

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 in the Council Chambers, 181 Unley Road Unley on

Tuesday 28 March 2023 6.30pm

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

Chief Executive Officer

MEMBERS

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

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 Monday, 14 November 2022	
1.5 DEFERRED / ADJOURNED ITEMS	
Nil	
2. REPORTS	
2.1 2023 Audit Committee Workplan (March 2023)	5
2.2 2023 Internal Audit Plan (March 2023)	10
2.3 Quarterly Risk Report - March 2023	16
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3. OTHER BUSINESS

NEXT MEETING

Tuesday 16 May 2023 - 6.30pm

Council Chambers, 181 Unley Road Unley

DECISION REPORT

REPORT TITLE:	2023 AUDIT COMMITTEE WORKPLAN (MARCH 2023)
ITEM NUMBER:	2.1
DATE OF MEETING:	28 MARCH 2023
AUTHOR:	ALEX BROWN, MANAGER FINANCE AND PROCUREMENT
DIVISION:	BUSINESS SUPPORT AND IMPROVEMENT
ATTACHMENTS:	1. PROPOSED 2023 AUDIT COMMITTEE WORKPLAN

1. **PURPOSE**

This report provides the Audit Committee with the proposed Audit Committee Workplan (the Workplan) for the 2023 calendar year.

2. **RECOMMENDATION**

That:

1. The report be received.
 2. The Audit Committee Workplan as set out in Attachment 1 to this report (Item 2.1, Audit Committee Meeting, 28/03/2023) be endorsed.
-

3. **RELEVANT CORE STRATEGIES – FOUR YEAR DELIVERY PLAN**

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's function is to monitor the risk management and internal control environment of Council operations. The Audit Committee also has the responsibility to oversee Council's internal and statutory audit responsibilities and functions as set out under section 126 of the *Local Government Act 1999*.

The proposed Workplan has been developed to set out the Audit Committee's activities for the 2023 calendar year. It will be monitored and updated at each meeting, to ensure that the Committee delivers its role as set out in the Audit Committee Terms of Reference.

5. DISCUSSION

Under the Committee's terms of reference, the Audit Committee has an important independent role in assisting the Council in monitoring the following areas:

- Financial Reporting and Sustainability
- Risk Management and Internal Controls
- Internal Audit and Compliance
- External Audit
- Governance

The proposed Workplan has been developed to include activities across these areas, timed to align with the financial reporting framework and the scheduled meetings of the Committee. This document will assist with the preparation of the annual report of the Presiding Member of the Audit Committee to Council.

A copy of the proposed Workplan is provided as Attachment 1 to this Report.

Attachment 1

Review and feedback on the proposed Workplan are sought from the Committee.

6. POLICY IMPLICATIONS

6.1 Financial/budget implications

- It is presently anticipated some of the internal audits will be undertaken by external audit firms. The costs of these internal audits will be accommodated with the existing operating budget.

6.2 Risk Management (identification and mitigation)

- A risk based approach has been applied in identifying the priorities for the proposed Workplan.

6.3 Staffing/Work Plans/Additional Resource Impact

- The 2023 Workplan has been prepared with consideration to Administration's capacity deliver the proposed Workplan. It will be monitored and updated as required to ensure that the Committee delivers its role as set out in the Audit Committee Terms of Reference.

6.4 Climate/Environmental Impact

- Nil

6.5 Social/Economic

- Nil

7. ANALYSIS OF OPTIONS

Option 1 –

1. The report be received.
2. The Audit Committee Workplan as set out in Attachment 1 to this report (Item 2.1, Audit Committee Meeting, 28/03/2023) be endorsed.

The proposed 2023 Audit Committee Workplan has been developed to assist the Audit Committee to fulfil its responsibilities as outlined within the terms of reference for the Committee.

Option 2 –

1. The report be received
2. Subject to incorporation of the following amendments, the Audit Committee Workplan as set out in Attachment 1 to this report (Item 2.1, Audit Committee, 28/03/2023) be endorsed.
 - 2.1 Amendments to be determined the Audit Committee
 - 2.2 Etc

The Audit Committee may wish to request amendments to the Audit Committee Workplan and include these in its recommendation to Council.

This Option provides the relevant wording to enable the Audit Committee to articulate any changes required to the Audit Committee Workplan, and to recommend these be incorporated by Council at the time of adoption.

Should the Audit Committee wish to make amendments to the Audit Committee Workplan, consideration should be given to the available resourcing what additional resourcing may be required to deliver a modified Plan.

Option 3 –

1. The report be received
2. The Audit Committee Workplan as set out in Attachment 1 to this report (Item 2.1, Audit Committee, 28/03/2023) be further amended and returned to the Audit Committee for review.

The Committee may consider that further work is required to the Audit Committee Workplan. This Option requests further development of the documents and that they be returned to the Audit Committee at the next meeting.

The Audit Committee should under this option, communicate what amendments it would like to be made and resourcing that may be required.

8. RECOMMENDED OPTION

Option 1 is the recommended option.

9. REPORT AUTHORISERS

Name	Title
Nicola Tinning	General Manager, Business Support & Improvement

City of Unley

2023 Audit Committee Workplan (March 2023)

Item	Tues 28 March	Tues 16 May	Tues 8 August	Tues 17 October	Tues 14 November
Financial					
Long Term Financial Plan (Key assumptions and Targets)					■
2023-24 Annual Business Plan and Budget (consultation)		■			
2022-23 General Purpose Financial Statements				■	
External Audit					
External Audit - Interim Report		■			
External Audit - Progress of Agreed Actions			■		■
Internal Audit					
Internal Audit Plan 2023	■				
Internal Audit - Progress of Agreed Actions		■		■	
Internal Audit - Leases and Licences			■		
Internal Audit - Infringements & Expiations				■	
Internal Audit - Payroll					■
Other Risk Management					
Internal Financial Controls	■				
Quarterly Risk Report	■	■	■		■
Policy Review					
Procurement Policies		■			
Prudential Management Policy			■		
Risk Management Policy				■	
Treasury Management Policy				■	
Presentations					
Brown Hill Keswick Creek Stormwater Project			■		
Centennial Park Cemetery Authority (<i>confidential</i>)	■				
East Waste					■

The Presiding Member Report is scheduled to be presented to Council at the March meeting.

The Financial Performance Report, Quarterly Budget Review and Preliminary End of Year Reports will be distributed to the Audit Committee Members once the reports have been presented to Council.

DECISION REPORT

REPORT TITLE:	2023 INTERNAL AUDIT PLAN (MARCH 2023)
ITEM NUMBER:	2.2
DATE OF MEETING:	28 MARCH 2023
AUTHOR:	ALEX BROWN, MANAGER FINANCE AND PROCUREMENT
DIVISION:	BUSINESS SUPPORT AND IMPROVEMENT
ATTACHMENTS:	1. PROPOSED 2023 INTERNAL AUDIT PLAN

1. **PURPOSE**

This report provides the Audit Committee with the proposed Internal Audit Plan for the 2023 calendar year.

2. **RECOMMENDATION**

That:

1. The report be received.
 2. The Internal Audit Work Plan as set out in Attachment 1 to this report (Item 2.2, Audit Committee Meeting, 28/03/2023) be endorsed.
-

3. **RELEVANT CORE STRATEGIES – FOUR YEAR DELIVERY**

4. Civic Leadership

4.1 We have strong leadership and governance.

4.3 Our business systems are effective and transparent.

4. **BACKGROUND**

The proposed Internal Audit Plan has been established having regard to the Strategic Risk Register, Operational Risk Register, the current internal controls environment, and taking into consideration structure and resourcing (any planned or recent changes) within the organisation.

The Internal Audit Plan seeks to provide a greater level of confidence with internal control practices and procedures for the areas included within the Internal Audit Plan.

Four Internal Audits have been completed and presented to the Audit Committee since December 2021.

- Petty Cash (December 2021)
- Cash Handling (February 2022)
- Corporate Purchase Cards (August 2022)
- Procurement Off-contract Expenditure (October 2022)

While the Corporate Purchase Cards and Procurement Off-contract Expenditure internal audits were conducted by external audit firms, the completion and presentation of the audits required significant input from council staff.

In May 2022, Audit Committee endorsed the 2022-23 Internal Audit Plan. This Plan proposed internal audits on:

- Leases
- Payroll
- Infringement & Expiations Review
- Contract Management

Commencement of these Internal Audits has been deferred due to the focus on the completion of the internal audits on Corporate Purchase Cards and Procurement Off-contract Expenditure, addressing priorities within procurement, and resourcing constraints.

5. **DISCUSSION**

The proposed 2023 Internal Audit Plan proposes to proceed with three of the four internal audits endorsed within the 2022-23 Internal Audit Plan:

- **Leases and Licences:** This internal audit will focus on billing, the application of discounts and record management for property leases the licences.
- **Infringements:** This internal audit will focus on the processes involved in reviewing and issuing waivers for infringements.
- **Payroll:** This internal audit will focus on the procedures and processes for the administration and payment of overtime and TOIL (time off in-lieu) are appropriate and effectively managed.

More detail regarding these proposed internal audits is included in the Internal Audit Plan in Attachment 1 to this report.

Attachment 1

A fourth internal audit, reviewing contract management, originally planned for 2023 is proposed to be deferred. Administration do not have capacity to conduct four internal audits this year, and the City of Unley has recently employed a Principal Procurement and Contract Advisor with extensive experience in contract management.

The Principal Advisor is working on a business improvement program for contract management which will be followed by an education program. The potential benefit of conducting an internal audit on contact management will be considered as part of the planning 2024 or 2025 Internal Audit Program.

The Internal Audit Plan will be monitored throughout the year.

6. POLICY IMPLICATIONS

6.1 Financial/budget implications

- It is presently anticipated some of the Internal Audits will be undertaken by external audit firms. The costs of these audits will be accommodated with the operating budget.

6.2 Risk Management (identification and mitigation)

- A risk based approach has been applied in identifying the priorities for the proposed Internal Audit Plan.

6.3 Staffing/Work Plans/Additional Resource Impact

- The 2023 Internal Audit Plan has been prepared with consideration to Administration's capacity deliver the proposed Plan. Administration will advise Audit Committee of any anticipated delays or proposed alteration to the Plan as required.

6.4 Climate/Environmental Impact

- Nil

6.5 Social/Economic

- Nil

7. ANALYSIS OF OPTIONS

Option 1 –

1. The report be received.
2. The Internal Audit Plan as set out in Attachment 1 to this report (Item 2.2, Audit Committee Meeting, 28/03/2023) be endorsed.

The proposed Internal Audit Plan has been developed to provide a greater level of confidence in relation to internal control practices and procedures relevant to the areas suggested.

Option 2 – Type Description of how the resolution should appear on front page.

1. The Report be received.

Option 2 –

1. The report be received
2. Subject to incorporation of the following amendments, the Internal Audit Plan as set out in Attachment 1 to this report (Item 2.2, Audit Committee, 28/03/2023) be endorsed.
 - 2.1 Amendments to be determined the Audit Committee
 - 2.2 Etc

The Audit Committee may wish to request amendments to the Internal Audit Plan and include these in its recommendation to Council.

This Option provides the relevant wording to enable the Audit Committee to articulate any changes required to the Internal Audit Plan, and to recommend these be incorporated by Council at the time of adoption.

Should the Audit Committee wish to make amendments to the Internal Audit Plan, consideration should be given to resourcing necessary to deliver a modified Plan.

Option 3 –

1. The report be received
2. The Internal Audit Plan as set out in Attachment 1 to this report (Item 2.2, Audit Committee, 28/03/2023) be further amended and returned to the Audit Committee for review.

The Committee may consider that further work is required to the Internal Audit Plan. This Option requests further development of the documents and that they be returned to the Audit Committee at the next meeting.

The Audit Committee can under this option, communicate what amendments it would like to be made.

8. RECOMMENDED OPTION

Option 1 is the recommended option.

9. REPORT AUTHORISERS

Name	Title
Nicola Tinning	General Manager, Business Support & Improvement

City of Unley

2023 Internal Audit Workplan (March 2023)

Internal Audit	Category	Linkage to Strategic Risk	Teams	Proposed Report Dates
Recommended Internal Audit Projects for 2023				
<p>Property Leases and Licences</p> <p>To ensure the billing and discounts for leases and licences are in accordance with the lease agreements, and records associated with leases and licences contracts are appropriately maintained</p>	Governance / Internal Financial Controls	4. Inability to manage legislative and regulatory compliance obligations	<ul style="list-style-type: none"> Property & Facilities Finance 	August 2023
<p>Expiations Waivers</p> <p>To assess the consistency and effectiveness of the waiver process for expiations in accordance with existing policies and procedures.</p> <p><i>Rescheduled from 2021-22 due to a business process review being undertaken in 2022.</i></p>	Governance / Internal Financial Controls	4. Inability to manage legislative and regulatory compliance obligations	<ul style="list-style-type: none"> Regulatory Services 	October 2023
<p>Payroll – Overtime and TOIL</p> <p>To ensure the payroll procedures and processes for the administration and payment of overtime and TOIL (time off in-lieu) and appropriate and effectively managed.</p>	Governance / Internal Financial Controls	4. Inability to manage legislative and regulatory compliance obligations	<ul style="list-style-type: none"> Payroll People and Culture 	November 2023

INFORMATION REPORT

REPORT TITLE:	QUARTERLY RISK REPORT - MARCH 2023
ITEM NUMBER:	2.3
DATE OF MEETING:	28 MARCH 2023
AUTHOR:	ALEX BROWN, MANAGER FINANCE AND PROCUREMENT
DIVISION:	BUSINESS SUPPORT AND IMPROVEMENT
ATTACHMENTS:	1. STRATEGIC RISK REGISTER

1. **PURPOSE**

This report provides an update following a review of the Strategic Risk Register for the quarter ending October 2022.

2. **RECOMMENDATION**

That:

1. The report be received.
-

3. **RELEVANT CORE STRATEGIES – FOUR YEAR DELIVERY PLAN**

4. Civic Leadership

4.1 We have strong leadership and governance.

4.3 Our business systems are effective and transparent

4. **BACKGROUND**

The Executive Management Team (EMT) reviews the Strategic Risk Register (SRR) quarterly to consider:

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

5. **DISCUSSION**

EMT conducted their quarterly review of the SRR on Tuesday 14 February 2023. 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. This related to the development and implementation of a Heatwave Action Plan;
- The progress and implementation date of the revised Project Management Framework, under *Strategic Risk 1 – Failure to maintain financial sustainability* has been revised from January 2023 to May 2023;
- The completion date of the Delegation Review, under *Strategic Risk 3 - Ineffective decision making that lacks transparency*, has been revised from February 2023 to November 2023 to allow the new Council to consider it;
- The completion date of the Legislative Compliance Register, under *Strategic Risk 4 - Inability to manage legislative and regulatory compliance obligation*, has been revised from December 2022 to November 2023;
- The remaining treatment plans intended to further mitigate risks are progressing; and
- No new emerging risks were identified.

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

Attachment 1

6. **REPORT AUTHORISERS**

Name	Title
Nicola Tinning	General Manager, Business Support & Improvement

STRATEGIC RISK REGISTER

This Review – 14 February 2023 by:

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

Last Reviewed: October 2022 by:

Peter Tsokas
Megan Berghuis
Nicola Tinning
Claude Malak

Strategic Risk Register

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 		<ul style="list-style-type: none"> 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:
1. Development and Implementation of a revised Project Management Framework		<ul style="list-style-type: none"> GMCD 	<ul style="list-style-type: none"> May 2023
		Comment	
		Final documentation will be completed February. Training will occur in April, with the Framework to be implemented in May.	

Strategic Risk Register

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 		<ul style="list-style-type: none"> 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

Strategic Risk Register

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"> Legislative obligations (eg. Code of Conduct, Policies etc) External regulatory framework in place Policies and Procedures Delegation of Authority (Legislative and Financial) Elected Members briefings and workshops Expert advice provided by skilled staff Elected Members development program implemented to enhance role clarity Reinforce processes and education for Elected Member requests with staff 		<ul style="list-style-type: none"> Elected Members training programs Independent Members selection and training processes in place Agreed and Endorsed Meeting procedures Risk Management Framework Internal Controls Framework Reporting Quality Control Quality and experienced governance human resources 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"> November 2023 	The review of the delegations commenced in October. The completion date has been revised to November 2023 to allow the new Council to consider.

Strategic Risk Register

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"> Strategic Planning framework and documents (e.g. Community Plan, Annual Plan etc) Long Term Financial Plan/Annual Business Plan & Budget Policies and Procedures Internal Controls Risk management framework Delegations External liaison and relationship management 		<ul style="list-style-type: none"> Audit Committee External/Internal Audit Appropriately trained and experienced staff Access to suitably qualified service providers for support (e.g. legal advice) Access to LGA resources & opportunity to influence outcomes Collaboration between Councils ERA 	
Control Effectiveness:	Majority Effective	Risk Tolerance up to:	MEDIUM
Likelihood: Possible	Consequence: Major	Residual Risk Rating:	HIGH
Treatment Plan:	Responsibility:	Target Completion Date:	Comment
1 Preparation for LG Reform	• EMT	• Ongoing	
2 Investigate development and implementation of Legislative Compliance Register	• OCEO	• November 2023	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.

Strategic Risk Register

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) 		<ul style="list-style-type: none"> • 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:
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
		Comment	
		The development of an Internal Communication Framework has commenced.	

Strategic Risk Register

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 • 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 • Impact to local flora and fauna • Loss of enviable amenities • 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 • Brown Hill Keswick Creek subsidiary & delivery of Stormwater Management Plan • Strategic Plan and objectives • Re-use water (dam and aquifer) • Long Term Financial Plan 		<ul style="list-style-type: none"> • 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. Implementation of the Heatwave Action Plan	• EMT	COMPLETED	The Action Plan has been completed and reviewed and noted by EMT in February 2023.

Strategic Risk Register

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

February 2023

- Nil



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:	INTERNAL FINANCIAL CONTROLS - SELF ASSESSMENT 2023
ITEM NUMBER:	2.4
DATE OF MEETING:	28 MARCH 2023
AUTHOR:	ALEX BROWN, MANAGER FINANCE AND PROCUREMENT
DIVISION:	BUSINESS SUPPORT AND IMPROVEMENT
ATTACHMENTS:	<ol style="list-style-type: none">1. 2023 REVIEW OF INTERNAL FINANCIAL CONTROLS - ASSESSMENT SUMMARY2. 2023 REVIEW INTERNAL FINANCIAL CONTROLS - TREATMENT PLAN

1. **PURPOSE**

This report presents the results of the Internal Financial Controls self-assessment undertaken in February and March 2023.

2. **RECOMMENDATION**

That:

1. The report be received.
-

3. **RELEVANT CORE STRATEGIES – FOUR YEAR DELIVERY PLAN**

4. Civic Leadership

4.1 We have strong leadership and governance.

4.3 Our business systems are effective and transparent.

4. **BACKGROUND**

The Better Practice Model – Internal Financial Controls (BPM) is a framework that identifies financial risks and controls for local government Councils in South Australia. The BPM requires Council's to conduct a self-assessment of controls identified via a risk-based approach.

The BPM comprises of 7 risk categories with a total of 260 individual controls across the following risk categories and business processes:

Risk Category	Business Process
Strategic Financial Planning	<ul style="list-style-type: none"> • Budgets • General Ledger • Statutory Reporting • Management Reporting
Assets	<ul style="list-style-type: none"> • Cash Floats and Petty Cash • Banking • Investments • Debtors • Inventory • Prepayments • Fixed Assets • Project Costing • Loans/Grants to Clubs/Community Groups
Liabilities	<ul style="list-style-type: none"> • Accounts Payable • Accrued Expenses • Borrowings • Employee Provisions • Taxation
Revenue	<ul style="list-style-type: none"> • Rates/Rate Rebates • Grants • User Pay Income – Fee for Services • Investment/Interest Income • Receipting • Other Revenue
Expenses	<ul style="list-style-type: none"> • Purchasing & Procurement • Payroll • Elected Members' Expenses • Credit Cards • Employee Reimbursements • Other Expenses
External Services	<ul style="list-style-type: none"> • Contracting
Financial Governance	<ul style="list-style-type: none"> • Governance

External Audit will provide an audit opinion on the effectiveness of the internal financial controls. The 2023 External Audit Interim Report will be presented to the Audit Committee in the May meeting.

The following factors that were taken into consideration when determining which controls would form part of the self-assessment process:

- Previous controls that were selected for the internal financial controls self-assessment process

- Process improvement programs and agreed actions resulting from the external audit report from the previous year; and
- Current risk and control environment within Finance and Procurement Team.

The same 141 controls selected for review in 2021-22 were selected for the self-assessment process. These covered 25 of the 32 sub-categories, and included all controls deemed to have a risk rating of medium or higher.

Each control was assessed by the relevant officer and reviewed by their next level supervisor, team leader or manager.

The Better Practice Model defines the control effectiveness ratings, and these were utilised during the self-assessment process:

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.

5. DISCUSSION

141 Internal Financial Controls were selected to form the 2023 self-assessment process covering the following categories:

Category	Sub-Category	Number Controls Assessed	Number Treatment Plans
Strategic Financial Planning	Budgets	7	
	General Ledger	5	1
	Management Reporting	5	
Revenue	Other Revenue	1	
	Rates / Rate Rebates	7	
	User Pay Income	3	
Liabilities	Accounts Payable	15	1
	Accrued Expenses	1	
	Borrowings	9	
	Employee Provisions	4	1
Financial Governance	Governance	3	
External Services	Contracting	5	2
Expenses	Credit Cards	4	
	Employee Reimbursements	2	
	Other Expenses	1	
	Payroll	10	
	Purchasing and Procurement	10	2
Assets	Banking	3	
	Cash Floats and Petty Cash	8	
	Debtors	3	
	Fixed Assets	12	1
	Inventory	10	1
	Loans / Grants to Clubs / Community Groups	7	
	Prepayments	2	
	Project Costing	4	
Total		141	9

The assessors overall rated the effectiveness of the controls as 4.30 and this is in line with the reviewer's average rating of 4.45 as shown in Attachment 1.

Attachment 1

Out of the 141 internal financial controls selected, 9 controls were identified to require treatment plans because they received a control effectiveness rating of '*partially effective*' of 3 or below by the reviewer.

A copy of the 9 treatment plans is provided in Attachment 2 to this report.

Attachment 2

The implementation of the treatment plans will be monitored with progress reported to the Audit Committee in October 2023.

6. REPORT AUTHORISERS

Name	Title
Nicola Tinning	General Manager, Business Support & Improvement

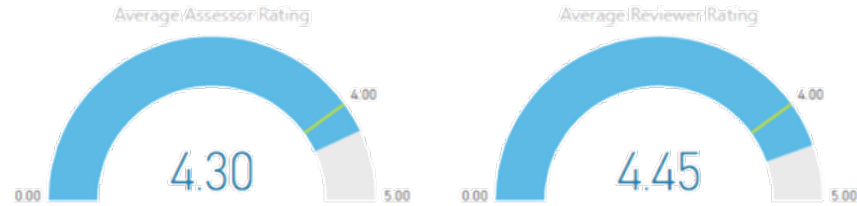
Review of Internal Financial Controls – March 2023

Assessment Summary

Assessment

All ↻

Show by Business Units: ⓘ



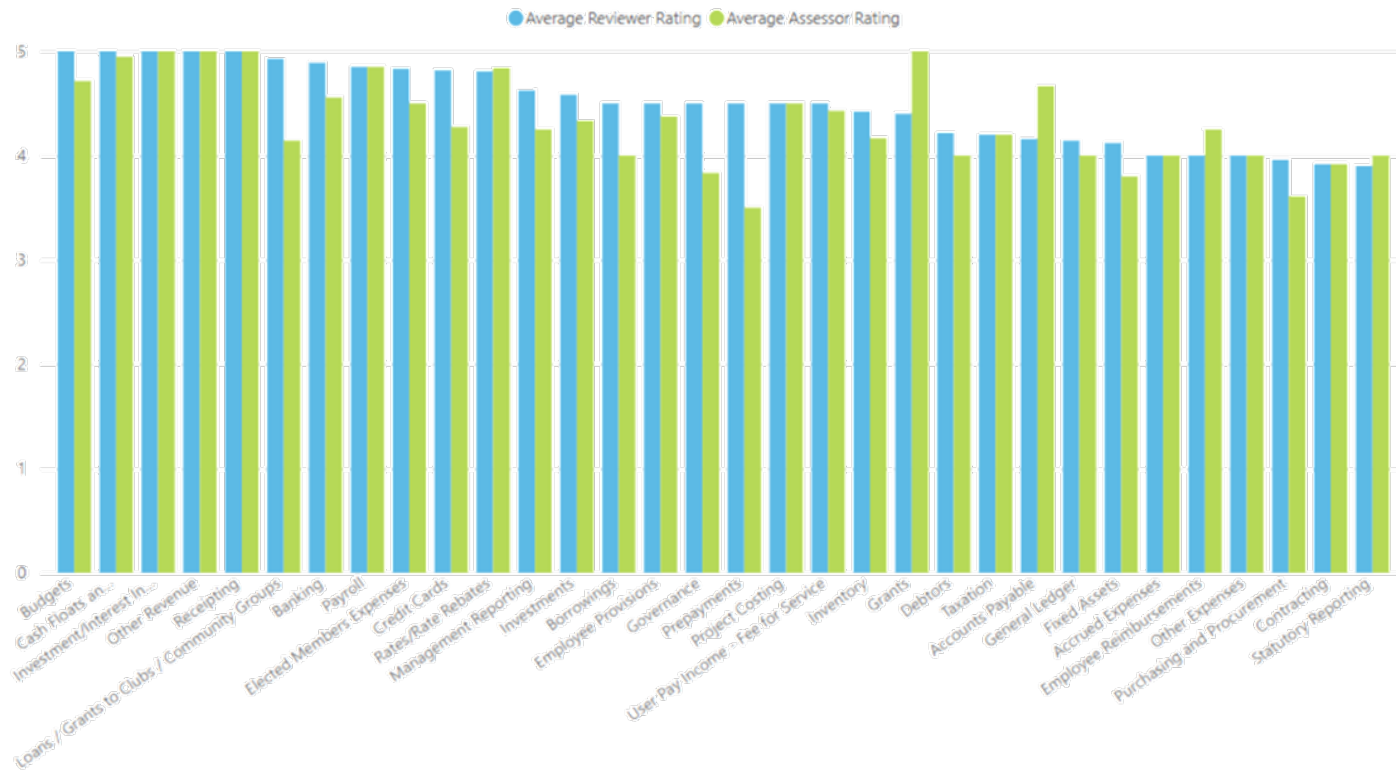
Improvements:



● Overdue

Assessment	Avg AR	Avg RR
Internal Financial Control - 2018/2019 Assessment	4.46	4.69
Internal Financial Controls - 2020/2021 - Self Assessment	4.34	4.50
Internal Financial Controls Self Assessment 2019/2020	4.25	4.25
2023 Internal Controls - Self Assessment	4.25	4.49
Total	4.30	4.45

Average Reviewer Rating and Average Assessor Rating by Process



Internal Financial Controls Self-Assessment – Treatment Plans

Internal Financial Control Code	Description	Task Description	Due Date	Improvement Owner
ASS-FIX-0012	Recorded changes to the FAR and/or masterfile are approved by appropriate staff compared to authorised source documents and General Ledger to ensure accurate input.	Formal documentation of the process for fixed asset register changes will be undertaken in the 2023-24 financial year.	March 2024	Team Leader Financial Accounting
ASS-INY-0009	There is a process in place to ensure that invoices are paid after goods have been received.	A revised education program for procurement processes is being developed and will be rolled out in the coming months.	June 2023	Procurement Advisor
		The revised “procure to pay” project, that will be progressing this calendar year is expected to simplify the goods receipt process, which combined with the education process, will increase compliance.	June 2024	Team Leader Financial Accounting
EXP-PUR-0007	The organisation has a process in place to ensure use of preferred suppliers where relevant to maximise the best value for money to Council	An internal audit on Procurement – Off-contract expenditure was completed in 2022. Work is underway to establish panels for trades and other services such as traffic management. This will include the utilisation of existing panels offered by LG Procurement through Vendor Panel.	September 2023	Procurement Advisor
EXP-PUR-0010	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers.	Formalised, quarterly analysis has been identified as priority, and is presently in development.	April 2023	Procurement Advisor
EXT-CON-0001	Council maintains a current contract register.	The development of a more advance contract register has been identified as a priority with the existing register only capturing basic details of contracts. The transition of Technology One (Council’s finance system) to the cloud is expected to provide access to a more advance contract management module, and is presently being evaluated for suitability.	September 2023 (Evaluation only at this stage)	Principal Procurement and Contracts Advisor

Internal Financial Controls Self-Assessment – Treatment Plans

Internal Financial Control Code	Description	Task Description	Due Date	Improvement Owner
EXT-CON-0005	There is a contract management process in place throughout the term of the contract to ensure that supplier/contractor meet their obligations.	The development of a Contract Management Framework has been identified as a priority. Now with appropriate resourcing in place, the work to develop the Framework will be undertaken this calendar year, and followed by an education process.	April 2024	Principal Procurement and Contracts Advisor
LIA-ACC-0008	Predetermined variances between Purchase Orders and Invoices are assessed and payment released only after verification by the officer with delegation to do so.	The review of the “procurement to payment” process is underway. Identified improvements will be considered for implementation following the transition of Technology One (Council's finance system) to the cloud. Training on the existing processes is ongoing provided to strengthen this control.	June 2024	Team Leader Financial Accounting
LIA-EMP-0002	There is a process in place to ensure the accuracy and completeness of inputs into the calculation of the employee provisions.	The procedure to check global changes (eg. annual increase in the enterprise agreement rates) has been reviewed and refined.	Completed	Payroll Officer
STR-GEN-0009	General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff.	Formal documentation of ledger management processes and procedures will occur in the 2023-24 financial year.	March 2024	Team Leader Financial Accounting