by a Business Systems and Solutions (BS&S) staff • Invoice downloading – Provide guidance related to practical and feasible logging in and downloading invoices for approved and ongoing monthly subscription services, e.g. on an annual basis and supported with a register • Efficient use of Council's resources – Clearly include this principle in the Policy and reinforce the Council's Procurement Framework and Policy for appropriate sourcing methods for routine and low risk purchases to obtain value for money • Sensitive expenditure and CEO's purchase card transactions – Understand the difference between what is approved through policy and what the AG has interpreted at other Local Governments as appropriate. Use this understanding to reaffirm current policy or make amendments in accordance with risk appetite • EA's use of card – Include clear guidance for EA's use of the card, which should not include the relevant GM's expenditure to avoid self-review threat; and include this guidance as part of EA training • Temporary increase of card limit – Include clear guidance on circumstances, application and approval of the temporary increase of card limit • Car wash – Include clear guidance on car wash, e.g. not exceeding a certain dollar value per commercial vehicle per month, and a full clean prior to auction • Prior approval – Better articulate when prior approval is required with a credit card and require record keeping of the approval if received prior. 	n/a
2	Manual reconciliation process	Management encourages all cardholders to use the appropriate application or portal to scan the purchase evidence at the time of purchase and use the system Technology One for submission, approval and reconciliation.	n/a
3	Cyber security awareness	Management arranges the responsible officer(s) to attend future cyber security webinars offered by NAB or similar to further their knowledge and awareness and then they pass the knowledge on to the cardholders.	n/a
4	Transaction description	Management considers improving the transaction description to provide correct and complete information for reviewers and approvers.	n/a

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Background

The City of Unley (Council) has engaged Bentleys SA Pty Ltd to conduct an internal audit project – Purchase Cards in June 2022 in line with the Audit Committee's Internal Audit Program.

Audit objectives

This audit included the following two phases:

Phase One – Provision of independent and objective assurance to the Council, focusing on:

- Detective, directive and preventative controls are in place and are effective
- Appropriate policy, processes, and controls are in place for the management of credit cards
- There is the overall compliance with relevant policies, procedures, and guidelines, based on sample testing
- Compliance with financial delegations of authority
- Processes support the requirements of the Better Practice Model – Internal Financial Controls in relation to credit cards
- A sufficient Credit Card Reconciliation Process
- Compliance of the expenditure against the Recognition Guidelines
- Opportunities for improvement in business processes are identified and implemented.

Phase Two – Provision of insight to the Council, focusing on:

- Best practice or leading practice activities
- Benchmarking against other purchase card reviews (both local and state government, including recent reports of the Auditor-General)
- Assessing practices against changes to legislation (where applicable)
- Identification of improvement opportunities.

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 review comprised the last 13 months from May 2021 to May 2022 inclusive and considered the following:

Our approach to this engagement included the following:

Phase One –

- Desktop review of Council's policies, procedures and other relevant documentation to identify current requirements and key controls relating to the management of Credit Cards
- Understanding of credit card holder responsibilities relating to purchases, approvals and reconciliation of their statement
- Interviewing credit card holders to gain an understanding of current operational practices in relation to the management of credit cards, including any challenges cardholders have

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- Reviewing credit card reconciliation process within Finance, and interview relevant staff to establish any issues and improvement opportunities
- Identifying control gaps and control design improvement opportunities in relation to the management of credit cards
- Developing recommendations relating to the credit cards process with reference to the better practice model – internal financial controls.

Phase Two –

- Investigating current best practice guidelines & recent reviews conducted in relation to purchase cards expenditure.
- Reviewing purchase card transactions and align with best practice guidelines and recent reviews conducted and document identified key risks and improvement opportunities.

For a Summary of sample selection, refer to Table 1 below.

Table 1: Summary of sample selection

	Trans. Made #	Trans. Tested #	Sampling Coverage %	Total \$ Incl. GST of Transactions Made	Total \$ Incl. GST of Trans. Tested	Sampling Coverage %
May 2021 – May 2022	2,501	184	7%	\$363,176	\$141,033	39%

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

For the documents accessed and consultation, refer to Appendix 3 for detailed information.

Statistical analysis

Data analysis was undertaken to highlight credit card usage and purchasing trend over the audit period from May 2021 to May 2022.

Overall use

Based on our sample testing, the Council's corporate credit cards were used for their intended purpose. They were used for low value and high-volume transactions in the audit period from May 2021 to May 2022.

The largest transaction was the DIT – EZYREG vehicle registration renewal of \$69,748.31 made by the General Manager Business Support & Improvement (GM BS&I) on 28 February 2022. The Procurement Business Partner and Manager Finance and Procurement advised the renewal process of Service SA and then obtained the approval of the expenditure and the temporary increase of the card limit for the day (Improvement Opportunity 1).

Other than the transaction mentioned above, there were 10 transactions above \$2,000, including

- Two (replacement) laptops, and survey subscriptions by the Technology Services Coordinator
- Purchase of laptop through a retail store rather than usual supplier due to extended lead times for the GM BS&I and office furniture for the newly established office for the new Manager Economic Development by the former Executive Assistant (EA) to GM BS&I
- A suspicious online transaction associated with the purchase card of the Coordinator Fullarton Park Community Centre, was identified by the bank. The card was replaced and the refund was received (Improvement Opportunity 3).

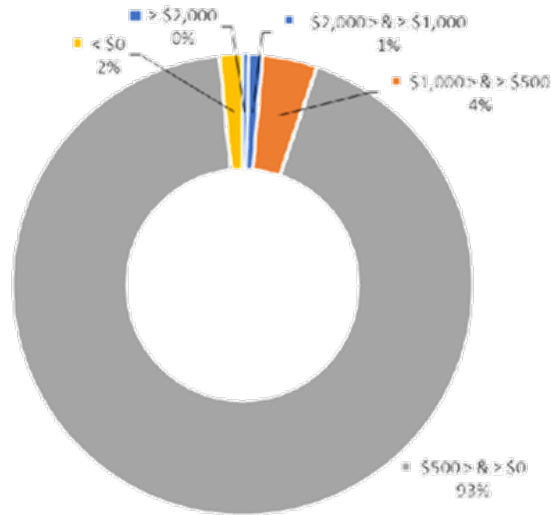
Most transactions (93% in terms of volume) were in the range of \$0 - \$500, which are appropriate expenses with supporting documentation attached.

There was also 2% of the total volume within the range < \$0 related to refunds.

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Details refer to Figure 3 below.

Figure 3: Percentage of volume per transaction value range May 2021 – May 2022



Monthly trend

The Council monitored and analysed its spending on individual credit cards in line with its Corporate Purchase Card Policy from May 2021 to May 2022. The spike in February 2022 (in Figure 4) was due to the DIT – EZYREG vehicle registration renewal. The spikes in November to December 2021 and April to May 2022 were due to the event expenses, such as Christmas function, team planning days, and community activities. For the monthly trend, see Figure 4 and Figure 5 on the next page.

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Figure 4: Monthly spending and trend May 2021 – May 2022

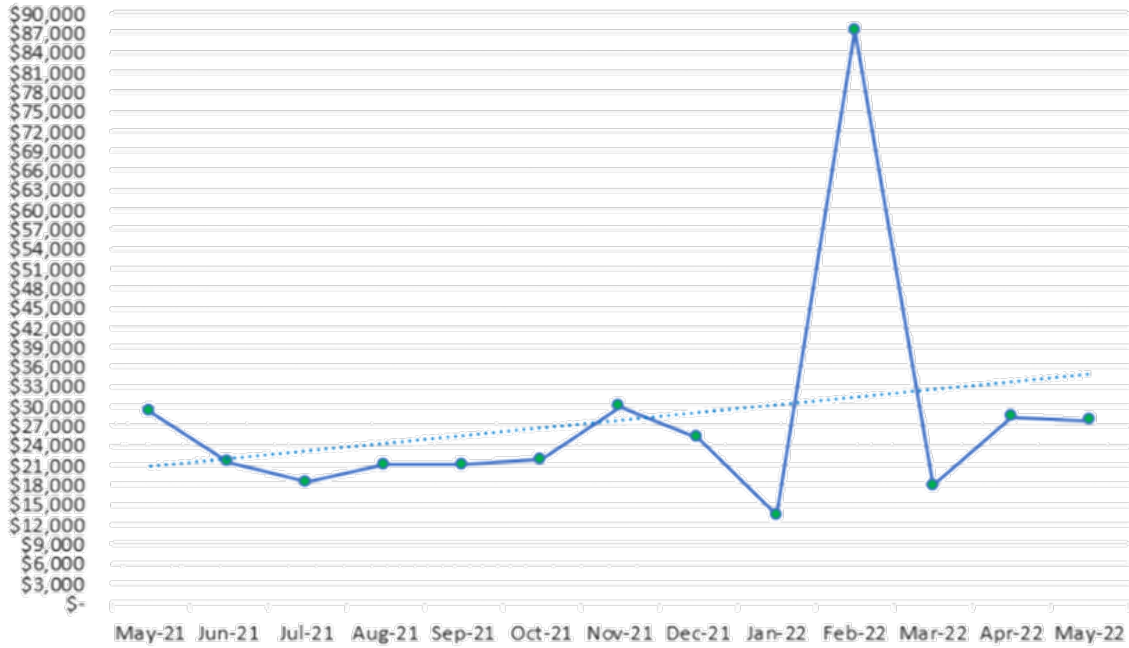
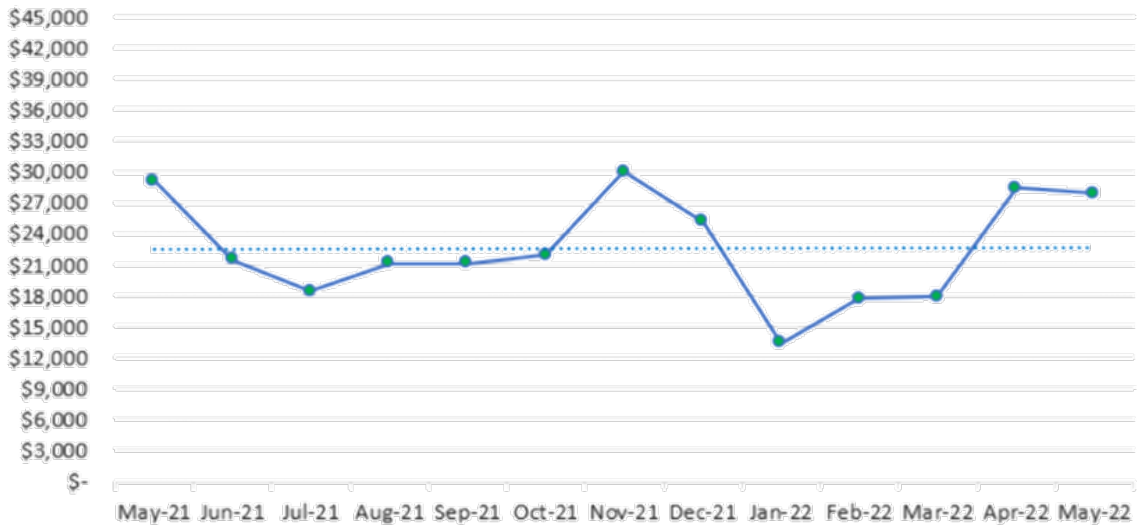


Figure 5: Monthly spending and trend May 2021 – May 2022 (excluding DIT – EZYREG in February 2022)



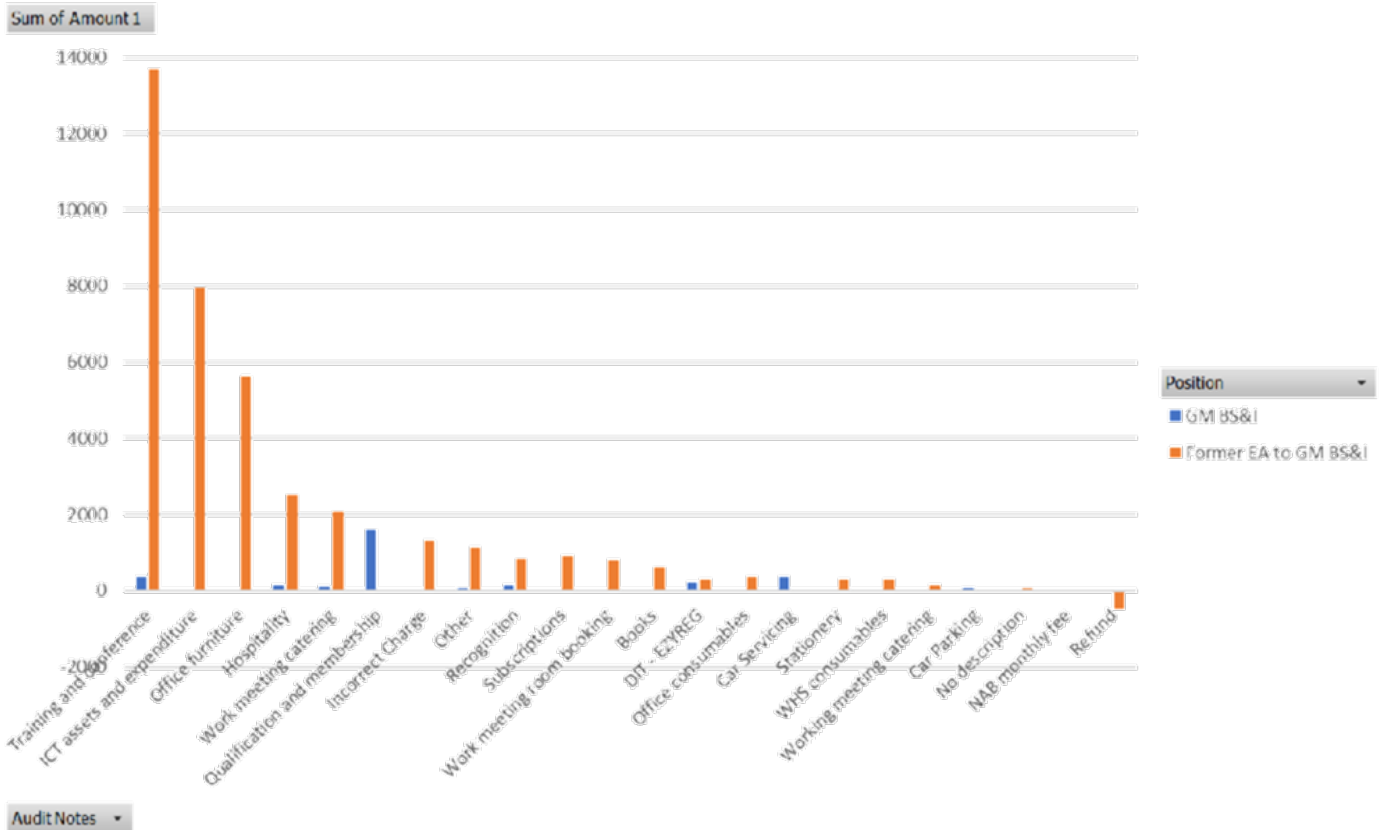
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Top spenders

As of May 2022, the number of cardholders was 28. The following were the top five spenders contributing 52% of all purchase value.

Position	Main purchases	Notes
GM BS&I	DIT – EZYREG vehicle registration renewal of \$69,748.31 made on 28 February 2022, CPA qualification, Annual Leadership Pass, and training etc.	For details, refer to Figure 6 below
Former EA to GM BS&I	Training and conference, ICT assets and expenditure, office furniture, hospitality, work meeting (including Audit Committee) catering etc. for the Business Support & Improvement Division.	Card closed on 27/01/2022 immediately after this person left Council. The Incorrect Charge was paid back to the Council's bank correctly. Details of the expenditure categories and value, refer to Figure 6 below. Refer to Improvement Opportunity 1.
Technology Services Coordinator	Software, licenses, etc.	
Executive Assistant to the CEO & Mayor	Mayors Xmas dinner, work meeting catering, and airline booking etc.	
Meal Service Coordinator	Food and cooking supplies for the Unley Community Centre.	Refer to Improvement Opportunity 1.

Figure 6: Credit card usage by top spenders May 2021 – May 2022 (excluding DIT – EZYREG in February 2022)

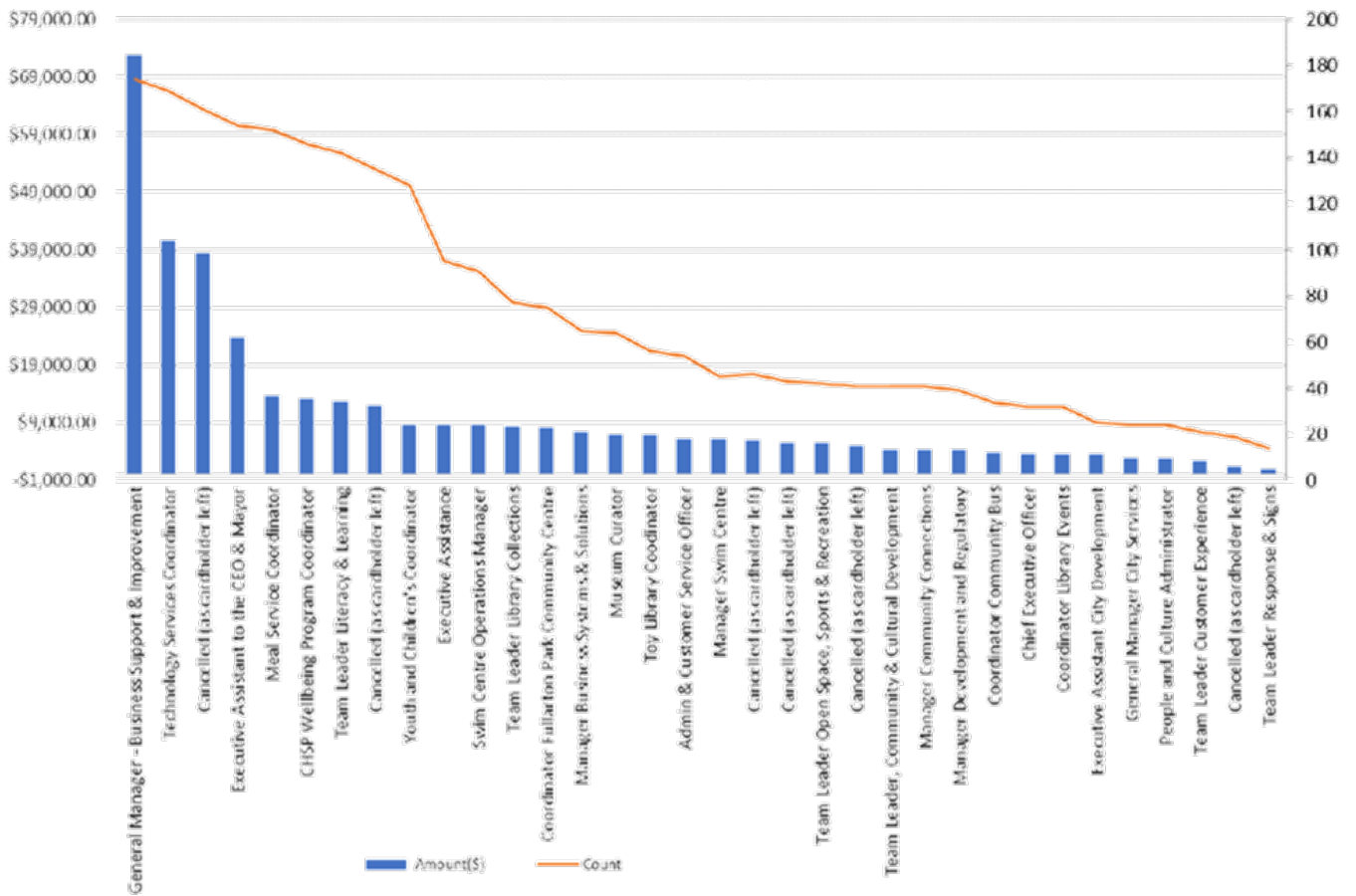


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Bottom spenders

The bottom five spenders were the GM City Services, the People and Culture Administrator, the Team Leader Customer Experience, Team Leader Response & Signs and one terminated cardholder (card cancelled after the termination). For details on individual spending, refer to Figure 7 below.

Figure 7: Credit card usage by individual May 2021 – May 2022



Risk assessment and cause analysis

Key risks identified during the audit include:

Risks	Finding No.
Decisions/expenditures not made in line with the Policy.	1
Misinformed decision making.	1, 2

Provided below is our view as to the main cause giving rise to the reported items:

- There were only minor non-compliance to the Council's Purchase Card Policy (dated June 2015) identified in this audit; however, this Policy needs to be reviewed and updated to address the current practice among the State and Local Governments as well as the recommendations of the Auditor-General (AG) credit card audits of three Councils in 2020.



Acknowledgment

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

Appendix 1 – Detailed findings and agreed action plan

Finding 1. Non compliance with policies	Risk Category		Financial; Reputation		
	Impact:		Insignificant		
	Likelihood:		Possible		
	Risk Rating:		Low		
Finding(s)					
<p>Council has a robust policy framework in place to guide the use of purchase cards for business purposes, including:</p> <ul style="list-style-type: none"> • Corporate Purchase Card Policy (dated June 2015) • Procurement Framework • Procurement Policy (dated 14 December 2020) • Hospitality, Travel and Expenditure Policy (dated 13 October 2020) • Recognition Guidelines (dated May 2021) • Elected Member Allowances and Benefits Policy (dated 24 November 2014) • Elected Member Training and Development Policy (dated 23 June 2014). <p>However, data analytics and sampling test of the purchase card transactions for the audit period from May 2021 to May 2022 found the following minor non-compliance with the Council's Corporate Purchase Card Policy (dated June 2015) and the relevant Recognition Guidelines (dated May 2021).</p>					
Transaction reconciliation					
<p>The Corporate Purchase Card Policy (dated 2015) Section 4.5 requires a monthly reconciliation process.</p> <p>However, at the time of the audit when the Technology One report of all 2,501 purchase card transactions (totalling \$363,176) from May 2021 to May 2022 was provided on 10 June 2022, we found that 10 transactions (totalling \$ 1,238.55) were overdue for reconciliation/incomplete, which was not compliant with the policy requirement.</p> <p>During the audit fieldwork and reporting, all 10 transactions (100%) completed the reconciliation process.</p> <p>As advised by the Financial Accountant, they were delayed due to the cardholders having other priorities to attend to.</p> <p>For details, refer to the table below:</p>					
Positions	Date	Reference	Amount	Status by 10/6/2022	Audit Notes
Team Leader Customer Experience	31/01/2022	5120420019	\$ 136.00	Incomplete	Completed during the audit fieldwork, i.e., 14-17 June 2022. They were delayed due to the cardholders had other priorities to attend to.
	1/02/2022	0079316752	\$ 27.72	Incomplete	
	14/02/2022	6001400307	\$ 159.00	Incomplete	
	25/02/2022	0002110155	\$ 79.95	Incomplete	
	28/02/2022	0059060406	\$ 0.50	Incomplete	
	1/03/2022	0036898331	\$ 5.99	Incomplete	
	28/03/2022	0087060408	\$ 0.50	Incomplete	
Team Leader Response & Signs	8/03/2022	0338360043	\$ 652.50	Incomplete	
	28/03/2022	0087060408	\$ 0.50	Incomplete	
Team Leader Literacy & Learning	29/03/2022	3679654992	\$ 175.89	Incomplete	Completed 29 June 2022.
			\$ 1,238.55		

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Flower purchase over the limit

The Recognition Guidelines (dated May 2021) required a flower purchase is limited to \$90, i.e., "Flowers may be sent by COU to an employee on significant occasions such as being hospitalised, birth or adoption of a baby, or death of a family member – to \$90".

The following non-compliances were found:

Positions	Date	Reference	Amount	Description	Audit Notes
GM BS&I	7/03/2022	1715652016	\$ 130.30	Flower for major personal event in line with the guidelines	Data analysis of the top five spenders found this non-compliance.
Cancelled (Former EA to GM S&I)	21/12/2021	2259360880	\$ 103.00	Flower for major personal event in line with the guidelines	A sample testing of 184 transactions (totalling \$141,033) from May 2021 to May 2022 found this non-compliance.
			\$ 233.30		

Risk

- Decisions/expenditures not made in line with the Policy
- Misinformed decision making.

Recommendation

We recommend management:

- Enforce the applicable policy requirements via induction and regular refresher training, including a monthly reconciliation process and the requirements in the Recognition Guidelines
- Re-enforce and ensure all transactions are reconciled on time according to the policy requirements.

Management Response and Agreed Action Plan

Agree.

Each purchase card holder was required to read and sign an acknowledgement of their responsibilities as a purchase card holder in 2021.

We will incorporate an annual acknowledgement as part of the process, and consider the continuing education requirements as part of the review of the Policy.

As part of the continuing education, we will consider reminders of the requirements under Recognition Policy.

Processes are already in place to follow up overdue reconciliations. We will continue to monitor this, and consider how this is systemised into the future. **June 2023**

Responsible Officer

Team Leader Financial Accounting

Target Date

December 2022 unless otherwise advised

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Finding 2. Financial Delegation of Authority	Risk Category	Financial; Reputation
	Impact:	Minor
	Likelihood:	Unlikely
	Risk Rating:	Low

Finding(s)

This audit identified some inconsistencies among the Council's Financial Delegation of Authority and the approved cardholders' limits per NAB/Council Approval Forms.

Council's Financial Delegations of Authority (i.e. Financial Delegation Register), pursuant to the *Local Government Act 1999* S137, should be applied to all financial spending on items approved in the budget, including card limits.

Details of the inconsistencies are as follows:

Positions	Card limit per NAB/ Council Approval Forms	Financial Delegation of Authority		Bank limit lower than Delegation	Audit Notes
		Card limits	Date		
People and Culture Administrator	\$5,000	\$2,000	16/09/2020	x	Historic Financial Delegation of Authority
Manager Development and Regulatory	\$1,000	\$2,000	19/04/2019	√	
Team Leader Customer Experience	\$2,000	\$5,000	19/03/2014	√	
Executive Assistant to the CEO & Mayor	\$10,000	\$3,000	20/11/2017	x	Historic Financial Delegation of Authority
Manager Swim Centre	\$5,000	N/A	20/07/2011	N/A	Delegation Amount of \$20,000 on the Financial Delegation of Authority although no specific card limit
GM BS&I	\$2,000	\$3,000	15/09/2016	√	

It was advised that the Purchase Card Authority Forms were all complete and represented the current access limits. With good intention, this was actioned last year in 2021 and deemed to replace any preexisting authority.

There was no reference within the current Corporate Purchase Card Policy (dated 2015) to the Financial Delegation of Authority (Improvement Opportunity 1).

There was a lack of sufficient awareness of the Council's Financial Delegation of Authority and its power in authorising and managing cardholders' limits.

Risk

- Misinformed decision making.

Recommendation

We recommend management:

- Assess the appropriateness of the cardholders' limits approved (at least on an ongoing annual basis) and make sure the accurate card limits are approved and recorded in the Council's Financial Delegation of Authority (i.e. Financial Delegation Register); and
- Periodically review (at least on an ongoing annual basis) the alignment of delegations with the Card Limit within the NAB system.

Management Response and Agreed Action Plan

Agree

A process was undertaken in 2021 to ensure all card holders credit limits were reviewed and approved.

We will consider the appropriate instrument for the future approval and management of approving the issue of purchase cards and the credit limits, and incorporate specific reference to this within the revised Policy.

An annual review of cardholder and credit limits will be incorporated within the revised Policy.

Responsible Officer

Target Date

CoU Internal Audit Report – Purchase Cards // July 2022

	Team Leader Financial Accounting	December 2022
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Appendix 2 – Improvement opportunities

1. Policy improvements				
Observation(s)				
<p>Council's Corporate Purchase Card Policy (dated 2015) (the Policy) has not been reviewed and updated recently to address the current practice among the State and Local Governments as well as the recommendations of the Auditor-General (AG) credit card audits of three Councils in 2020.</p> <p>The audit highlighted the following improvement opportunities within the Policy:</p>				
<p>Financial Delegation</p> <p>There was no reference within the current Policy to the Financial Delegation of Authority.</p> <p>Council's Financial Delegations of Authority (i.e. Financial Delegation Register), pursuant to the <i>Local Government Act 1999</i> S137, should be applied to all financial spending on items approved in the budget, including card limits.</p> <p>The better practice is that purchase cards must only be used to expend corporate funds in accordance with the Corporate Purchase Card Policy, the relevant corporate hospitality purchasing policies the employee's financial delegation and the approved budget.</p>				
<p>ICT assets and expenditures</p> <p>During the audit, we found that the Council adopted a decentralised approach to purchasing ICT assets and expenditures. The purchase cards were used by different business units to purchase ICT assets and expenditures, such as an emergency laptop, mobile phone case and phone covers, and Broadband for managers' use. For example, the former EA to GM BS&I made 40 transactions (totalling \$7,933) of ICT assets and expenditures (summarised in Figure 6 on page 12).</p> <p>It was advised by the Manager Business Systems and Solutions (BS&S) that the laptop and ICT equipment purchases were discussed verbally with relevant BS&S staff at the time.</p>				
<p>Invoice downloading</p> <p>The Policy did not provide detailed guidance on logging in and downloading invoices for approved and ongoing monthly subscription services although a declaration was used in practice.</p> <p>There were two instances of monthly New Limited Subscriptions (see table below) of the 184 sampled in which the invoices were not provided and a declaration was presented. The current practice is still compliant with the tax invoice requirements of the Australian Taxation Office (ATO), i.e., a tax invoice is needed to claim GST if the expenditure is more than \$82.50 including GST.</p> <p>It was advised that the invoices need to be downloaded but the time in doing that on monthly basis outways the benefit. The Manager Finance and Procurement further advised that an annual process will be in place going forward.</p>				
Positions	Date	Description	Amount	Audit Notes
Executive Assistant to the CEO & Mayor	15/07/2021	NEWS LIMITED	\$ 28.00	The Advertiser subscription
CEO	13/07/2021	NEWS LIMITED	\$ 28.00	The Advertiser subscription
			\$ 56.00	

Efficient use of Council's resources

The Policy referred to three principles, including "ensure Council's resources are managed with integrity and diligence"; but did not address the efficient use of Council's resources including staff time and financial resources.

During this audit, we found purchase cards are used by different business units for the same routine purchase, such as food and cooking materials, media subscriptions predominantly for the libraries and stationery, etc. Details are as follows:

- Data analysis found the 5th top spender was the Meal Service Coordinator, who purchased \$13,718 in cooking supplies for the Unley Community Centre (UCC) in the last 13 months. Further, they advised that UCC used to use PFD as a food supplier but stopped engaging PFD. The reason was that PFD issued bulk invoices to cover multiple sites (i.e., Council's two community centres and swimming centre), and the time involved in splitting the invoice made this process labourious.)
- Data analysis found that of all purchase card transactions, there were 54 purchases totalling \$4,559.88 (over the threshold of Purchase Order) for News Limited, News Pty Ltd Subscription, and News Corporation. These subscriptions were predominantly for public access in the Libraries.
- Data analysis also found stationery purchases (three occurrences of \$293 by the former EA to GM BS&I), which should utilise existing contractual arrangements in line with the Council's Procurement Framework and Policy (i.e., Winc as preferred supplier for stationery).

Sensitive expenditure

The AG defines sensitive expenditure as the expense "subject to increased public sensitivity because of its nature and it may:

- create a perception that someone received a private benefit in addition to the business benefit to the council
- be considered unusual for the council's purpose or function
- be considered to provide no benefit to the public"¹.

The following sensitive expenditures have been identified in the testing according to the AG's definition; however, have not yet been clearly addressed in the Policy.

- Catering, meals and refreshments
- Training and education activities including events, conferences, formal training and development in Adelaide or online
- Memberships
- Expenses not reimbursed including gifts.

CEO's purchase card transactions

The AG indicated that better practice is to "have its (Council's) audit committee periodically (e.g. quarterly) review a report of the CEO's credit card transactions to ensure the expenditure is reasonable and for business purposes". This practice has been broadly adopted by the State and Local Governments.

It was noted that the CEO's credit card was discussed at Council's Audit Committee in May 2021. Council's current practice is that the CEO's purchase card transactions are approved by both the GM BS&I and the Manager Finance and Procurement.

The Council's Audit Committee resolution included "Any concerns arising from a review of credit card transactions pertaining to the CEO to be reported to the Chair of the Audit Committee as soon as practical." This was intended to address any risk associated.

However, in our opinion, both the GM and Manager report to the CEO. Therefore, objectivity may be at risk from time to time.

¹ Source: Report of the Auditor-General 2020: Examination of credit card use and management: City of Charles Sturt, page 1.

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EA's use of card

There was no clear guidance on the EA's use of card within the current Policy.

Data analysis of the top spenders found that the former EA to GM BS&I purchased \$38,355 for the BS&I Division during the audit period, including:

- training and conference (including the GM BS&I's attendance),
- ICT assets and expenditure (including a purchase of laptop through a retail store rather than usual supplier due to extended lead times for the GM BS&I),
- office furniture,
- hospitality,
- work meeting (including Audit Committee) catering etc.

The purchase card transactions were approved by the GM BS&I. This created a self-review threat where the expenditure was on behalf of the GM BS&I, such as the conference attendance and laptop purchase.

We also found that the GM BS&I purchased \$72,740 for the audit period, including DIT – EZYREG vehicle registration renewal of \$69,748.31 made on 28 February 2022, own CPA qualification, Annual Leadership Pass, and training etc.

It was noted that the GM BS&I's purchase card transactions are authorised by the CEO and the total DIT – EZYREG spend falls within the GM BS&I's delegation authority.

Temporary increase

There was no clear guidance on the temporary increase of the card limit within the current Policy.

The largest transaction in the audit period was the DIT – EZYREG vehicle registration renewal of \$69,748.31 made by the GM BS&I on 28 February 2022. The Procurement Business Partner and Manager Finance and Procurement advised the renewal process of Service SA and then obtained the approval of the expenditure and the temporary increase of the card limit for the day.

Car wash

There was no clear guidance on the car wash within the current Policy (and the Motor Vehicle Policy August 2020) e.g. not exceeding a certain dollar value per commercial vehicle per month and within cardholders' financial delegations.

Sampling test found the following three car washes from \$85 to \$145:

Employee ID	Date	Description	Amount	Audit Notes
CEO	14/12/2021	UNLEY CAR WASH	\$ 145.00	CEO's car per contract package. Detailed clean immediately prior to collection of vehicle for auction.
Depot Administration Officer	12/10/2021	UNLEY CAR WASH	\$ 110.00	Council's pool car Vehicle A.
	11/10/2021	UNLEY CAR WASH	\$ 85.00	Council's pool car Vehicle B.
			\$ 340.00	

Prior approval

The relevant Hospitality, Travel and Expenditure Policy (dated 13 October 2020) requires prior approval for those purchasing; however, it was just verbal approval and there was no evidence retained.

Above we have analysed the expenditure items in our audit; however, we appreciate spending on such matters is in many respects at the Council's discretion through their approved policy. Therefore, our intent is only to highlight where there is a difference for your consideration.

Opportunity(ies)	Management Response
<p>We recommend management considers including the following improvement opportunities within the Policy:</p> <ul style="list-style-type: none"> • Financial Delegation – Refer within the current Policy to the Financial Delegation of Authority • ICT assets and expenditures – Restrict where possible using a purchase card to purchase ICT assets and expenditures such as chargers, keyboards, mice, phones, tablets, laptops, monitors or display monitors. These items may only be purchased on a corporate purchase card by a BS&S staff (note this may require a review and potential increase of credit card limits within BS&S) • Invoice downloading – Provide guidance related to practical and feasible logging in and downloading invoices for approved and ongoing monthly subscription services, e.g. on an annual basis and supported with a register • Efficient use of Council's resources – Clearly include this principle in the Policy and reinforce the Council's Procurement Framework and Policy for appropriate sourcing methods for routine and low risk purchases to obtain value for money • Sensitive expenditure and CEO's purchase card transactions – Understand the difference between what is approved through policy and what the AG has interpreted at other Local Governments as appropriate. Use this understanding to reaffirm current policy or make amendments in accordance with risk appetite • EA's use of card – Include clear guidance for EA's use of card, which should not include the relevant GM's expenditure to avoid self-review threat; and include this guidance as part of EA training • Temporary increase of card limit – Include clear guidance on circumstances, application and approval of the temporary increase of card limit • Car wash – Include clear guidance on car wash, e.g. not exceeding a certain dollar value per commercial vehicle per month, and a full clean prior to auction • Prior approval – Better articulate when prior approval is required with a credit card and require record keeping of the approval if received prior. 	<p>The Corporate Purchase Card Policy will be reviewed and presented to Audit Committee for endorsement. Each of the recommendations will be considered as part of this process, noting the following:</p> <ul style="list-style-type: none"> • Financial Delegation: Agree the revised policy needs to address the approval process and record keeping of for purchase card limits • ICT assets and expenditures: Further consideration will be given to the process for the purchase of ICT equipment, noting: <ul style="list-style-type: none"> ○ an existing process exists within Council's intranet concierge service to purchase equipment ○ credit limits would need to be increased if purchasing is centralised ○ Business Systems and Solutions do not hold a budget for ad hoc purchases • Invoice downloading: Agree, noting logging in and downloading invoices for approved, ongoing month subscription services on a reasonable frequency. • Efficient use of Council's resources: Agree, noting the Procurement Policy already addresses "Value for Money" which applies to all purchases, regardless of the method of procurement. Periodical education of the Procurement Policy may be more appropriate. • Sensitive expenditure and CEO's purchase card transactions: We will consider further, noting the appropriate use of Council resources, including expenditure, applies to all purchases, regardless of the method of procurement and is address within the Council's Employee Code of Conduct. The process for the approval of the CEO's credit card was considered by Audit Committee last year. • EA's use of card: Agree. We will include training as part of card issuing process for specific roles that may require this need. • Car wash: Car washes are addressed within the Motor Vehicle Policy, and we need to consider where we draw the line in specifying limits on very specific types of operational expenditure within the Policy, when <ul style="list-style-type: none"> ○ the principle of of efficient use of Council's resources should applies across all expenditure; and ○ car washes may be procured through alternate methods, so any limit should be incorporated within the Motor Vehicle Policy. • Prior approval: Agree. We will consider a paragraph reminding card holders to consider instances where prior

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	<p>approval may be required, noting the requirement for prior approval should sit within the relevant policies or guidelines (eg. Recognition Guideline)</p>				
	<table border="1"> <thead> <tr> <th data-bbox="767 521 1098 560">Responsible Officer</th> <th data-bbox="1098 521 1441 560">Target Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="767 560 1098 629">Team Leader Financial Accounting</td> <td data-bbox="1098 560 1441 629">December 2022</td> </tr> </tbody> </table>	Responsible Officer	Target Date	Team Leader Financial Accounting	December 2022
Responsible Officer	Target Date				
Team Leader Financial Accounting	December 2022				

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2. Manual reconciliation process		
Observation(s)		
The current monthly purchase card reconciliation process is still manual. There are about 50% of transactions with hard copy purchase evidence submitted for approval and reconciliation. There are risks of loss of purchase evidence, record filing outside of system, and inefficient process.		
Opportunity(ies)	Management Response	
We recommend management: <ul style="list-style-type: none"> • Encourage all cardholders to use the appropriate application or portal to scan the purchase evidence at the time of purchase • Encourage all cardholders to use the Council's finance system Technology One for submission, approval and reconciliation. 	This process for the submitting, approval and review of credit card transactions will be considered as part of a wider program of system improvements over the next 18 months. Part of this process will consider the format (ie hard copy or electronic copy) of the invoices.	
	Responsible Officer	Target Date
	Team Leader Financial Accounting	December 2023

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3. Cyber security awareness		
Observation(s)		
<p>This audit found that a suspicious online transaction (of \$4,216.86) associated with the purchase card of the Coordinator Fullarton Park Community Centre, was identified by the bank. The card was replaced and the refund was received.</p> <p>The stakeholder interview found that there was no formal cyber security training provided except for occasional email correspondences from the BS&S team.</p>		
Opportunity(ies)	Management Response	
<p>We recommend management:</p> <ul style="list-style-type: none"> • Arrange the responsible officer(s) to attend future cyber security webinars offered by NAB or similar to further their knowledge and awareness • Pass the knowledge on to the cardholders. 	Agree. We will investigate appropriate education, preferably via an online module, for cardholders and card administrators.	
	Responsible Officer	Target Date
	Team Leader Financial Accounting	March 2023

4. Transaction description					
Observation(s)					
<p>Our sample testing also found the corporate credit card transaction description can be further improved to benchmark against the better practice.</p> <p>The Corporate Purchase Card Use Administration Procedure of another metro council in SA has the following relevant requirements:</p> <p>"The Cardholder must use naming standards to describe the transaction using information in the format of:</p> <p>[what] [why] [project] [where] [for]</p> <p>Example descriptions:</p> <ol style="list-style-type: none"> Hardware for repair of garden beds at community garden project Seaford for J Smith Door closers to replace existing in carpenter workshop for Bob Salles at FOC Hardware supplies to refill trucks for maintenance works Subscription annual fee for disability magazine used at Elizabeth House for seniors' project Metrocard travel card for office/city transport for shared use in Community Capacity <p>Requirements for transaction naming structure for all purchases that are governed by the 'Corporate Hospitality Purchasing Guideline' are detailed in that guideline – available on the Procurement Services' page on <intranet>."</p>					
Opportunity(ies)	Management Response				
<p>We recommend management:</p> <ul style="list-style-type: none"> Consider improving the transaction description to provide correct and complete information for reviewers and approvers. 	<p>Agree. We will provide cardholders with a reference guide and training for the narrations, subject to system field limitations.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Responsible Officer</th> </tr> </thead> <tbody> <tr> <td>Team Leader Financial Accounting</td> <td>December 2022</td> </tr> </tbody> </table>	Responsible Officer	Responsible Officer	Team Leader Financial Accounting	December 2022
	Responsible Officer	Responsible Officer			
Team Leader Financial Accounting	December 2022				

Appendix 3 – Documents accessed and consultation

Documents provided by the City of Unley and accessed include:

- Corporate Purchase Card Policy (dated June 2015)
- Procurement Framework
- Procurement Policy (dated 14 December 2020)
- Hospitality, Travel and Expenditure Policy (dated 13 October 2020)
- Recognition Guidelines (dated May 2021)
- Elected Member Allowances and Benefits Policy (dated 24 November 2014)
- Elected Member Training and Development Policy (dated 23 June 2014)
- Motor Vehicle Policy (dated August 2020)
- Internal Financial Controls – Credit Cards
- Purchase Card Transactions Technology One May 2021 to May 2022
- Credit Card List Jun 22
- Supporting evidence of sampling, including Temporary credit card increase to pay vehicle registrations
- Audit Committee agenda and minutes May 2021.

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

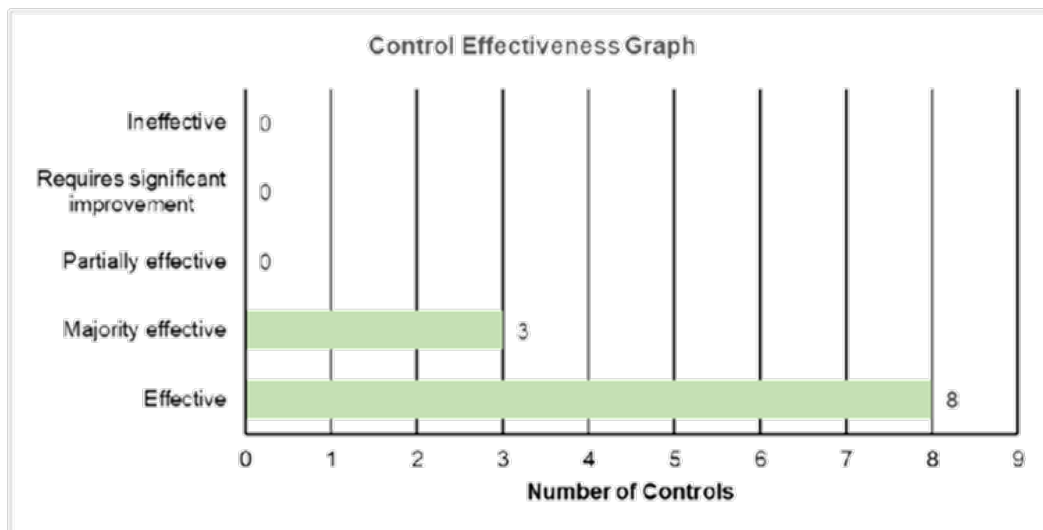
- Alex Brown, Manager Finance and Procurement
- Lida Cataldi, Principal Risk Manager Officer
- Morgan Kris, Team Leader – Financial Accounting
- Stephanie Yao, Financial Accountant
- Pam A Dale, Coordinator Fullarton Park Community Centre
- Lara Jones, Executive Assistant to the CEO & Mayor
- Chloe Apostolides, Meal Service Coordinator.

Appendix 4 – 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 risk exposures.

Overall Controls Assessment ⁽¹⁾				
Effective	Majority effective	Partially ineffective	Requires significant improvement	Ineffective

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



Key controls identified during the audit include:

No.	Control name	Control effectiveness
1	Policies and procedures	Majority effective
2	Issuing, changing and terminating of a credit card	Effective
3	Allowable purchases	Majority effective
4	Card restrictions	Effective
5	Segregation of duties	Effective
6	Prior written approval for expenses	Effective
7	Limitations on expenditure	Effective
8	ATO GST and FBT requirements	Effective
9	Escalation process	Effective
10	Reconciliation, monitoring and reporting	Majority effective
11	Records management	Effective

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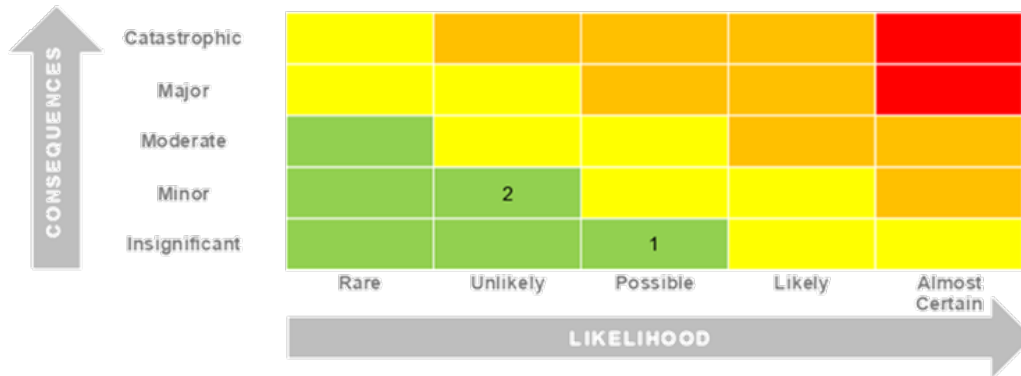
Control Assessment Table is as follows:

Definitions of Control Effectiveness Ratings	
1. Ineffective	During the period, the control has not been implemented as described. Urgent management action is required to implement the described control processes.
2. Requires significant improvement	During the period, the control has been implemented as described, but with significant deficiencies in the consistency or effectiveness of implementation. Significant management action required to implement processes to improve the effectiveness of the control.
3. Partially effective	During the period, the control has been implemented as described, but with some deficiencies in the consistency and/or effectiveness in which it has been applied.
4. Majority effective	During the period, the control has been implemented as described and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments.
5. Effective	During the period, the control as described has been fully implemented and has in all cases has been consistently and/or effectively applied.

(Better Practice Model – Internal Financial Controls – 2017 p11)

Appendix 5 – Risk assessment

Provided below is an audit assessment of the residual risk based on the City of Unley risk framework in respect of the process reviewed, having regard to the issues identified by the audit.



The following details the framework for risk ratings developed by City of Unley to prioritise findings according to their relative significance depending on their impact to the process.

CONSEQUENCES	LIKELIHOOD RATINGS AND RISK LEVELS				
	Rare	Unlikely	Possible	Likely	Almost Certain
Catastrophic (Worst case scenarios)	Medium	Medium	High	High	Extreme
Major	Medium	Medium	High	High	Extreme
Moderate	Low	Medium	Medium	High	High
Minor	Low	Low	Medium	Medium	High
Insignificant	Low	Low	Low	Medium	Medium

The Council's risk level context and mitigation action required are listed below as a reference:

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Residual Risk Level	Managing Risk – Priority Rating
EXTREME	<ul style="list-style-type: none"> Add risk to Council's Risk Register Undertake detailed research and management planning Escalate the risk issue immediately to relevant General Manager and CEO Implement stringent new controls in a detailed risk treatment plan in order to make risk tolerable Closely monitor the control effectiveness at the work area level on an ongoing basis Report the risk information to the Audit Committee
HIGH	<ul style="list-style-type: none"> Add risk to Council's Risk Register Raise the risk issue with the relevant General Manager Escalate the risk issue for Management's attention or action Closely monitor the control effectiveness at the work area level on an ongoing basis Validate existing controls with appropriate evidence Inform the Executive Management Team of the risk information at an appropriate time Report the risk information to the Audit Committee
MEDIUM	<ul style="list-style-type: none"> Add risk to Council's Risk Register May be tolerated Manage the risk within the business function by the position responsible for process Existing controls must be effective and if required additional mitigation action is to be effectively implemented
LOW	<ul style="list-style-type: none"> Add risk to Council's Risk Register May be tolerated Undertake localised risk management & actions (if required); consequences are dealt with by routine operations Maintain regime of continuous improvement

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.

RISK MATRIX

Note: - This guide illustrates the range of potential consequences and likelihood that may be associated with risk categories
 - Judgement is required to assess the consequences and likelihood of a risk event after effective risk mitigation action

Consequence Ratings	STEP 1 Risk Categories and Examples of Potential Impacts						STEP 2 Likelihood Ratings and Risk Levels									
	Health, Safety & Welfare (Community, Councilors, Staff or Contractors)	Business Performance & Service Delivery (Business & HR Operations, ICT, Procurement & Contract Management)	Reputation (Political and Legislation & Policy Compliance)	Infrastructure (Council Assets and Facility Management)	Environment	Financial	Rare	Unlikely	Possible	Likely	Almost Certain					
Catastrophic (Worst case scenarios)	<ul style="list-style-type: none"> Major injury, disablement or fatality Long term effect on morale and business performance Widespread industrial action Section of the community or workforce harmed Long term impact on morale or business 	<ul style="list-style-type: none"> Major interruption to delivery of all or most services for more than 14 days. Full BCP action required. 	<ul style="list-style-type: none"> Council Members conduct – Severe Breach of Code of Conduct Huge effect on public image Community outrage by groups: pages established on social media and high instance of posts on Council's social media pages Organised community campaigning involving multi-day / sustained negative media attention (months) Irreconcilable community loss of confidence in Council's intentions and capabilities Significant prosecution and fines, major litigation involving class action, major non-compliance with legislation / regulation Critical internal policy failure 	<ul style="list-style-type: none"> Loss of significant or critical infrastructure / assets are destroyed Significant or critical infrastructure assets are unusable for months Major impact on business operations 	<ul style="list-style-type: none"> Permanent damage, destruction of sites or artefacts of cultural heritage significance Irrecoverable environmental damage threatening survival of flora or fauna; death of animals; widespread introduction of weeds; soil erosion "Serious" as defined under the SA Environment Act 1993 (Section 5 (3)(b)) 	<ul style="list-style-type: none"> Significant adverse impact on the budget – financial loss / exposure >\$4m or 10% of rate revenue Impact on multiple financial years <p>To note: \$4m is a threshold in prudential management relating to procurement.</p>	May occur in exceptional circumstances	Could occur at some time: greater than annually	Annually: Likely to occur at least once a year	-Bi-Annually: Likely to occur twice a year	Frequently: Likely to occur most weeks	Medium	Medium	High	High	Extreme
	Major	<ul style="list-style-type: none"> Serious long term injury requiring hospitalisation / rehabilitation Temporary disablement Industrial action over many months, significant management intervention required Increased overall workforce absenteeism Significant impact on morale or business 	<ul style="list-style-type: none"> Major interruption to service delivery, Customer impact > 7 days. Component of BCP action may be needed. 	<ul style="list-style-type: none"> Council Members conduct – Major Breach of Code of Conduct Long term effect on public image Considerable and prolonged impact and dissatisfaction publicly expressed Regional or state wide negative media attention (weeks) Major breach of legislation / regulation, major litigation, non-compliance with legislation / regulation Major internal policy failure 	<ul style="list-style-type: none"> Loss of non-critical infrastructure / assets are destroyed or significantly damaged Significant or critical assets are unusable for weeks Major impact on business operations 	<ul style="list-style-type: none"> Death of individual animals, large scale injury, loss of key species and widespread habitat destruction Extensive serious injuries "Material" as defined under the SA Environment Act 1993 (Section 5 (3)(a)) Damage to flora and fauna requires significant period of recovery 	<ul style="list-style-type: none"> Major financial loss / exposure – impact between \$1m and \$4m or 6% of rate revenue Impact goes into next financial year and possibly beyond <p>To note: \$2m is approx. 6% of rate revenue</p>	Medium	Medium	High	High	Extreme				
		Moderate	<ul style="list-style-type: none"> Injuries requiring medical attention / hospitalisation Short term disablement Threats of industrial action, any impact can be absorbed short term Increased business area workforce absenteeism Short term effect on morale and business 	<ul style="list-style-type: none"> Moderate interruption to service delivery, Customer impact up to 48 hrs. Partial BCP action may be needed 	<ul style="list-style-type: none"> Sectional community impacts and concerns publicly expressed (days) Negative media attention and public interest (days) Loss of confidence by the community in Council processes / staff / councilors Moderate breach of legislation / regulation, major litigation, non-compliance with legislation / regulation Moderate internal policy failure 	<ul style="list-style-type: none"> A range of assets, including some significant assets, are unusable for weeks Moderate impact on business operations 	<ul style="list-style-type: none"> Severe temporary damage over limited area requiring extensive remediation Medical treatment required "Potential" as defined under the SA Environment Act 1993 (Section 5 (2)) Impact on flora or fauna is recoverable over 6 to 12 month period and pollution requires physical removal 	<ul style="list-style-type: none"> High financial loss / exposure – impact between \$100k and \$1m or 2.6% of rate revenue May impact beyond current financial year 	Low	Medium	Medium	High	High			
	Minor	<ul style="list-style-type: none"> Injuries requiring first aid treatment (lost time up to 2 days) Urgent dialogue with industrial group required, impact can be absorbed through normal activity Increased team workforce absenteeism Negligible short term impact on morale or business 	<ul style="list-style-type: none"> Minor interruption to a service with minimal impact to customers/business 	<ul style="list-style-type: none"> Local level of community impacts and concern Some local media or political attention Occasional once off negative media attention Complex legal issues need addressing, non-compliance and breaches Minor internal policy failure 	<ul style="list-style-type: none"> A number of assets are unusable but can be replaced within acceptable timeframes Minimal disruption to business operations 	<ul style="list-style-type: none"> Temporary damage affecting local area First aid required "Nuisance" as defined under the SA Environment Act 1993 (Section 5 (1)) Some minor adverse effects on few species / ecosystem can be contained and reversed in the short term 	<ul style="list-style-type: none"> Medium financial loss / exposure – impact between \$10k and \$100k Minor variation to budget for current financial year <p>To note: \$47k is financial materiality threshold for 2019/2020</p>	Low	Low	Medium	Medium	High				
	Insignificant	<ul style="list-style-type: none"> Incident with or without minor injury, first aid only Dialogue with industrial group may be required, negligible impact No impact on morale or business 	<ul style="list-style-type: none"> Insignificant interruption to a service – no impact to customers/business 	<ul style="list-style-type: none"> Isolated local community or resident's issue based concerns Minimal local complaints or negative commentary on Council's website (less than 3 people) No media or political attention Legal issues managed by routine procedures, minor non-compliance and breaches Minor encroachment on internal policy 	<ul style="list-style-type: none"> Assets receive minimal damage or are only temporarily unavailable No real disruption to business operations 	<ul style="list-style-type: none"> Minor temporary damage that normal practice can rectify No injuries Can be reversed immediately "Nuisance" as defined under the SA Environment Act 1993 (Section 5 (1)) 	<ul style="list-style-type: none"> Negligible financial loss – impact <\$10k No impact on current financial year 	Low	Low	Low	Medium	Medium				

INFORMATION REPORT

REPORT TITLE:	ASSET ACCOUNTING POLICY
ITEM NUMBER:	3.2
DATE OF MEETING:	16 AUGUST 2022
AUTHOR:	ALEX BROWN
JOB TITLE:	MANAGER FINANCE AND PROCUREMENT
ATTACHMENTS:	1. PROPOSED ASSET ACCOUNTING POLICY

1. **INTRODUCTION**

This report presents the proposed Asset Accounting Policy to Audit Committee for feedback. This policy will be a new Administrative Policy, and as such, does not require formal endorsement.

2. **RECOMMENDATION**

That:

1. The report be received.

3. **RELEVANT CORE STRATEGIES/POLICIES**

4. Civic Leadership
- 4.3 Our business systems are effective and transparent.

4. **BACKGROUND**

Council has an obligation to ensure the City of Unley's assets are accounted for in a consistent manner and in accordance with Australian Accounting Standard, the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

Council presently does not have an endorsed Asset Accounting Policy and has utilised the Model Set of Financial Statements for guidance with its asset accounting in the past.

The development of an Asset Accounting Policy (Policy) was identified and agreed as a treatment plan following the 2021-22 Annual Review of the Internal Financial Controls.

5. **DISCUSSION**

Administration have developed the attached Proposed Asset Accounting Policy to explain the approach and treatment the City of Unley will apply when accounting for non-current assets.

Attachment 1

The Policy is intended to support management and staff in applying consistent financial accounting treatment for the recognition, revaluation, and disposal of non-current assets in accordance with relevant Australian Accounting Standards. In particular, the Policy:

- Outlines the approach to determining the cost of an asset at initial recognition, which will provided greater clarify for the asset capitalisation process;
- Sets thresholds for the capitalisation of assets to achieve an appropriate balance between materiality and the administration of lower value assets, noting that assets can be grouped where appropriate;
- Addresses considerations for treatment of software; and
- Advises that specific requirements exist for investment properties, non-current assets held for sale, and right-of-use assets under the Australian Accounting Standards.

Providing guidance and clarity on asset accounting will increase the understanding of asset accounting principles and treatment and improve the consistency and accuracy of the City of Unley's financial statements and asset register.

It is intended for a review of the Policy to be undertaken at the completion of the 2022-23 General Purpose Financial Statements and End of Year Audit to refine the Policy and address any matters requiring further clarification.

6. **POLICY IMPLICATIONS**

6.1 Legislative/Risk Management

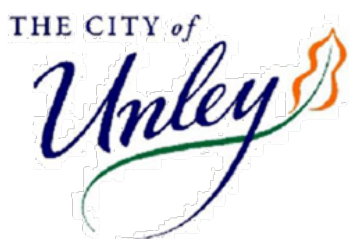
- This Policy applies the provisions of the *Local Government Act 1999* (the Act) section 124 (Accounting Records to be Kept) regarding Council's Fixed Assets and how financial information pertaining to Fixed Asset transactions and reconciliations are undertaken across all Council operations.
- This Policy also underpins how Council treats various categories of transactions recorded on its fixed asset register and fixed asset transactions, culminating in their publication in the annual financial statements required under section 127 (Financial Statements) of the Act.

7. REPORT CONSULTATION

The Policy has been developed by the Finance and Procurement Team, with input received from the Assets Team.

8. REPORT AUTHORISERS

Name	Title
Nicola Tinning	General Manager, Business Support & Improvement



ASSET ACCOUNTING POLICY

Policy Type:	Administrative
Responsible Department:	Business Support and Improvement
Responsible Department:	Business Support and Improvement
Responsible Officer:	Manager – Finance & Procurement
Related Policies and Procedures	<ul style="list-style-type: none"> • Asset Management Policy • Procurement Policy & Framework • Procurement Framework • Disposal of Surplus Non-Community Land Policy • Project Management Framework • Risk Management Policy & Framework • Land Under Roads Policy
Community Plan Link	<ol style="list-style-type: none"> 1. Community Living <ol style="list-style-type: none"> 1.3 Our Community meets the needs of all generations 2. Civic Leadership <ol style="list-style-type: none"> 4.1 We have strong leadership and governance 4.3 Our business systems are effective and transparent
Date Adopted	To be confirmed
Last review date	New Policy effective for the 2022-23 Financial Year
Next review date	June 2024
Reference/Version Number	
ECM Doc set I.D.	

1. PREAMBLE

- 1.1. Council has an obligation to ensure the City of Unley's assets are accounted for in a consistent manner and in accordance with Australian Accounting Standard, the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.
- 1.2. This policy will provide guidance and greater clarity to Council staff on asset accounting principles and treatment, and improve the consistency and accuracy of the City of Unley's financial statements and asset register.

2. SCOPE

- 2.1. This policy applies to all infrastructure, property, plant and equipment either owned, acquired or purchased by the City of Unley. This includes:
- Land
 - Buildings
 - Infrastructure such as roads, footpaths, signs, lighting, kerbs, traffic management devices, drainage, bridges, buildings, structures, street and park furniture, open space and reserves and playgrounds.
 - Plant and Equipment
 - Information Communication and Technology Equipment
 - Furniture and Fittings
- 2.2. This policy also applies to intangible assets and right-of-use assets.
- 2.3. This policy does not apply to receivables, inventory, attractive portable assets or investments.

3. POLICY PURPOSE/OBJECTIVES

- 3.1. This policy explains the approach and treatment the City of Unley will apply when accounting for non-current assets.
- 3.2. The policy will support management and staff in applying consistent financial accounting treatment for the recognition, revaluation, and disposal of non-current assets in accordance with relevant Australian Accounting Standards ("the Standards") pursuant to *Local Government Act 1999* under section 303 (4).

4. DEFINITIONS

Asset	A resource with economic value that is owned or controlled by an entity with the expectation that it will provide a future benefit.
Asset Register	A register of each all assets, their original cost, carry amount and accumulated depreciation. Other information may include condition, valuation, and location
Attractive Portable Assets	Attractive portable assets are assets under \$3,000 that are not a part of a scheduled replacement program. They include: <ul style="list-style-type: none"> • Information Communication and Technology equipment such as mobile phones tablets, cameras, computer screens, portable TVs and communication equipment, (but excludes laptops and desktops as they form part of a scheduled replacement program); and • Small plant and equipment such as power tools, chainsaws and other portable equipment.
Carrying Amount	The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
Cost	The amount of cash or cash equivalents paid, or the fair value to acquire an asset, at the time of its acquisition or construction.



Depreciable Amount	The cost of an asset or any other amount substituted for cost, less its residual value.
Depreciation	The systematic allocation of the depreciable amount of an asset over its useful life.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Grouped Assets	Assets, or components of assets, that are similar and function as a group (eg. rubbish bins in a park, street bollards).
Investment property	Property held to earn rentals or for capital appreciation or both, rather than for either use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.
Maintenance	Regular ongoing day-to-day work necessary to keep assets operating and does not extend the asset's useful life e.g., road patching. This is an operating expense as this does not increase the value of the asset.
Non-current Assets	Assets that have an estimated life of greater than one year. They also include some financial assets that are not expected to be recovered within a year of the reporting date.
Residual Value	The estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal at the end of its useful life.
Useful Life	Defined as the period over which an asset is expected to be available for use by the entity.

5. ROLES AND RESPONSIBILITIES

5.1. Management

- 5.1.1. The Manager Finance and Procurement is responsible for resourcing the implementation of the asset accounting policy and supporting procedures.

5.2. Employees

- 5.2.1. Employees are responsible for familiarising themselves with the policy and its application as relevant to their roles and responsibilities.

6. POLICY STATEMENT

6.1. Initial recognition

- 6.1.1. In accordance with Australian Accounting Standard *AASB 116 Property, Plant and Equipment*, an asset will be recognised if, and only if:

- it is probable that the future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be reliably measured.

- 6.1.2. Unless particular circumstances exist, the following will apply:



- 6.1.2.1. Land will be recognised upon transfer of the title, commonly referred as settlement;
 - 6.1.2.2. Constructed infrastructure assets will be recognised when they are “ready for use”; and
 - 6.1.2.3. Plant and equipment assets (including Information Communication and Technology assets) will be recognised when received.
- 6.1.3. All assets are initially recognised at cost.
 - 6.1.4. Where assets are acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.
 - 6.1.5. All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held “ready for use”.

6.2. Determining Cost when purchasing an asset

- 6.2.1. Cost is determined as:
 - 6.2.1.1. The purchase price of the asset, including any import duties and non-refundable taxes (noting GST is a refundable tax), less any discounts or rebates;
 - 6.2.1.2. Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
 - 6.2.1.3. The initial estimate of the costs of dismantling and removing the asset, and restoring the site on which the asset is situated, where the obligation is incurred at the time of acquiring the asset.
- 6.2.2. Where assets are purchased by Council, directly attributable costs may include:
 - Expenditure incurred in the delivery, installation and commissioning of the asset, including initial registration and insurance of the asset;
 - Employee costs (as defined in *AASB 119 Employee Benefits*) directly arising from the installation and commissioning of the asset; and
 - Professional fees incurred in the selection, purchase, installation and commissioning of the asset.
- 6.2.3. Where the assets are constructed by Council, directly attributable may costs include:
 - Planning, design and engineering fees associated with the construction of the asset;
 - All materials used during the construction and commissioning of the asset;
 - Employee costs (as defined in *AASB 119 Employee Benefits*) directly arising from the planning, construction and commissioning of the asset; and
 - An appropriate proportion of variable and fixed overhead.
- 6.2.4. Expenditure that cannot be attributed to the cost of the asset includes:
 - Expenditure associated with the removal or disposal of an existing asset on the site where the new asset is being installed;
 - Expenditure associated with the opening or promotion of a new asset;

- Feasibility studies, master plans, concept plans and other investigations to determine if a capital project will be undertaken; and
- Administrative and other general overheads.

6.3. Asset Maintenance

- 6.3.1. Regular ongoing day-to-day work necessary to keep assets operating and does not extend the asset's useful life e.g., road patching. This is an operating expense as this does not increase the value of the asset.

6.4. Work in Progress

- 6.4.1. Infrastructure, buildings and other future assets under construction are not recognised as an asset until they are ready for use.

6.5. Recognition Thresholds

- 6.5.1. A capitalisation recognition threshold is applied to each asset type using the concept of materiality as listed in the following table: Costs below these thresholds are accordingly treated as an operating expense.

Financial Asset Category	Capitalisation Threshold (excluding GST)
Infrastructure	\$ 5,000
Buildings and structures	\$ 5,000
Furniture and Fittings	\$ 5,000
Plant and Equipment and ICT Equipment unless the asset is included in scheduled replacement program (eg. laptops and desktops)	\$ 3,000
Other	\$ 5,000

- 6.5.2. No capitalisation threshold is applied to the acquisition of land or interests in land.

6.6. Componentisation

- 6.6.1. An asset, such as a building or sealed road, that are made up of significant parts (components) with different useful lives, may be split into components for the purposes of depreciation.
- 6.6.2. The determination of the separate components should include an assessment of materiality including:
- 6.6.2.1. the cost of the individual components, relative to the total value of the asset, and
- 6.6.2.2. the variation in expected useful life of the components.

6.7. Grouped Assets

- 6.7.1. Certain assets which form part of a collection of asset (eg. rubbish bins in a park, street bollards, signs) may be aggregated (grouped) where the individual items fall below capitalisation threshold. The aggregated cost of the grouped assets can then be recognised and depreciated over the estimated useful live of the aggregated asset.
- 6.7.2. Where individual assets within a grouped asset are replaced, rather than as a whole group, the assets individually replaced will be expensed.



6.8. Depreciation

- 6.8.1. All infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives, with depreciation applied on a straight-line basis.
- 6.8.2. Depreciation of an asset begins when it is 'ready for use'.
- 6.8.3. An asset will be 'ready for use' when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.
- 6.8.4. Useful lives for key assets have been estimated below. This is a guide based on the best information available to Council. An assessment of the useful life of an asset should be undertaken at the time of the asset's recognition and revaluation.

Financial Asset Category	Useful Life - Years
Infrastructure	
Roads, Lanes, Kerb & Watertable	20 to 100 years
Pathways	20 to 50 years
Drainage / Recycled Water	5 to 100 years
Traffic and Lighting	5 to 20 years
Bridges	50 to 75 years
Other Assets	5 to 20 years
Buildings and structures	
Buildings	50 to 100 years
Building Fit Outs	10 to 30 years
Furniture and Fittings	3 to 10 years
Plant and Equipment	3 to 10 years
ICT Equipment	3 to 10 years

- 6.8.5. Depreciation methods, useful life, and residual values of classes of assets should be reviewed annually.

6.9. Revaluations

- 6.9.1. All infrastructure assets, land and buildings shall be revalued with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.
- 6.9.1.1. The revaluation cycle for infrastructure assets, land and buildings should be no longer than five years, unless extenuating circumstances apply.
- 6.9.1.2. Where practical, the rolling revaluation cycle for major asset classes should be phased to spread the revaluation workload across the three to five year cycle.
- 6.9.1.3. If an asset or group of assets are revalued, the entire asset class(s) to which that asset(s) belongs shall be revalued.
- 6.9.2. *AASB 13 Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:



Level	Inputs
Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access as at measurement date.
Level 2	Inputs other than quoted process included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Are unobservable inputs for the asset.

6.10. Asset Impairment

- 6.10.1. An asset is impaired if the amount at which it is recognised in the Council's financial records is greater than its fair value.
- 6.10.2. Assets that are subject to depreciation are to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. Indicators of impairment can include:
- Economic performance
 - Obsolescence
 - Significant change to the asset's original use.

6.11. Asset Derecognition

- 6.11.1. An asset is to be derecognised from asset register and recorded as a disposal whenever the following occurs:
- The asset is sold or traded-in
 - The asset is scrapped
 - The asset is destroyed, lost, or stolen
 - The asset is retired or decommissioned
 - Control over the asset is transferred to another entity.

6.12. Investment Properties

- 6.12.1. *AASB 140 Investment Properties* contains specific requirements for the recognition depreciation and revaluation. Properties held for commercial lease should be assessed to determine if they are deemed to be Investment Properties on an annual basis.

6.13. Non-current assets held for sale

- 6.13.1. *AASB 5 Non-current Assets Held for Sale and Discount Operations* contains specific requirements for assets held for sale, and for the preparation and disclosure of discontinued operations. A non-current asset is classified as held for sale when its recovery is expected to result principally through a sale transaction, rather than continuing sale.
- 6.13.2. Where a non-current asset is classified as held for sale, it is:
- Measured at the lower of its carrying value and fair value less costs to sell.
 - No longer depreciated, and
 - Classified separately from other assets on the statement of financial position.

6.14. Intangible Assets and Software

- 6.14.1. Intangible assets are defined by *AASB 138 Intangible Assets* as identifiable non-monetary assets without physical substance.

6.14.2. *AASB 138 Intangible Assets* contains specific requirements for the recognition of intangible assets. These include:

- identifiability,
- control over the resource,
- the existence of future economic benefits, and
- the ability to reliably measure the cost of the asset.

6.14.3. Software licences and subscriptions, including cloud based licences, will generally not be considered an asset unless they meet the recognition requirements.

6.15. Right-of-use Assets

6.15.1. A right-of-use asset arises when a contract that Council enters into conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

6.15.2. The Council recognises right-of-use assets at the commencement date of the lease.

6.15.3. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

6.15.4. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the leased asset.

6.15.5. Right of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

6.15.6. An annual assessment should be undertaken to determine if Council's leases include right-of-use assets.

6.16. Asset Registers

6.16.1. Registers of all assets shall be maintained and record individual assets in sufficient detail as to permit their identification and control.

6.16.2. The assets registers shall be updated at least annually, and used for the purpose of revaluing and depreciating assets.

7. LEGISLATION

7.1. This Policy applies the provisions of the *Local Government Act 1999* (the Act) Section 124 (Accounting Records to be Kept) regarding Council's Fixed Assets and how financial information pertaining to Fixed Asset transactions and reconciliations are undertaken across all Council operations.

7.2. This Policy underpins how Council treats various categories of transactions recorded on its fixed asset register and fixed asset transactions, culminating in their publication in the annual financial statements required under Section 127 (Financial Statements) of the Act.



8. DOCUMENT HISTORY

Date	Ref/Version No.	Comment



INFORMATION REPORT

REPORT TITLE:	QUARTERLY RISK REPORT - AUGUST 2022
ITEM NUMBER:	3.3
DATE OF MEETING:	16 AUGUST 2022
AUTHOR:	LIDA CATALDI
JOB TITLE:	PRINCIPAL RISK MANAGEMENT OFFICER
ATTACHMENTS:	1. STRATEGIC RISK REGISTER - JULY 2022

1. **INTRODUCTION**

This report provides an update on the review of the Strategic Risk Register and the review of the full Operational Risk Register for the quarter ending July 2022.

2. **RECOMMENDATION**

That:

1. The report be received.
-

3. **RELEVANT CORE STRATEGIES/POLICIES**

4. Civic Leadership

4.1 We have strong leadership and governance.

4.3 Our business systems are effective and transparent

4. **BACKGROUND**

Strategic Risk Review

The Executive Management Team (EMT) reviews the Strategic Risk Register (SRR) quarterly, with the latest review conducted on 12 July 2022.

The quarterly review of the SRR considers the status of existing risks, including the progress of treatment plans and the effectiveness of existing controls. It also considers any new or emerging strategic risks.

Operational Risk Register

The Operational Risk Register (ORR) is comprehensively reviewed on an annual basis, with extreme and high risks reviewed and reported to the Audit Committee on a quarterly basis.

The last annual review of the ORR was completed in early 2022 with the full register presented to Audit Committee on 15 February 2022. Following this review, Administration identified the opportunity to improve the framework for assessing, monitoring and reporting of operating risks across the organisation.

A quarterly review of the register was undertaken in May and June 2022 with each of the Business Unit. The quarterly review of the ORR focuses on the residual risk ratings for existing risks, noting any changes in treatments. It also considers any new or emerging operational risks.

5. DISCUSSION

Quarterly Review of the Strategic Risk Register

EMT conducted their quarterly review of the SRR on 12 July. As part of their review, they considered:

- The risk ratings for all strategic risks;
- The appropriateness of the treatment plans and management's progress in progressing them; and
- If there were any new or emerging strategic risks.

The review identified that:

- The existing identified strategic risks remain relevant;
- One treatment plan under *Strategic Risk 6 – Inability to respond to climate change* has been completed;
- A treatment plan under *Strategic Risk 2 – Inability to meet the needs and expectations of the community* has been incorporated into existing controls;
- The remaining treatment plans intended to further mitigate risks are progressing; and
- There were no new emerging risks identified.

A full copy of the updated SRR is provided in Attachment 1.

Attachment 1

Quarterly Review of the Operational Risk Register

The quarterly ORR was undertaken by each of the Business Unit Managers and the Principal Risk Officer in May and June. As part of the review, the following was considered:

- The inherent and residual risk ratings for all existing operational risks;
- The effectiveness of existing and new treatments for the risks; and
- If there were any new or emerging operational risks.

While the review focused on operational risks with a residual risk rating of high or extreme, all existing and emerging operational risks were considered.

High and Extreme Risks

In the last review of the ORR presented in May, there was only one risk with a residual rating of “high” and no risks with a residential risk rating of “extreme”.

As a result of this recent review the one remaining high risk has been revised to medium risk within ORR. The revised risk rating was due to the completed and implementation of the revised cybersecurity plan and strategy.

- Business Systems and Solutions #7 – Working from home arrangements leading to potential increased exposure to cyber attacks.

The quarterly review of ORR will continue. However, if no extreme and high risks are identified the Audit Committee will only be provided an update on the Strategic Risks on a quarterly basis.

Review of the Risk Matrix and Operational Risk Register Framework

As part of the continuous improvement process, a review of the Risk Matrix and the Risk Management Framework to ensure that it aligns to the organisation’s business environment and risk appetite has commenced. At the conclusion of the review the updated matrix and framework will be presented to the Audit Committee.

6. REPORT AUTHORISERS

Name	Title
Alex Brown	Manager Finance and Procurement
Nicola Tinning	General Manager, Business Support & Improvement

STRATEGIC RISK REGISTER

This Review – 12 July 2022 by:

- Peter Tsokas - Chief Executive Officer
- Megan Berghuis - General Manager City Services
- James Roberts – Acting General Manager Business Support and Improvement
- Claude Malak - General Manager City Development

Last Reviewed: April 2022 by:

Peter Tsokas
Megan Berghuis
Nicola Tinning
Claude Malak

1	Event Description: Failure to maintain financial sustainability		
Responsible Managers: CEO, EMT, CFO		Community Plan Theme: CIVIC LEADERSHIP & ECONOMIC PROSPERITY	
Negative Contributory Factors: <ul style="list-style-type: none"> Forecasting tools are not relevant or out of date Long Term Financial Plan is not maintained or not appropriate for business needs Financial resources to deliver required services are inadequate Financial capacity to meet service delivery demands Financial resources are not managed in line with treasury management policy Debt levels and debt management strategies are not in line adopted targets or are not sustainable Inadequate project management practices Impact of pandemic on local economy and Council's operating results over time Changes to market in cemetery operations (CPCA) Ambitious expectations of Council deliverables 		Risks: <ul style="list-style-type: none"> Financial Maladministration & Corruption Inability to delivery community expectations into the future Financial sustainability is compromised Reputational Damage Legislative Compliance (Financial) are not met Inter-generational equity is not achieved insufficient project funding Failure to deliver on plans and strategies Limitations to service delivery options Service level reduction Centennial Park Subsidiary becoming unviable Decision Making not aligned to Strategic Management Plans 	
Likelihood: Possible	Consequence: Major	Inherent Risk Rating:	HIGH
Existing Controls/Mitigating Practices: <ul style="list-style-type: none"> Endorsed Community Plan, Four Year Delivery Plan and Annual Operating Plans Comprehensive budget development process that meets legislative requirements (including cost estimates & consultation). Long Term Financial Plan in place with adopted financial targets; reviewed annually Adoption and application of the Better Practice Model – Internal Financial Controls Prudential Management Framework Treasury Management Plan Owners Executive has been established and Board representation for Centennial Park Quarterly Reporting from subsidiaries to owner Councils Infrastructure & Asset Management Policy & Plans are linked to the long-term financial plan Quarterly budget review process Regular Financial reporting and budget monitoring Qualified and experience finance human resources Oversight from the Audit Committee External Audit Defined and agreed levels of service Development of an Annual Operating Plan which specifies core activities, service levels, and measures Continued corporate performance reporting Centennial Park Charter 			
Control Effectiveness:	Majority Effective	Risk Tolerance up to:	MEDIUM
Likelihood: Rare	Consequence: Major	Residual Risk Rating:	MEDIUM

Treatment Plan:	Responsibility:	Target Completion Date:	Comment
1. Development and Implementation of a revised Project Management Framework	<ul style="list-style-type: none"> GMCD 	<ul style="list-style-type: none"> Sept June 2022 	Due to finalisation of waste contract this has been delayed, work has commenced – will be completed before October Audit Committee

2	Event Description: Inability to meet the needs and expectations of the community		
Responsible Managers: CEO, EMT, Managers		Community Plan Theme: COMMUNITY LIVING & CIVIC LEADERSHIP	
Negative Contributory Factors: <ul style="list-style-type: none"> Community Plan is out of date or not relevant Annual Business Plan and Budget process is not aligned with Community Plan and 4 Year Delivery Plan Resourcing is not aligned to 4 Year Delivery Plan Long Term Financial Plan is inadequate Conduct is inconsistent with Code of Conduct/ Values Systems and processes don't appropriately capture information regarding community needs Infrastructure & Asset Management Plans are inadequate Legislative movement of responsibilities Disengaged Elected Members Expectations of Elected Members lack of alignment with the Council role Four-year election cycles Increased cost pressures and delivery timeframes due to market conditions and inflation 		Risks: <ul style="list-style-type: none"> Dissatisfied community (public outrage) Reputational damage (negative media) Instability of staff (people leaving a negative environment) Organisational culture is significantly negatively affected Negative perception of performance of the Council (Elected Body) 	
Likelihood: Possible	Consequence: Major	Inherent Risk Rating:	HIGH
Existing Controls/Mitigating Practices: <ul style="list-style-type: none"> Community Plan 2033 Annual Business Plan and Budget 4-year Delivery Plan Annual Operating Plan Long Term Financial Plan Strategies, Policies and Procedures Infrastructure & Asset Management Plans Corporate Performance Report CEO KPIs Role Clarity Framework for service delivery Organisational culture and values Corporate Reporting Framework Role clarity and Position Descriptions aligned to service delivery Quarterly Reporting with inclusion of impacts to Strategic Objectives resulting from additional unplanned decisions of Council Consultation processes (YourSay, website, social media) Customer Experience Framework Customer Service Training Customer satisfaction surveys Customer Service Standards (external and internal) Community Engagement Framework and Policy Service Reviews Communication Channels Business Continuity Plan & Emergency Management Plan Regular Elected Member briefings, workshops and training Economic Development Strategy Customer Service Charter Principles (Achieve Together Project) Operational Risk Register Business Continuity Plan Quarterly Budget Review Process 			
Control Effectiveness:	Majority Effective	Risk Tolerance up to:	MEDIUM
Likelihood: Rare	Consequence: Major	Residual Risk Rating:	MEDIUM

Treatment Plan:	Responsibility:	Target Completion Date:	Comment
1. Review the expected delivery of projects for 2021-2022 due to the various constraints and challenges in the supply market. With consideration to: <ul style="list-style-type: none"> Time Cost Quality Resources Materials and Labour 	<ul style="list-style-type: none"> EMT 	Ongoing	As part of Budget Review 3, a preliminary assessment of carry forwards will occur to inform Council of any project delays known at this time.

3	Event Description: Ineffective decision making that lacks transparency		
Responsible Managers: CEO, EMT, Managers		Community Plan Theme: CIVIC LEADERSHIP	
Negative Contributory Factors: <ul style="list-style-type: none"> • Inappropriate conduct of staff/Elected Members • Inaccurate information • Ill-informed decision makers • Lack of role clarity and decision making (elected members) • Deficient policies and procedures • Noncompliance with legislative obligations/requirements • Internal control failures • Inappropriate delegations • Lack of governance framework • Lack of plans to respond to events that impact service delivery (from Risk 6) 		Risks: <ul style="list-style-type: none"> • Reputational damage /risk (from risk 6 – to be deleted) • Scrutiny by regulatory bodies (ICAC/Ombudsman) • Financial impact/cost • Loss of confidence in council • Staff attraction and retention 	
Likelihood: Likely	Consequence: Catastrophic (Reputation)	Inherent Risk Rating:	HIGH
Existing Controls/Mitigating Practices: <ul style="list-style-type: none"> <li style="width: 50%;">• Legislative obligations (eg. Code of Conduct, Policies etc) <li style="width: 50%;">• Elected Members training programs <li style="width: 50%;">• External regulatory framework in place <li style="width: 50%;">• Independent Members selection and training processes in place <li style="width: 50%;">• Policies and Procedures <li style="width: 50%;">• Agreed and Endorsed Meeting procedures <li style="width: 50%;">• Delegation of Authority (Legislative and Financial) <li style="width: 50%;">• Risk Management Framework <li style="width: 50%;">• Elected Members briefings and workshops <li style="width: 50%;">• Internal Controls Framework <li style="width: 50%;">• Expert advice provided by skilled staff <li style="width: 50%;">• Reporting Quality Control <li style="width: 50%;">• Elected Members development program implemented to enhance role clarity <li style="width: 50%;">• Quality and experienced governance human resources <li style="width: 50%;">• Reinforce processes and education for Elected Member requests with staff <li style="width: 50%;">• Revised Caretaker Policy 			
Control Effectiveness:	Majority Effective	Risk Tolerance up to:	MEDIUM
Likelihood: Unlikely	Consequence: Catastrophic	Residual Risk Rating:	MEDIUM

Treatment Plan:	Responsibility:	Target Completion Date:	Comment
1 Delegation review and training (understanding roles, responsibilities, and delegation of authority)	<ul style="list-style-type: none"> • OCEO 	<ul style="list-style-type: none"> • Dec 2022 	<p>We are mindful of the anticipated changes associated with the LG Reforms implementation. A detailed review has not been undertaken at this time.</p> <p>Significant work has been completed to ensure delegations for the Planning and Development Act (PDI) under Instruments A, B, C and D, have been prepared and issued. Whilst structured training has not been delivered, advice and guidance has been provided to staff, most notably in relation to PDI Act Delegations.</p> <p>Implementation of the LG Reforms will be a staggered approach through until mid-2022. Substantial changes to any delegations in response to reforms will be actioned as required with a full delegations review and training to be completed by the end of 2022.</p>

4	Event Description: Inability to manage legislative and regulatory compliance obligations														
Responsible Managers: CEO, EMT, Managers		Community Plan Theme: CIVIC LEADERSHIP													
Negative Contributory Factors: <ul style="list-style-type: none"> • Other levels of government assigning new/different responsibilities • Increasing compliance and reporting obligations • Changing legislative obligations • Local Government Reform agenda • Not monitoring external environment and trends • Reallocation of responsibilities via legislative changes • Four Year election cycles 		Risks: <ul style="list-style-type: none"> • Failure to meet compliance obligation • Reputational damage • Loss of confidence in Council • ICAC investigation • Unreasonable Customer expectations • Negative Media exposure • Financial Sustainability • Negatively impact on service delivery & levels • Negative impact on organisational culture 													
Likelihood: Possible	Consequence: Major	Inherent Risk Rating:	HIGH												
Existing Controls/Mitigating Practices: <ul style="list-style-type: none"> <li style="width: 50%;">• Strategic Planning framework and documents (e.g. Community Plan, Annual Plan etc) <li style="width: 50%;">• Audit Committee <li style="width: 50%;">• Long Term Financial Plan/Annual Business Plan & Budget <li style="width: 50%;">• External/Internal Audit <li style="width: 50%;">• Policies and Procedures <li style="width: 50%;">• Appropriately trained and experienced staff <li style="width: 50%;">• Internal Controls <li style="width: 50%;">• Access to suitably qualified service providers for support (e.g. legal advice) <li style="width: 50%;">• Risk management framework <li style="width: 50%;">• Access to LGA resources & opportunity to influence outcomes <li style="width: 50%;">• Delegations <li style="width: 50%;">• Collaboration between Councils <li style="width: 50%;">• External liaison and relationship management <li style="width: 50%;">• ERA 															
Control Effectiveness:	Majority Effective	Risk Tolerance up to:	MEDIUM												
Likelihood: Possible	Consequence: Major	Residual Risk Rating:	HIGH												
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">Treatment Plan:</th> <th style="width: 20%;">Responsibility:</th> <th style="width: 20%;">Target Completion Date:</th> <th style="width: 25%;">Comment</th> </tr> </thead> <tbody> <tr> <td>1 Preparation for LG Reform</td> <td>• EMT</td> <td>• Ongoing</td> <td></td> </tr> <tr> <td>2 Investigate development and implementation of Legislative Compliance register</td> <td>• OCEO</td> <td>• Dec 2022</td> <td>The Local Research and Development Fund has granted funding to the LGA for a project to develop a legislative compliance register. This work is progressing, and Unley will wait for a centrally developed register given the complexity associated with this project.</td> </tr> </tbody> </table>				Treatment Plan:	Responsibility:	Target Completion Date:	Comment	1 Preparation for LG Reform	• EMT	• Ongoing		2 Investigate development and implementation of Legislative Compliance register	• OCEO	• Dec 2022	The Local Research and Development Fund has granted funding to the LGA for a project to develop a legislative compliance register. This work is progressing, and Unley will wait for a centrally developed register given the complexity associated with this project.
Treatment Plan:	Responsibility:	Target Completion Date:	Comment												
1 Preparation for LG Reform	• EMT	• Ongoing													
2 Investigate development and implementation of Legislative Compliance register	• OCEO	• Dec 2022	The Local Research and Development Fund has granted funding to the LGA for a project to develop a legislative compliance register. This work is progressing, and Unley will wait for a centrally developed register given the complexity associated with this project.												

5 Event Description Workforce not appropriately skilled or engaged			
Responsible Managers: CEO, EMT, Managers		Community Plan Theme: CIVIC LEADERSHIP	
Negative Contributory Factors: <ul style="list-style-type: none"> • inability to attract appropriate staff • Inappropriately skilled staff • Negative organisational culture • Lack of contemporary working conditions • Limited access to ongoing training and development • No career progression opportunities • Lack of workforce planning • Job doesn't meet staff expectations • Unsatisfactory relationship with Elected Members • Poor recruitment practices • Ineffective knowledge management • Lack of appropriate staff turnover • Out-dated systems and processes • Pandemic related disruption and distraction 		Risks: <ul style="list-style-type: none"> • Unnecessary high staff turnover • Failure to deliver plans and strategies • Community expectations not met • Reputational damage • Inability to retain the right staff / Loss of corporate knowledge 	
Likelihood: Possible	Consequence: Major	Inherent Risk Rating:	HIGH
Existing Controls/Mitigating Practices: <ul style="list-style-type: none"> • Recruitment strategies and practices • Well established brand • Active management and development of organisational culture (OCI) • Appropriate employment conditions • Continuous Improvement • Working from Home Framework • Purpose statements for work areas that are aligned to organisation's purpose • Digital Workplace through the Internet • Calendar with key corporate processes and deadlines • Continuous Improvement – training and suite of tools (learn on the job) • Documented job descriptions documented and reviewed • Corporate Values • Development planning process (PDR) • Review of PDR process • Relevant resources and tools • Digital Strategy and BS&S Capability • Align the labour budget to reflect the priority areas determined by Council • Recognition Guidelines • Organisational structure reviewed • On-line climate survey tool to provide regular interim measure between OCI surveys • Internal Communications and latest news via emails, the intranet (Aquaria) and staff newsletter - the U 			
Control Effectiveness:	Majority Effective	Risk Tolerance up to:	MEDIUM
Likelihood: Unlikely	Consequence: Major	Residual Risk Rating:	MEDIUM
Treatment Plan:	Responsibility:	Target Completion Date:	Comment
1 Establish and implement an internal communication framework and plan that conveys what will be communicated, to who, when and how	<ul style="list-style-type: none"> • GMBSI 	<ul style="list-style-type: none"> • June 2023 	The Internal Communication Framework will be finalised next financial year. The delay has been a resourcing issue. Internal communication continues in the absence of a framework and continues to be a priority of importance of EMT.

6	Event Description: Inability to respond to climate change		
Responsible Managers: CEO, EMT		Community Plan Theme: ENVIRONMENTAL STEWARDSHIP	
Negative Contributory Factors ("root" causes / how and why the event arises): <ul style="list-style-type: none"> • Extreme weather events • Increased urban infill • State Government Planning Reforms • Lack of recyclables market • Increased waste production by the community 		Risks: <ul style="list-style-type: none"> • Canopy reduced – (out of Council's control) • Reputational impact – as community has strong 'green' focus • Heat-Island effect • Public Health implications and risks • Reduction in quality of life now and future • Increased costs to Council operations • Impacts to rate-payers • Impact to local flora and fauna • Loss of enviable amenities • Unley does not become a desirable place to live • Loss of productivity of operations due to extreme weather events 	
Likelihood: Almost Certain	Consequence: Major	Inherent Risk Rating:	EXTREME
Existing Controls/Mitigating Practices: <ul style="list-style-type: none"> • Canopy Action Plan with budget allocation • Tree Strategy • Budget allocation to support target canopy cover • Brown Hill Keswick Creek subsidiary & delivery of Stormwater Management Plan • Strategic Plan and objectives • Re-use water (dam and aquifer) • Long Term Financial Plan • Financial incentives for Canopy on private land • Water Sensitive Urban Design practices • Waste Management and Resource Recovery plan • Public Health Plan • Asset Management Plans • Alternative Energy initiatives • Cycling and walking network • Climate & Energy Plan for Council Operations • ERA Resilient East Program • Waste Management Arrangement in place 			
Control Effectiveness:	Majority Effective	Risk Tolerance up to:	MEDIUM
Likelihood: Unlikely	Consequence: Major	Residual Risk Rating:	MEDIUM

Treatment Plan:	Responsibility:	Target Completion Date:	Comment
1 A new Waste Management Arrangement is in place	• GMCD	• COMPLETED	• Endorsed by Council
2 Implementation of the Heatwave Action Plan	• EMT	<ul style="list-style-type: none"> • Jun 2021 – recommendations received • Implementation – Sept 2022 	<ul style="list-style-type: none"> • EMT received the recommendations in June. • These recommendations have been consulted with internal stakeholders and is being finalised for EMT endorsement. • EMT will receive the updated Heatwave Action Plan with Management agreed actions for endorsement in September 2022.

Strategic Risk Register

Emerging Risks: *What keeps you awake at night??*

July 2022



Appendix

Definitions of Control Effectiveness Ratings	
1. Ineffective	During the period, the control has not been implemented as described. Urgent management action is required to implement the described control processes.
2. Requires significant improvement	During the period, the control has been implemented as described, but with significant deficiencies in the consistency or effectiveness of implementation. Significant management action required to implement processes to improve the effectiveness of the control.
3. Partially effective	During the period, the control has been implemented as described, but with some deficiencies in the consistency and/or effectiveness in which it has been applied.
4. Majority effective	During the period, the control has been implemented as described and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments.

INFORMATION REPORT

REPORT TITLE: REVISED AUDIT COMMITTEE WORKPLAN - AUGUST 2022

ITEM NUMBER: 3.4

DATE OF MEETING: 16 AUGUST 2022

AUTHOR: LIDA CATALDI

JOB TITLE: PRINCIPAL RISK MANAGEMENT OFFICER

ATTACHMENTS: 1. AUDIT COMMITTEE WORKPLAN - REVISED

1. **INTRODUCTION**

This report provides the Audit Committee with an update on items within the existing Workplan for the 2022 calendar year, and a revised Workplan for the rest of the calendar year.

Updates include progress of the Internal Audit Plan and the External Audit – Interim Audit Agreed Actions.

The Workplan has been revised due to the retiming of two reports to be presented to the Committee, the addition of policy reports, and an Audit Committee Workshop is proposed for November 2022.

2. **RECOMMENDATION**

That:

1. The report be received.
-

3. **RELEVANT CORE STRATEGIES/POLICIES**

4. Civic Leadership

4.1 We have strong leadership and governance

4.3 Our business systems are effective and transparent.

4. **BACKGROUND**

The Audit Committee is responsible for overseeing Council's internal and statutory audit responsibilities and functions as set out under section 126 of the *Local Government Act 1999*. The Committee also monitors Council's risk management and internal financial control environment.

The Audit Committee Workplan for the 2022 calendar year was adopted by the Committee at its meeting on 15 March 2022. The Audit Committee Workplan is monitored and updated as required to ensure the Committee meets the requirements of the Audit Committee's Terms of Reference.

5. DISCUSSION

The Audit Committee Workplan for 2022 is on track as planned so far this year. This following provides an update on the Internal Audit Plan and the External Audit – Interim Audit Agreed Actions. It also outlines the changes that have been made to the Workplan incorporating a Committee Workshop proposed for November.

Internal Audit Update

An Internal Audit on Off Contract Expenditure was proposed as part of the 2021-22 Internal Audit Plan adopted by the Audit Committee on 10 August 2021.

Administration undertook a 'request for quote' on the Tenders SA website in April 2022 for two internal audits:

- Purchase Cards
- Procurement – Off Contract Spend

Bentleys were selected to undertake both audits following an evaluation in line with Council's Procurement Policy.

The Audit Committee was advised at its meeting on 17 May that the intention was to have both audits completed for the meeting in August. However, during the finalisation of the procurement process revised timeframes had to be negotiated with the preferred supplier.

The Internal Audit Report on Purchase Cards is complete and will be presented to the Committee as part of this agenda.

The Procurement – Off Contract Expenditure audit commenced early July with and much of the field work (interviews and sample testing) is complete. Unfortunately, due to unforeseen circumstances the remaining fieldwork was delayed. This audit now is due for completion by the end of August and the final report will now be presented at the October meeting.

External Audit – Interim Audit Agreed Action Items

Administration has previously provided the Audit Committee with a quarterly update on the External Audit – Interim Audit Agreed Action Items.

Galpins, Council's external auditors, conducted their 2022 Interim Audit and review of Council's internal financial controls in March 2022. The findings and agreed actions from the audit were presented to the Audit Committee at its meeting on 17 May 2022. The 2022 audit had four findings, three of which are ongoing actions from the previous year. This is a significant reduction in findings compared to prior financial years.

Progress of actions continues, and an update is provided in the table below.

Finding No.	Finding	Management Action
2.1.1	<u>Purchasing & Procurement:</u> Instances of payments without a purchase order or the purchase order was issued after the date of the invoice	In progress: A short-term resource to assist with the implementation of the Advance Sourcing Module has commenced with the planning phase of the project underway. This module is expected to deliver a simplified procurement process for users.
2.2.1	<u>Fixed Assets:</u> Assets included in Technology One are not linked and/or reconciled to the GIS system	In progress: It has been agreed this will be an ongoing action until the current asset revaluation cycle is complete. Presently due for completion in 2025-26.
2.4.1	<u>Credit Cards:</u> Corporate Purchase Card policy is overdue for review	In progress: A policy review is scheduled for completion by December 2022, it will take into consideration any relevant findings of the purchase card internal audit.

Further updates to the Audit Committee will be provided when key milestones are completed.

Updated Audit Committee Workplan for 2022

The Audit Committee Workplan has been revised to incorporate the following:

- An Audit Committee Workshop is proposed for November;
- The timeframe for the Internal Audit Report on Procurement - Off Contract Expenditure has been amended;
- Additional reports to consider the Asset Accounting Policy (August) and Purchase Card Policy (October); and

- Deferral of the Quarterly Risk Review Report from October to the first meeting in the new calendar year. To align with possibly two new members that may join the Committee post the election.

The revised Audit Committee Workplan 2022 is provided as Attachment 1.

Attachment 1










Audit Committee Workshop for November

An Audit Committee Workshop is proposed for November to discuss the framing of the **Draft 2023-2032 Long Term Financial Plan**. The Committee will then consider the financial targets for the preparation of the 2023-24 Budget process at its first meeting in the new calendar year.










6. REPORT AUTHORISERS

Name	Title
Alex Brown	Manager Finance and Procurement
Nicola Tinning	General Manager, Business Support & Improvement












Audit Committee Workplan 2022

Audit Committee Workplan 2022						
	15 February 2022	15 March 2022	17 May 2022	16 August 2022	18 October 2022	November Workshop
Financial						
Long Term Financial Plan <i>(Key assumptions and Targets)</i>						 2023-32 Draft
2022-23 Annual Business Plan and Budget <i>(consultation)</i>						
Brown Hill Keswick Creek <i>(presentation)</i>						
Centennial Park Cemetery Authority <i>(confidential presentation)</i>						
External Audit						
External Audit – Interim Report						
Agreed Actions Status Update on the External Audit			Incorporated within External Audit Interim Report		As required	
General Purpose Financial Statements 2021-22						

Audit Committee Workplan 2022

	15 February 2022	15 March 2022	17 May 2022	16 August 2022	18 October 2022	November Workshop
Internal Audit						
Internal Audit Plan 2021-22 – Update						
Internal Audit Plan 2022-23						
Agreed Actions Status Update on the Internal Audit (6 monthly)						
Internal Financial Controls – Self Assessment Report - 2021						
Internal Audit – Cash Handling Report						
Internal Audit – Credit Cards						
Internal Audit – Procurement						

Audit Committee Workplan 2022

	15 February 2022	15 March 2022	17 May 2022	16 August 2022	18 October 2022	November Workshop
Risk Management						
Strategic Risk Register					 1st Meeting 2023	
Operational Risk Register <i>(High & Extreme Residual Risk)</i>						
Operational Risk Register <i>(Full Register)</i>				 Early 2023		
Audit Committee Workplan			As required		As required	
Additional Reports						
Asset Accounting Policy						
Purchase Card Policy						
<i>Presiding Member of the Audit Committee's Report is scheduled to be presented to Council at the 28 March 2022 meeting.</i>						
<i>Distribution of the following will occur once the reports have been presented to Council:</i>						
<ul style="list-style-type: none"> · Quarterly Budget Review · Quarterly Performance Review 						
Any Completed Internal Audits will be added to the Agenda where necessary						