

Audit Committee Minutes

10 August 2021

Our Vision

*A City which values its heritage, cultural diversity,
sense of place and natural environment.*

*A progressive City which is prosperous, sustainable
and socially cohesive, with a strong community spirit.*

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City of
Norwood
Payneham
& St Peters

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VENUE Mayors Parlour, Norwood Town Hall

HOUR 7.00pm

PRESENT

Committee Members Cr John Minney (Presiding Member)
Mayor Robert Bria
Cr Mike Stock
Ms Brigid O'Neill (Independent Member)
Ms Sandra Di Blasio (Independent Member)

Staff Mario Barone (Chief Executive Officer)
Sharon Perkins (General Manager, Corporate Services)
Andrew Alderson (Financial Services Manager)

APOLOGIES Nil

ABSENT Nil

TERMS OF REFERENCE:

The Audit Committee is responsible to facilitate:

- *the enhancement of the credibility and objectivity of internal and external financial reporting;*
- *propose and provide information relevant to a review of the Council's Strategic Management Plans and Annual Business Plan;*
- *the review and reporting on any matter relating to financial management or the efficiency and economy with which the Council manages its resources;*
- *effective management of financial and other risks and the protection of the Council's assets;*
- *compliance with laws and regulations related to financial and risk management as well as use of best practice guidelines;*
- *the provision of an effective means of communication between the external auditor, management and the Council;*
- *proposing and reviewing the exercise of powers under Section 130A of the Local Government Act 1999;*
- *review Annual Financial Statements to ensure that they present fairly the state of affairs of the Council;*
- *liaising with the Council's Auditor; and*
- *reviewing the adequacy of accounting, internal control reporting and other financial management systems and practices of the Council on a regular basis.*

1. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 24 MAY 2021

Mayor Bria moved that the minutes of the Audit Committee meeting held on 24 May 2021 be taken as read and confirmed. Seconded by Brigid O'Neill and carried unanimously.

2. PRESIDING MEMBER'S COMMUNICATION

Nil

3. QUESTIONS WITHOUT NOTICE

Nil

4. QUESTIONS WITH NOTICE

Nil

5. WRITTEN NOTICES OF MOTION

Nil

6. STAFF REPORTS

6.1 DRAFT ANNUAL REPORT TO COUNCIL

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA75186/A198865
ATTACHMENTS: A - D

PURPOSE OF REPORT

The purpose of this report is to endorse, the draft Annual Report, which details the activities undertaken by the Audit Committee for the year ended 30 June 2021.

BACKGROUND

The Audit Committee's 2020-2021 Work Program, requires an Annual Report to be provided to the Council which addresses the following:

- *outputs relative to the Audit Committee's Work Program and the results of a self-assessment of performance for the preceding period, including whether it believes any changes to its Terms of Reference are appropriate;*
- *any identified training needs;*
- *advising future work program proposals; and*
- *invite comment from the Council on all of the above.*

RELEVANT POLICIES & STRATEGIC DIRECTIONS

Not Applicable.

FINANCIAL IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Nil

CONSULTATION

- **Committee Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

The Audit Committee's 2020-2021 Work Program has been updated to include all of the activities which have been completed. A copy of the updated Program is contained in **Attachment A**.

A copy of the Draft 2020-2021 Audit Committee Annual Report (the Report) to the Council is contained in **Attachment B**. The Committee is requested to review the Report, discuss any amendments which it wishes to make to the Report and endorse the Report.

The Annual Report to the Council requires the Audit Committee to determine whether its Terms of Reference remain appropriate. The *Statutes Amendment (Local Government Review) Bill 2020*, recently passed both Houses of Parliament, with assent to the *Statutes Amendment (Local Government Review) Act 2021* (the Act) being provided on 17 June 2021. The Act will have a number of impacts on the operations of Audit Committees and as a consequence the Committees *Terms of Reference*. While it is still unclear when the provisions of the Act come into effect, it is anticipated that the reforms that require minimal or moderate implementation or supporting regulation will commence once proclaimed, which is anticipated to be in early August 2021. Given the reforms which relate to the operations of Audit Committees, it is expected that the proclamation will occur early in the transition period. As the timing is unclear, there are no recommended changes to the *Terms of Reference* at this stage. A copy of the *Terms of Reference* is contained in **Attachment C**.

While no changes are recommended at this stage, staff have undertaken a review of the existing *Terms of Reference* against the new provisions relating to the operation of Audit and Risk Committees (as it will now be referred to) and it is pleasing to note that the Audit Committee's existing *Terms of Reference* and Annual Work Program, includes a number of the reform provisions and as such the impact on the Audit Committee is considered minimal.

The area of most impact is the membership of the Committee. The new provisions require that the majority of the members must not be members of any Council, however independent members of other Council's Audit and Risk Committees may be appointed.

Notwithstanding this, the membership of the Audit and Risk Committee must meet the following provisions;

- a) the majority of the members of the committee must be persons who are not members of any council;*
- b) the members of the committee (when considered as a whole) must have skills, knowledge and experience relevant to the functions of the committee, including in financial management, risk management, governance and any other prescribed matter;*
- c) the membership of the committee—*
 - i. may not include an employee of the council (although an employee may attend a meeting of the committee if appropriate); and*
 - ii. may include, or be comprised of, members of another council audit and risk committee or a regional audit and risk committee; and*
 - iii. must otherwise be determined in accordance with the requirements of the regulations.*

The current Audit Committee's *Terms of Reference* defines the Membership of the Committee as:

- the Mayor;
- two (2) Councillors as determined by resolution of the Council; and
- two (2) Independent Members who are appointed by the Council and who are determined by the Council to have experience relevant to the functions of the Audit Committee.

Given the requirement to have a majority of Independent Members, the Council will need to review the membership of the Audit and Risk Committee. Should the Council wish to maintain the Audit and Risk Committee membership at five (5) members, the Council will be required to increase the committee membership to have at least three (3) independent members, therefore reducing the number of Elected Members from three (3) to two (2).

Should the Council wish to maintain the membership of Council Members to include the Mayor and two (2) Councillors, the size of the Audit & Risk Committee will be required to be increased to seven (7) members, thereby requiring the appointment of two (2) additional Independent Members.

In addition, the Act prescribes the minimum skills and experience that the members of the Audit & Risk Committee. The Audit Committees current *Terms of Reference* currently sets out the minimum requirements for Independent Members only. As the Council's Independent Members are currently selected based on their senior business or financial management/reporting knowledge and experience, in particular, experience relevant to the functions of an audit committee and be conversant with the financial and other reporting requirements, the current Independent Members meet the requirements of Section 126 (2) (b). However, the new provision, applies to all members, there for the appointment of Elected Members to the Audit and Risk Committee must take into consideration the skills, knowledge and experience of the Elected Members relevant to the functions of the Audit & Risk Committee.

The Act now provides a more comprehensive list of functions of the Audit and Risk Committee. The Committees current *Terms of Reference* encompass a vast majority of the now specified functions. A copy of the amended Section 126 is contained in **Attachment D**.

A report on the establishment of the new Audit and Risk Committee will be provided to the Council for consideration.

OPTIONS

Not Applicable.

CONCLUSION

Nil

COMMENTS

Nil

RECOMMENDATION

1. That the draft 2020-2021 Audit Committee Annual Report as contained in **Attachment B**, be endorsed and submitted to the Council.
2. That the Audit Committee Terms of Reference as contained in **Attachment C** be recommended to the Council for adoption.

Mayor Bria moved:

- 1. That the draft 2020-2021 Audit Committee Annual Report as contained in Attachment B and as amended to reflect the change in meeting date from 26 July 2021 to 10 August 2021, be endorsed and submitted to the Council.*
- 2. That the Audit Committee Terms of Reference as contained in Attachment C be recommended to the Council for adoption.*

Seconded by Sandra Di Blasio and carried unanimously.

6.2 DRAFT 2021-2022 AUDIT COMMITTEE WORK PROGRAM

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA75186/A200196
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of the report is to provide the Audit Committee with the Draft Work Program for the year ending 30 June 2022.

BACKGROUND

Pursuant to Section 126 of the *Local Government Act 1999* and as detailed in the Audit Committee's Terms of Reference, the Audit Committee is responsible for facilitating:

- the enhancement of the credibility and objectivity of internal and external financial reporting;
- provision of information relevant to a review of the Council's Strategic Management Plans and Annual Business Plan;
- the review and reporting on any matter relating to financial management or the efficiency and economy with which the Council manages its resources;
- effective management of financial and other risks and the protection of the Council's assets;
- compliance with laws and regulations related to financial and risk management as well as use of best practice guidelines;
- the provision of an effective means of communication between the external auditor, management and the Council;
- the review of the exercise of powers under Section 130A of the *Local Government Act 1999*.
- review of the Annual Financial Statements to ensure that they present fairly the state of affairs of the Council;
- liaising with the Council's Auditor; and
- reviewing the adequacy of accounting, internal control reporting and other financial management systems and practices of the Council on a regular basis.

RELEVANT POLICIES & STRATEGIC DIRECTIONS

Not Applicable.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this issue.

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

The Audit Committee must ensure that the Work Program addresses the statutory obligations and focuses on the adequacy of the Councils' systems and practices with respect to risk management, financial reporting, the internal control environment and other financial management systems.

The Draft 2021-2022 Work Program contained in **Attachment A** reflects the requirements to the Audit Committee's Terms of References and meets the Council's statutory requirements.

CONSULTATION

- **Committee Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

To ensure that the requirements of the *Local Government Act 1999* and the Terms of Reference are fulfilled, the Audit Committee is required to develop a Work Program each year.

A draft Work Program, based on prior years is contained in **Attachment A**.

OPTIONS

The Committee can either endorse the Work Program (contained in **Attachment A**) or amend the document as appropriate.

CONCLUSION

Nil

COMMENTS

Nil

RECOMMENDATION

That the Draft 2021-2022 Audit Committee Work Program as contained in **Attachment A** be adopted.

Ms Brigid O'Neill moved:

That the Draft 2021-2022 Audit Committee Work Program as contained in Attachment A be adopted.

Seconded by Ms Sandra Di Blasio and carried unanimously.

6.3 2021-2022 ANNUAL BUSINESS PLAN AND BUDGET

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager Corporate Service
CONTACT NUMBER: 83664585
FILE REFERENCE: qA75186/A201079
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee for its information, the 2021-2022 Budget and Rating Policy, which have been adopted by the Council.

BACKGROUND

Pursuant to the provisions contained in Chapters 8, 9 and 10 of the *Local Government Act 1999* (the Act), the Council is required to adopt for each Financial Year, an Annual Business Plan (ABP) and Budget after 31 May and before 31 August.

Part 2 of the Act, “*Annual Business Plans and Budgets*”, requires the Council to consider its budget in conjunction with the Council’s Annual Business Plan and adopt the Budget following adoption of the Annual Business Plan.

At its meeting held on 5 July 2021, the Council adopted the 2021-2022 Annual Business Plan and Budget and declared the Rates for the 2020-2021 Financial Year.

RELEVANT POLICIES & STRATEGIC DIRECTIONS

The Council’s Long Term Strategic directions are outlined in *City Plan 2030 – Shaping our Future*. The 2021-2022 Annual Business Plan and supporting Budget, sets out the proposed services and programs and initiatives for the 2021-2022 Financial Year and explains how the Council intends to finance its continuing services, programs and initiatives which are to be undertaken during the financial year.

The Council’s Rating Policy sets the Council’s approach to determining and collecting rates from the community.

FINANCIAL AND BUDGET IMPLICATIONS

The 2021-2022 Budget, is based on a Rate Revenue increase of 4.35%. With valuation growth, the proposed increase in the Rate-in-the-Dollar is 1.98%. Revenue attributed to new development growth is \$341,392.

Since the last Committee meeting held on 24 May 2021, the Council considered the Draft Budget on two occasions and endorsed the following adjustments to the Capital Program;

- Deferral of the Extension of Reclaimed Water System (\$175,000);
- Deferral of the Year 3 funding allocation to the the Major Public Art Project (\$110,620); and
- Deferral of the public road conversion of Salisbury Lane and Kingsborough Lane as detailed in Private Laneway Conversion Project. It should be noted that as the Council declared a separate rate for the recovery of the costs associated with the conversion of Charlotte Lane to a Public Road, the reconstruction works will be undertaken in 2021-2022.

The impact of the adjustments was a reduction in the Capital Budget of \$305,620

In addition, due to a reduction in the gate price associated with the kerbside recyclables, the waste disposal budget has been reviewed and reduced by \$60,000.

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

The 2021-2022 Budget was prepared in in absence of the 2021-2022 State Budget, which was released on 22 June 2021. A number of components of the Councils Budget are impacted upon by decisions which are made by the State Government. A number of assumptions have been made with respect to those components of the Councils Draft Budget which are influenced by the decisions of the State Government.

Following consideration of the 2021-2022 State Budget, the assumptions and other decisions upon which the Budget is based has not been materially impacted by the release of the State Budget.

It should be noted that the 2021-2022 Budget is based on the assumption that the Federal Government will continue, as per previous year, to advance two (2) quarter of the Financial Assistance Grants. Should the grant funding not be advanced, Grant Income will be reduced by \$550,000. The decision to advance payments from the 2022-2023 Financial year are usually made to coincide with announcements associated with the Federal Budget.

COVID-19 IMPLICATIONS

As part of the economic recovery from the COVID-19 pandemic, the Federal and State Government released a number of funding programs aimed at stimulating the economy through infrastructure spend.

The Council has been successful in receiving grant funding which will assist the Council in delivering a number of projects which are included within the 2021-2022 Annual Business Plan and Budget.

Projects where grant funding have been received under the various grant programs are detailed in Table 1 below:

TABLE 1: PROJECT GRANT FUNDING

Project Name	Project Description	2021-2022 Budget Allocation	2021-2022 Grant Funding
St Peters Street Streetscape Upgrade	<p>This project builds on the upgrades to the St Peters Precinct, which included the redevelopment of Linde Reserve-Dunstone Grove, the refurbishment of the St Peters Town Hall Complex and the St Peters Street upgrade and the Avenue of Honour from Payneham Road to Second Avenue. Once completed, St Peters Street will provide improved amenity and connection between the River Torrens Linear Park and other major focal points within the Precinct.</p> <p>The estimated project cost is \$4.5 million, which includes civil infrastructure renewal works and storm water drainage works to the value of \$1.5 million. These elements have been accounted for in the recently adopted <i>Infrastructure & Asset Management Plans</i></p> <p>The Project is scheduled to be delivered over two (2) financial years, with the estimated spend being incurred as follows:</p> <p>2021-2022 - \$2.470 million 2022-2023 - \$2.030 million</p> <p>The Council secured \$1.270 million as part of the Federal Governments <i>Local Government and Community Infrastructure Program Extension</i>.</p>	2,470,000	1,270,347
Dunstan Adventure Playground Redevelopment	<p>The Dunstan Adventure Playground is identified in a number of the Council's strategic documents as one of four Regional Level Playgrounds within the City of Norwood Payneham & St Peters.</p> <p>The objective of the Project is to design and construct a new Playground, whilst maintaining some of the key elements that are well loved by the users of this unique facility.</p> <p>The Project is scheduled to be delivered over two (2) financial years, with the detailed design to be undertaken during 2021-2022. The estimated spend being incurred as follows:</p> <p>2021-2022 - \$100,000 2022-2023 - \$900,000</p> <p>The Council has secured \$450,000 in grant funds from the State Governments <i>Open Space & Places for People Program</i>.</p>	\$100,000	\$ -
River Torrens Linear Park Shared	<p>This project involves the reconstruction of the shared path along the River Torrens Linear Park, between the intersection of Battams Road/Ninth Avenue</p>	\$2,148,000	\$1,350,000

Project Name	Project Description	2021-2022 Budget Allocation	2021-2022 Grant Funding
Path Enhancement – Stage 2	<p>Royston Park and Twelftree Reserve, Collage Park, encompassing a section of the path that passes through Dunstan Adventure Playground. The project will deliver a 2.6 km, 3.0-3.5 metre wide shared path with compliant LED lighting. This project is the continuation of Stage 1 of the River Torrens Shared Path enhancement Project which was completed in 2019.</p> <p>The estimated project cost is \$3.0 million, which includes endorsed civil infrastructure renewal works to the value of \$ 798,000. These elements have been accounted for in the recently adopted <i>Infrastructure & Asset Management Plans</i></p> <p>The Project is scheduled to be delivered over two (2) financial years, with the detailed design to be undertaken during 2021-2022. The estimated spend being incurred as follows:</p> <p style="margin-left: 40px;">2021-2022 - \$2.148 million</p> <p style="margin-left: 40px;">2022-2023 - \$0.852 million</p> <p>The Council has secured \$1,350,000 in grant funds from the State Governments <i>Open Space & Places for People Program</i>.</p>		
Payneham Swimming Centre Redevelopment	<p>This project involves the full redevelopment of the Payneham Memorial Swimming Centre, as per the Council's <i>Swimming Centres Strategy</i> and endorsed Concept Plans.</p> <p>The complete redevelopment is estimated to cost \$24 million, with the project being delivered over two (2) financial years, with the estimated spend being incurred as follows:</p> <p style="margin-left: 40px;">2021-2022 - \$ 3.0 million</p> <p style="margin-left: 40px;">2022-2023 - \$21.0 million</p> <p>The Council has secured \$5.6 million in grant funds from the State Governments <i>Local Government Infrastructure Partnership Program</i> to assist in funding the water elements of the project.</p>	3,000,000	2,800,000
Total		9,775,000	4,700,000

It should be noted that the recognition of the Grant Funding is linked to the delivery of construction activities or the achievement of key milestones as set out in the respective funding agreements.

CONSULTATION

- **Committee Members**

The Committee considered the draft 2021-2022 Annual Business Plan and Budget at its meeting held on 24 May 2021.

Cr Minney, Mayor Bria and Cr Stock, have been involved throughout the Annual Business Plan and Budget preparation process and have considered the various components of the Budget and made decisions as appropriate.

- **Community**

The community through community consultation process on the Annual Business Plan was provided the opportunity to provide feedback on the Annual Business Plan and Budget. Six (6) written submissions were received and considered by Council at its meeting held on 16 June 2021.

- **Staff**

The review of the Operating Expenditure and Special Projects and the Annual Business Plan process has been completed with the involvement of the Chief Executive Officer, General Managers and the various Responsible Officers.

- **Other Agencies**

Nil.

DISCUSSION

The 2021-2022 Annual Business Plan and Budget has been developed during a period in which the State is recovering from the economic and social impacts of the COVID-19 pandemic. As a level of Government, the Council was conscious of its role in the economic recovery from the COVID-19 pandemic, as such the focus has remained on ensuring that the Council not only maintains the service standards for its existing range of services to support the delivery of the strategic objectives, the 2021-2022 Annual Business Plan and Budget commits to a number of large scale infrastructure projects.

With a Rate Revenue increase of 4.35%, combined with the extensive Capital Program, the Budget will, deliver a Cash Deficit of \$1.621 million, after Principal loan repayments of \$931,000 and new borrowings of \$8.2 million. The closing cash balance at the 30 June 2022, is projected to be \$1.359 million.

Given the nature of the infrastructure projects planned to be undertaken over the coming financial years, to minimise the interest cost and cash required to meet principal loan repayments, it is proposed that Convertible Cash Advance Debenture (CAD) loan facilities that the Council be utilised during construction. In addition to the existing CAD Facilities of \$10.5 million, the Local Government Finance Authority has made available (upon application) a \$5.6 million CAD facility specifically for the Payneham Memorial Swimming Centre redevelopment.

Table 2 below provides a summary of the key elements of the 2021-2022 Budget.

TABLE 2: 2021-2022 BUDGET

	2021-2022
Rate Revenue Increase	4.35%
Revenue Growth from New Development	\$341,000
Operating Surplus	\$471,000
Underlying Operating Surplus *	\$875,000
Expenditure on continuing services and programs (excluding Regional Landscape Levy)	\$33.447 million
Expenditure on new initiatives and strategic operating projects (including Carry-forward projects)	\$955,000
Total Capital Works Program (including Carry-forward projects)	\$26.972 million
Non- Rate Operating Revenue (including Roads-to- Recovery Grant Funding)	\$9.268 million
Net General Rate Revenue (excluding Regional Landscape Levy)	\$36.424 million
Regional Landscape Levy **	\$1.387 million
Capital Grant Funding	\$5.541 million

* excludes carry forward expenditure (\$203,000) and Net loss on Joint Ventures (\$201,000)

** The Council is acting as a revenue collector for the Green Adelaide Board in this regard and does not retain this revenue.

Rating Strategy

The Council's Long Term Financial Plan, sets out the Councils Financial Goal, which is to be a *City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner*. To achieve this, a number of Financial Outcomes and financial targets have been established, one being Rate Stability. The Council has defined Rate Stability to mean *Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term*. The average rate revenue increase over the past 5 years is 2.75%, which is at the lower end of the Rate Revenue target, set out in the Councils Long Term Financial Plan. For the same period, the average residential rate increase is 1.85%, with the average Commercial Rate increasing by 0.52%.

As such, from a financial management perspective, the Council has clearly delivered on its financial objectives.

Details of the adopted Rating Strategy are detailed in Table 3 below:

TABLE 3: RATING STRATEGY

	2021-2022
Rate Revenue Increases	4.35%
	\$'000
Gross General Rate Revenue	\$37,239
Net Increase on Previous Year	\$1,566
Operating Surplus/(Deficit) after rate revenue increases	471
Residential Rate	
Average Rate	\$1,563
Average Rate Difference	\$54
Increase from previous year	3.57%
Rate-in-the-Dollar	0.0022778
Increase from previous year	1.98%
Commercial Rate	
Average Rate	\$2,649
Average Rate Difference	\$53
Increase from previous year	2.02%
Rate-in-the-Dollar	0.0027332
Increase from previous year	1.98%
Minimum Rate	\$1,068
Percentage of Assessment on Minimum Rate	29.8%

For the 2021-2022 financial year, the “*average residential property*” is valued at \$686,000, compared to the 2020-2021 “*average residential property*” value of \$675,000. The average residential rate increase takes into account the impact of the change in capital value of the “*average residential property*” plus the increase in the rate-in-the-dollar. For the 2021-2022 financial year, the increase in the rate-in-the-dollar is 1.98%, which for the “*average residential property*” is \$30.32 per annum, with the increase in rates payable from the change in capital value is 1.6%, which translates to a \$24.05 per annum increase.

It should be noted that 59.4% of residential properties have had no change in their property value, as such, the rate increase for this year will be 1.98%, which for the “*average residential property*” is \$30.32.

OPTIONS

Nil

CONCLUSION

Through the adoption of the Long Term Financial Plan, the Council has a clear strategy of achieving financial sustainability. Financial sustainability means having a financial position capable of meeting long term service and infrastructure levels and standards, which are acceptable to the community plus having the financial capacity to meet its financial obligations from cash generated from operations or cash reserves.

As the State recovers from the economic impact of the COVID-19 pandemic, the Council is conscious of the role it plays in the economic recovery. As such, the 2021-2022 Annual Business Plan and Budget commits to a number of large scale infrastructure projects, which will not only increase the level of Community Well-being but will also assist in creating jobs for the State and the local community. The Council has also confirmed its commitment to ensuring the maintenance and renewal of its significant asset base is maintained, as well as providing the services, programs and facilities which the community expects the Council to fund from the revenues which is raised.

The Annual Business Plan and Budget, which is contained in **Attachment A**, also takes into account the on-going cost of living pressures and the community concern about the affordability of Council services, with appropriate increase of 1.98% in the Rate-in-the Dollar, with an Average Residential Rate increase of \$53 (3.57%), which takes into account the change in the value of the “*average residential property*”.

COMMENTS

If Committee Members have any questions or require clarification in relation to specific budget items, and/or any issues raised in this report, do not hesitate to contact the General Manager, Corporate Services, Sharon Perkins on 8366 4585, prior to the meeting.

RECOMMENDATION

That the report be received and noted.

Ms Sandra Di Blasio moved:

That the report be received and noted.

Seconded by Cr Stock and carried unanimously.

6.4 INTERNAL CONTROL AND RISK MANAGEMENT ASSESSMENT

REPORT AUTHOR: Management Accountant
GENERAL MANAGER: General Manager, Corporate Service
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA75186/A201433
ATTACHMENTS: A - C

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with an update on the status of the Council's major risks and the assessment of the Council's Internal Controls.

BACKGROUND

The 2019-2020 Audit Committee Work Program requires the Committee to:

- a. *Identify whether weaknesses in internal controls have been previously identified, e.g. by management or Council's external auditor, and if so whether action has been taken to have them addressed:*
 - *consider the range of documented internal control policies and procedures; and*
 - *whether they are being followed.*
- b. *Develop and monitor the delivery of the Council's Strategic Internal Audit Plan by:*
 - *meeting with the Council's Internal Auditors to discuss any points of concern raised by the Internal Auditor, as part of the delivery of the Strategic Audit Plan;*
 - *assessing the appropriateness of the Council's response to matters raised in the Internal Audit Reports; and*
 - *annually review the appropriateness of the Council's three (3) year Strategic Internal Audit Plan.*
- c. *Review Management's assessment of Council's major risks.*
- d. *Establish whether locally appropriate strategies exist to minimise the likelihood of occurrence and adverse consequence for obvious and major risks. Consider:*
 - *whether an assessment has been undertaken to identify foreseeable events with potentially catastrophic consequences and actions established to minimise their likelihood and effect*
 - *whether a business continuity plan has been developed in case of major damage to key Council properties or other, (e.g. computer, assets);*
 - *whether there are significant risks that have been identified by Council's insurers that have not been reasonably addressed and therefore could jeopardise insurance cover in this regard; and*
 - *adequacy of insurance coverage.*

At its meeting held on 15 October 2010, the Audit Committee requested that Risk Management be a standard item on its agenda and that a brief report be prepared for each meeting confirming that the risks remain current and that the identified existing controls remain in place.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Additional funding may be required to complete the work which has been requested by the Audit Committee, depending on the nature and timeframes which are set for any further work required to be undertaken.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Refer to Financial Implications above.

RISK MANAGEMENT

The risks identified to be managed are contained in **Attachment B**.

CONSULTATION

- **Committee Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Where Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

Risk Management Assessment

Following the risk review and risk workshop held on 11 September 2019, eight (8) strategic risks and thirteen (13) operational risks were identified. Upon review of the nature of the risks and the existing controls which are in place, five (5) strategic risks and three (3) operational risks were identified with a target risk greater than the residual risk. To reduce the risk to the target risk rating, a number of treatment plans were identified to mitigate against the risks. The status of the risks requiring additional mitigation strategies and controls is contained in **Attachment A**.

Internal Audit

The Council has in place a three (3) year Strategic Internal Audit Plan (the Plan) which, following the recommendation of the Audit Committee, was adopted by the Council on 4 November 2019.

Contract Management was identified as part of the risk review undertaken in September 2019, as an Operational Risk that required a treatment plan to reduce the residual risk, which was rated "High". To address this risk and in-line with the 2020-2022 Internal Audit Plan, the Council has undertaken a review of the Councils process to Contract Management with a view to implement a Contract Management Framework, similar to the Procurement Framework implemented in 2019.

The scope of the review included three stages:

- Stage 1: Health Check, which involved a review of the current contract management process in place;
- Stage 2: Gap Analysis which identifies areas of improvements; and
- Stage 3: Contract Management Framework Development Recommendations.

The report, which provides a road map for the Council to undertake to develop a Contract Management Framework is contained in **Attachment B**.

It was identified as part of the Health Check that the Council does not have a specific Contract Management Policy. A draft policy has been prepared, which is contained in **Attachment C** for consideration and endorsement.

OPTIONS

Nil

CONCLUSION

Nil

COMMENTS

Nil

RECOMMENDATION

1. That the report be received and noted.
 2. That the Audit Committee recommends to the Council that the Contract Management Policy as contained in **Attachment C** be adopted.
-

Cr Stock moved:

1. *That the report be received and noted.*
2. *That the Audit Committee recommends to the Council that the Contract Management Policy as contained in Attachment C be adopted.*

Seconded by Ms Sandra Di Blasio and carried unanimously.

6.5 2021-2022 INSURANCE COVERAGE AND 2020-2021 INSURANCE CLAIMS

REPORT AUTHOR: Management Accountant
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4541
FILE REFERENCE: qA75186/A199905
ATTACHMENTS: A-B

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with information regarding the Council's 2021-2022 Insurance Coverage and details of the insurance claims which have been made against the Council for the 2020-2021 Financial Year.

BACKGROUND

The Council's Insurance Coverage is placed with Local Government Risk Services (LGRS). LGRS was established to manage and service the unique insurance and risk management needs of Local Government in South Australia. LGRS comprises of number of self-managed funds, namely the Asset Mutual Fund, Mutual Liability Scheme and Workers compensation scheme.

Claims which are made against the Council are assessed by the Council's Insurers, the Local Government Risk Services, under one of the following insurance policies;

- Public Liability (Mutual Liability Scheme); or
- Asset Mutual Fund (includes Motor Vehicle Claims).

Both the Local Government Mutual Liability Scheme (Mutual Liability) and the Local Government Asset Mutual Fund (Asset Mutual Fund), are self-insured funds managed and operated by Local Government Risk Services. The Mutual Liability Scheme is an indemnity scheme that has been established pursuant to Schedule 1, Part 1 2(1) (a) of the *Local Government Act 1999* and provides unlimited civil liability. The Asset Mutual Fund has been established pursuant to Schedule 1, Part 1 2(1) (c) of the *Local Government Act 1999*.

It should be noted that the Mutual Liability Scheme is not a commercial insurance policy, but rather provides civil liability cover to Councils based on negligence, not merely as to whether damage or injury has occurred.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Insurance Coverage

For the 2021-2022 Financial year, the value of insurance premiums is \$1,637,540. The breakdown of premiums for each policy is set out in Table 1 below:

TABLE 1: INSURANCE PREMIUMS

Policy	Premium \$
Workers Compensation Scheme (Workers Compensation)	662,807
Mutual Liability Scheme (Public Liability Insurance)	399,559
Asset Mutual Fund (Asset Insurance)	336,518
Income Protection Fund	214,036
Journey Insurance	13,579
General & Products Liability	9,272
Personal Accident	1,769
Total	1,637,540

Both the Workers Compensation Scheme and Mutual Liability Scheme provide performance rebates based on prior year's performance of the Council's claims performance and audits and the overall performance of the funds. The performance bonuses received for the 2021-2022 financial year are \$211,436 from Workers Compensation Scheme and \$117,482 from the Mutual Liability Fund. Net of performance bonuses, the 2021-2022 insurance cost is \$1.309 million.

Insurance Claims

For the 2020-2021 financial year, the Council paid insurance excess payments of \$19,851 on claims finalised during the year. The excess payments relates to eleven (11) Motor Vehicle claims, three (3) Public Liability claims and sixteen (16) Asset claims.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Having in place appropriate insurance policies is a key element of the Council's Risk Management framework. Pursuant to Section 142 (1) of the *Local Government Act 1999*, the Council must take out and maintain insurances to cover civil liabilities.

The Council is a member of the Local Government Association Mutual Liability Scheme, which constitutes insurance for the purposes of Section 142 of the Act.

The Council insures other risks with Local Government Risk Services.

CONSULTATION

- **Committee Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

2021-2022 Insurance Coverage

The Council has in place the following insurance policies, which have been renewed for the 2021-2022 Financial year.

LGA Asset Mutual Fund

The Asset Mutual Fund provides coverage for Council owned properties including but not limited to, Buildings, Structures, Plant, Machinery, Contents of every description, Motor Vehicles and Mobile Plant. Cover for the Council's property and contents under the Asset Mutual Fund, are required to be at replacement value of the respective assets in a condition and construction in an "as new state".

Under the current policy, damage to roads, footpaths and kerbing infrastructure is not covered by the Asset Insurance Policy. Neither this Council, nor any other Council in the South Australia, purchases insurance for their respective Civil Infrastructure Network. The basis for this decision is that due to the significant value of the Civil infrastructure Network which Local Government is responsible for, the increase in premium cost would significantly outweigh the likely cost of any claim and therefore is uneconomical to cover.

Income Protection Fund

The Income Protection Fund provides Income Protection and Capital benefits coverage to the City of Norwood, Payneham & St Peters for and on behalf of staff. The scope of the cover under this Policy includes:

- Capital Benefits for Death and Permanent Total Disablement (Accidents other than Journey claims); and
- weekly benefits for All Illness or Injury (not covered by the Workers Compensation Scheme).

General and Products Liability

The General & Products Policy provides coverage to the City of Norwood, Payneham & St Peters on behalf of:

- all uninsured *ad hoc* or occasional hirers of Norwood Concert Hall and *other* Council owned or controlled facilities;
- all regular user groups (as declared) of Council owned or controlled facilities; and
- skip bins placed on Council land.

for Death or Personal Injury and Loss or Damage to Property happening during the Period of Insurance and caused by an occurrence in connection with the hire of the Council facility.

It should be noted that the General and Products Liability for ad-hoc hirers and declared regular hirers, is only available to hirers who would not otherwise have liability insurance, (i.e. small community groups, private hires such as family gatherings).

Additional cover is also provided to the Staff Social Club, participants of the Norwood Christmas Pageant and buskers who are permitted to operate within the City and who would not otherwise have liability insurance.

Personal Accident

Personal Accident Insurance provides coverage for Death and Total or Partial Disablement for the Insured Parties listed below, whilst engaged in any activity directly or indirectly connected with or on behalf of the City of Norwood, Payneham & St Peters (i.e. undertaking official duties) including travel to and/or from any such activity. Persons covered by the Policy are:

- a. Elected Members and their accompanying Partners/Spouses.
- b. Employees and their accompanying Partners/Spouses, (excluding claims where the employee is entitled to benefits under any Workers Compensation legislation)
- c. Volunteers whilst engaged in any voluntary work directly or indirectly connected with or on behalf of the Council, including individual members of any Trust or Committee formed by Council.
- d. Persons whilst engaged in any Government Labour Market, Training or Job Creation Projects.
- e. Members of the Council's Development Assessment Panel and Audit Committee.

Journey Injury

Journey Injury Insurance provides coverage for Bodily Injury to Employees whilst engaged in a journey to and from their place of residence and place of work and between a place of training and place of work. The cover has been extended to provide coverage for Bodily Injury to Employees for private travel, whilst they are driving or riding as a passenger in a registered motor vehicle or motorcycle, bicycle or wheelchair on a public thoroughfare; or riding as a fare paying passenger in any form of public transport including but not limited to trains, trams, buses and taxis or any properly licensed aircraft travelling over recognised air routes.

A summary of each insurance policy is contained in **Attachment A**.

Public Liability

The Council is a member of the Local Government Mutual Liability Fund. This covers the Council's risk associated with people tripping over on footpaths, falling trees, etc. This cover is unlimited and the policy is an all Civil Liability cover and takes into account public liability, professional indemnity, director and officer indemnity and any other action in which the Council may be sued. The Local Government Association Mutual Liability Scheme (LGAMLS) is not a commercial insurance policy, but provides civil liability cover to Councils based on negligence, not merely as to whether damage or injury has occurred.

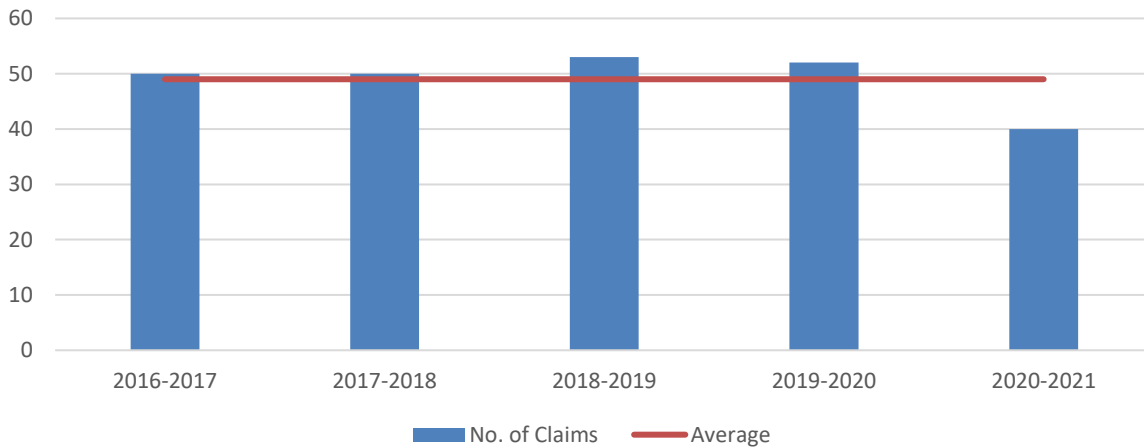
Workers Compensation

The Council is a member of the Local Government Workers Compensation Scheme. This is a self-funded Scheme which provides cover for employees injured in a work related accident.

2020-2021 Insurance Claims

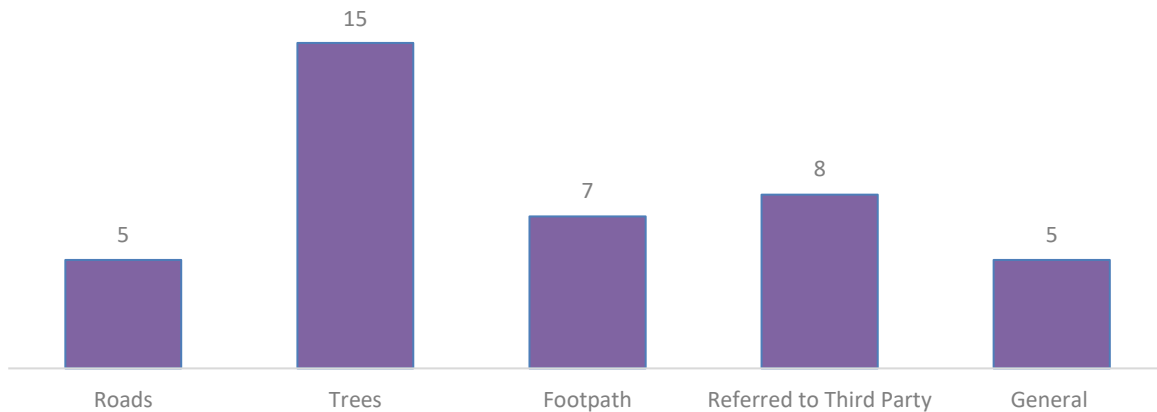
For the 2020-2021 financial year, forty (40) claims were lodged against the Council under the Mutual Liability Scheme. As illustrated in Figure 1 below, the number of claims lodged in 2020-2021 is below the five (5) year average of 49 claims.

FIGURE 1: NUMBER OF PUBLIC LIABILITY CLAIMS



The nature of the claims, is illustrated in Figure 2 below. For the 2020-2021 Financial year the reduction in the number of claims have been driven by footpath claims associated with trips and falls and damage which is alleged to have been caused by street trees.

FIGURE 2: NATURE OF CLAIMS FOR 2020-2021



It should be noted that Councils are afforded immunity from civil liability under the *Civil Liability Act 1936*. Pursuant to Section 42 of the *Civil Liability Act 1936*, a road authority is not liable in tort for failure to maintain, repair, or renew a road or to take action to avoid or reduce the risk of harm that results from the failure to maintain, repair or renew a road. The definition of a road also includes bridges, alleys, laneways, carparks, footpaths and any structure associated with a road. In this instance, Local Government can claim immunity for public liability claims that are associated with the Council roads, footpaths and kerbs. Unless the loss is a result of negligence on the Council's behalf, the Council will claim the immunity afforded by the Act.

In addition, the *Local Government Act 1999*, provides Councils with immunity from liability for damage and loss to property caused by street trees (or trees on reserves). Pursuant to Section 245 of the *Local Government Act 1999*, the Council is not liable for damage which results from planting a tree in a road or the existence of a tree growing in the road. Having said that, if the Council has been made aware of a risk of damage that a street may pose and the Council fails to take action, the Council may be liable for damage and or loss.

Of the claims which have been lodged during 2020-2021, twenty-four (24) claims were denied, with thirteen (13) being denied through the application of Section 245 of the *Local Government Act 1999* and eleven (11) denied under Section 42 of the *Civil Liability Act 1936*. Of the remaining sixteen (16), eight (8) were referred to third parties as the claim either related to damage or loss that occurred on non- Council owned property, or was caused by persons other than the Council, (i.e. contractors engaged by the Council), one (1) was denied due to no evidence being presented which identified that the Council was responsible for the damage. One (1) claim was settled for a damage to vehicle resulting from a stormwater drain cover.

Six (6) claims are still in the process of being investigated and assessed.

Details of the claims are contained in **Attachment B**.

With respect to claims under the Asset Mutual Fund, thirty-three (33) claims have been made. The breakdown of the claims is detailed in Table 2 below;

TABLE 2: ASSET MUTAL FUND CLAIMS

Nature of Claim	Number of Claims
Damage or loss to Council owned Property	21
Motor Vehicle Claims	
• Collided with Parked Car	1
• Collided with Stationary Object (i.e. pole, gate etc.)	3
• Sideswiped by third party vehicle	4
• Collision with third party vehicle	3
• General	0

OPTIONS

Not Applicable.

CONCLUSION

Nil

COMMENTS

Nil

RECOMMENDATION

That the report be received and noted.

Cr Stock moved:

That the report be received and noted.

Seconded by Ms Brigid O'Neill and carried unanimously.

6.6 FINANCE POLICIES

REPORT AUTHOR: Accountant
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA75186/A198855
ATTACHMENTS: A - D

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee finance policies which have been reviewed, for consideration and endorsement prior to being presented to the Council for adoption.

BACKGROUND

Pursuant to Section 125 of the *Local Government Act 1999*, the Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the Council to:

- carry out its activities in an efficient and orderly manner to deliver on its objectives;
- ensure adherence to management policies;
- safeguard the Council's assets; and
- secure (as far as possible) the accuracy and reliability of the Council's records.

The Audit Committee Work Program requires the Audit Committee to review the appropriateness of the range and content of the Council's financial policies and practices.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Documentation of policies relating to the Council's financial transactions improves transparency and ensures consistent treatment over subsequent reporting periods, subject to changes in Accounting Standards and or legislation.

CONSULTATION

- **Committee Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Nil
- **Other Agencies**
Not Applicable.

DISCUSSION

In accordance with the Finance Policy Timetable, a review of finance policies, as contained in **Attachment A** to **D**, has been undertaken. Following the review, the proposed amendments to the policies, as detailed in Table 1 below, are presented to the Committee for consideration and recommendation to the Council for adoption, subject to any amendment which may be considered appropriate by the Audit Committee.

TABLE 1: PROPOSED POLICY AMENDMENTS

Policy	Details of Proposed Amendment
Asset & Land Disposal Policy (Attachment A)	No changes are recommended.
Asset Impairment Policy (Attachment B)	No changes are recommended
Asset Revaluation Policy (Attachment C)	No are changes recommended
Salaries and Wages Administration Policy (Attachment D)	The Council's Municipal Officers Enterprise Agreement and Local Government Employees Enterprise Agreement are renegotiated every three years. The policy has been updated to reflect the current Enterprise Agreements; <ul style="list-style-type: none">• The City of Norwood Payneham & St Peters Municipal Officers Enterprise Agreement (No.8); and• The new City of Norwood Payneham & St Peters Local Government Employees Enterprise Agreement (No.8)

OPTIONS

The Policies can be recommended to the Council for adoption with or without amendment.

CONCLUSION

To ensure compliance with Section 125 of the Act, the Council must have in place appropriate policies, practices and procedures which assist the Council to carry out its activities in an efficient and orderly manner. It is important to ensure that the policies adopted by the Council are regularly reviewed to ensure that they reflect the current operating environment and continue to meet the Council's overall objectives.

COMMENTS

Nil

RECOMMENDATION

1. That the Audit Committee notes that the following policies have been reviewed and notes that no amendments are recommended.
 - Asset & Land Disposal Policy;
 - Asset Impairment Policy;
 - Asset Revaluation Policy.
 2. That the Audit Committee notes that the Salaries and Wages Administration Policy has been reviewed and notes that minor administrative amendments are recommended.
 3. That the Audit Committee recommends to the Council that the following policies be adopted.
 - Asset & Land Disposal Policy (**Attachment A**);
 - Asset Impairment Policy (**Attachment B**);
 - Asset Revaluation Policy (**Attachment C**);
 - Salaries & Wages Administration Policy (**Attachment D**).
-

Mayor Bria moved:

1. *That the Audit Committee notes that the following policies have been reviewed and notes that no amendments are recommended.*
 - *Asset & Land Disposal Policy;*
 - *Asset Impairment Policy;*
 - *Asset Revaluation Policy.*
2. *That the Audit Committee notes that the Salaries and Wages Administration Policy has been reviewed and notes that minor administrative amendments are recommended.*
3. *That the Audit Committee recommends to the Council that the following policies, as amended to reflect the change in endorsement date from 26 July 2021 to 10 August 2021, be adopted.*
 - *Asset & Land Disposal Policy (Attachment A);*
 - *Asset Impairment Policy (Attachment B);*
 - *Asset Revaluation Policy (Attachment C);*
 - *Salaries & Wages Administration Policy (Attachment D).*

Seconded by Ms Brigid O'Neill and carried unanimously.

7. CONFIDENTIAL REPORTS
Nil

8. OTHER BUSINESS
Nil

9. NEXT MEETING
Monday 25 October 2021

10. CLOSURE

There being no further business the Presiding Member declared the meeting closed at 7.53pm.

Cr John Minney
PRESIDING MEMBER

Minutes Confirmed on _____
(date)