

NOTICE OF MEETING

Notice is hereby given that a meeting of the Audit Committee will be held via

Electronic means in a virtual waiting room

The meeting will be live streamed via a link on our website:

<https://www.holdfast.sa.gov.au/council/council-meetings>

Wednesday 6 May 2020 at 6.00pm



Roberto Bria
CHIEF EXECUTIVE OFFICER

Audit Committee Agenda

1. OPENING

The Presiding Member, Councillor Smedley will declare the meeting open at 6.00 pm.

2. APOLOGIES

2.1 Apologies received

2.2 Absent

3. DECLARATION OF INTEREST

If a Member has an interest (within the terms of the Local Government Act 1999) in a matter before the Committee they are asked to disclose the interest to the Committee and provide full and accurate details of the relevant interest. Members are reminded to declare their interest before each item.

4. CONFIRMATION OF MINUTES

Motion

That the minutes of the Audit Committee held on 5 February 2020 be taken as read and confirmed.

Moved _____, Seconded _____

Carried/lost

5. PRESENTATION

5.1 Draft Annual Business Plan

6. ACTION ITEMS - Nil

7. REPORTS BY OFFICERS

7.1 Standing Items (Report No: 109/20)

7.2 COVID – 19 Update (Report No: 111/20)

8. URGENT BUSINESS – Subject to the Leave of the Meeting

9. CONFIDENTIAL ITEMS

10. DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee will be held on Monday 25 May 2020 via electronic means in a virtual meeting room at 6.00pm

11. CLOSURE

A handwritten signature in blue ink, appearing to be 'Roberto Bria', is written over the word 'CLOSURE'.

**ROBERTO BRIA
CHIEF EXECUTIVE OFFICER**

Item No: 7.1
Subject: **STANDING ITEMS – MAY 2020**
Date: 6 May 2020
Written By: Manager Financial Services
General Manager: Strategy and Business Services, Ms P Jackson

SUMMARY

The Audit Committee is provided with a report on standing items at each ordinary meeting.

RECOMMENDATION

That the Audit Committee advises Council it has received and considered a Standing Items Report addressing:

- **Monthly financial statements**
 - **Risk Management and Internal control**
 - **Audit – External/Internal**
 - **Public Interest Disclosures – previously Whistle-Blowing**
 - **Economy and efficiency audits**
 - **Audit Committee Meeting Schedule**
-

COMMUNITY PLAN

Culture: Enabling high performance
Culture: Being financially accountable
Culture: Supporting excellent, efficient operations

COUNCIL POLICY

Not applicable

STATUTORY PROVISIONS

Local Government Act 1999, Sections 41 and 126
Public Interest Disclosure Act 2018

BACKGROUND

The Audit Committee has previously resolved that a report be included in the agenda of each meeting of the Committee addressing the following standing items:

- Monthly financial statements
- Risk management and Internal Controls
- Audit – External/Internal
- Public Interest Disclosures – previously Whistle-Blowing
- Economy and efficiency audits

Also included in this Standing Items report is an item to formally advise the Committee of the outcomes of its recommendations and advice to Council. This is aimed at ‘closing the communication loop’ between the Committee and Council.

REPORT

Monthly Financial Reports

Members of the Committee receive copies of the monthly financial reports as soon as practical after they are provided to Council.

Financial reports for Municipal and Alwyndor operations for the months ended 31 December 2019, 31 January 2020 and 29 February 2020 were considered by Council at its meetings on 11 February 2020, 25 February 2020 and 24 March 2020 respectively. Members of the Committee have received copies of the reports.

The budget update result for the period ended 31 March 2020 was considered by Council at its meeting on 28 April 2020. Members of the Committee received this report (105/20) prior to the Council meeting. The report showed a deteriorating financial position for both Council and Alwyndor operations due primarily to the impact of COVID-19 pandemic and increased agency and contractual costs for Alwyndor operations due to accreditation and increased training requirements.

Risk Management

Administration is not aware of any material changes (besides the COVID-19 impact) to Council’s risk profile not otherwise disclosed since the previous Standing Items Report on 5 February 2020. Council administration is currently undertaking a review of the Strategic Risk Register in light of the COVID-19 pandemic. The outcome of the review will be brought back to a future meeting.

Internal Controls

Administration is not aware of any material changes to Council’s internal controls not otherwise disclosed since the previous Standing Items report on 5 February 2020.

External Audit

The term of Council's external auditor will be completed when the 2019/20 financial year audit is finalised and is expected to be during October 2020. The committee has previously resolved that external audit services be put to tender prior to the commencement of the work required for the 2020/21 financial year (Report 137/19). This work is expected to commence in early 2021.

Committee members have received information about and provided feedback on the select tender process and specification for the service during April. The selected firms have been invited to submit their proposals by the 18 May 2020. A tender review panel including the Presiding Member, General Manager, Strategy and Business, Manager Financial Services, General Manager Alwyndor, and Manager Finance – Alwyndor will assess and summarise the submissions. This information will be reported to the next audit committee meeting to determine a short list for interviewing by the committee.

Internal Audit

As part of the Internal audit program Galpins undertook an internal financial control monitoring program during April 2020. The methodology and outcomes of this review is attached.

Refer attachment 1

The outcome identified a number of controls for inclusion in the Control Self-Assessment Program (CSA). This resulting in a reduction in the number of controls in the CSA program for Council municipal operations from 257 to 88. These are listed in appendix 1 in the attached document.

A similar exercise has been conducted for Alwyndor operations with a reduction in the number of controls from 178 to 81 and are listed in the attachment.

Refer attachment 2

The controls will be assessed and reviewed during May/June and a report will be provided to the audit committee when completed.

Public Interest Disclosures

On 1 July 2019 the *Public Interest Disclosure Act 2018* came into effect replacing the *Whistleblowers Protection Act 1993*. The new laws strengthen transparency and accountability across government by establishing a scheme that encourages and facilitates the appropriate disclosure of public interest information to certain persons or authorities. Council has endorsed the Public Interest Disclosure Policy aligned to the model policy provided by the Local Government Association.

There have been no public interest disclosures made to Council since the previous standing items report on 5 February 2020.

Sec 130A Economy and Efficiency Audits

Council has not initiated any review pursuant to section 130A of the *Local Government Act* since the previous Standing Items Report on 5 February 2020.

Council Recommendations

At its meeting on 11 February 2020 Council received the minutes and endorsed the recommendations of the special meeting held on 4 December 2019. At its meeting on 25 February 2020 Council received the minutes and endorsed the recommendations of the special meeting held on 5 February 2020.

2020 Meeting Schedule

The Audit Committee's terms of reference require it to meet at least 4 times each year and at least once each quarter. During 2020 meetings have been set to align with the two important financial programs in which the Audit Committee plays important roles:

- Development of the annual business plan and budget
- Completion of the annual financial statements, external audit and annual report.

In order to accommodate the above reporting requirements the following ordinary meeting schedule is proposed for 2020:

- Monday 25 May 2020
- Wednesday 26 August 2020
- Wednesday 7 October 2020.

BUDGET

This report does not have any budget implications.

LIFE CYCLE COSTS

This report does not have any full life cycle costs implications.

Attachment 1



Galpins

Accountants, Auditors & Business Consultants

City of Holdfast Bay Internal Financial Control Monitoring Methodology

Mount Gambier

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Contents

1.1 Introduction and Context	3
1.2 Methodology for Selection of Controls to be Monitored	5
Output 1 - Identification of Key Business Cycles and Risks	6
Key Business Cycles	6
Rationale for Key Business Cycle Selection	7
Output 2 - Identification of Specific Internal Controls to be Monitored	8
1.3 Number of Controls to be Included in Control Self-Assessment (CSA) Program	10
Appendix 1 – Listing of Controls to be Included in CSA	11

Version Control

Version	Date
1.1	16/04/2020
1.2	30/04/2020

1.1 Introduction and Context

This section provides an overview of the methodology to be applied by Council in undertaking its internal financial control monitoring program.

There are 5 key components of internal control which are expected to be present, functioning effectively and working together, namely:

- ✓ **Control Environment**
- ✓ **Risk Assessment**
- ✓ **Control Activities**
- ✓ **Information and Communication**
- ✓ **Monitoring Activities**

This methodology applies only to the 5th component of internal control – Monitoring Activities. These activities, whilst important, are not the primary consideration of effective internal control, and must be resourced effectively but not excessively. With this in mind, this methodology is a risk based methodology which seeks to ensure that Council is prioritising the focus of its monitoring activities towards the most significant risks. This methodology also seeks to target monitoring at controls for which monitoring activities provide the greatest value to Council in terms of both risk management and continuous improvement.

The internal controls environment is not static, and the risks being mitigated by the control environment are not static. As such, the internal financial control monitoring program is reassessed annually prior to conducting reviews to ensure that monitoring activities remain targeted at the appropriate risks.

The Three Lines of Defense Model

The Three Lines of Defense Model provides a framework for viewing risk management as a series of components which build upon each other to provide layers of defense to manage risk.

The first line of defense contains functions that own and manage risk, with the responsibility to maintain controls, identify and manage risks and implement corrective actions for control deficiencies. The second line contains functions that oversee risk and with responsibility to monitor the 1st line and ensure it is properly designed, in place and operating as intended. The third line provides independent assurance i.e. internal audit. The three lines of defense are internal to Councils, and are supported by external components including external audit and LGA Guidance.

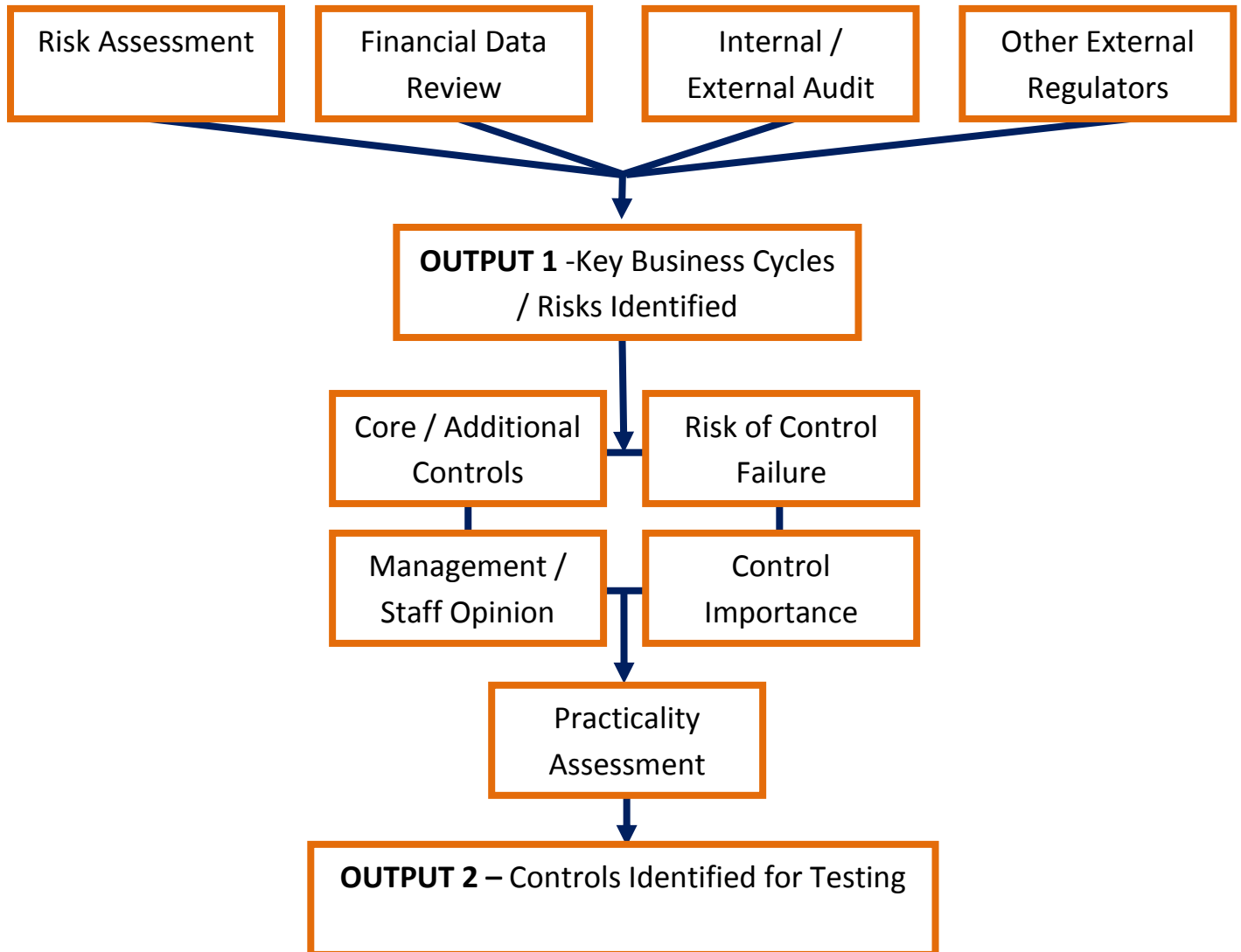
Monitoring activities form an important component of Council’s lines of defense for managing risk. The *Better Practice Model – Internal Financial Controls for South Australian Councils* identifies monitoring activities as being within the second line of defense for Councils. Importantly, monitoring activities such as Control Self-Assessment form only part of the Councils overall risk management strategy, and should be risk based so as not to be over-resourced.



Source: SALGFMG Better Practice Model –Internal Financial Controls for South Australian Councils published April 2017

1.2 Methodology for Selection of Controls to be Monitored

The following Diagram illustrates the methodology used to select control activities for inclusion in Council’s control monitoring program. Details of each component of the methodology are provided in the following pages.



Output 1 - Identification of Key Business Cycles and Risks

The results of this assessment determine the key business cycles, and key risks within these business cycles, that will be the focus of the control self-assessment program.

Risk Review – A review of Council’s inherent risk assessment for internal financial controls is performed to identify key financial risks, focusing on extreme and high risk.

Financial Data Review – A high level financial statement review is performed to identify key accounts and transaction streams. The Long Term Financial Plan and Annual Business Plan are reviewed to identify financial trends (e.g. increases in borrowings, changes to relative materiality, major projects being undertaken, etc) that might justify the need to recalibrate focus across different business cycles.

Internal / External Audit Results Review – The findings and recommendations of internal / external financial audits are reviewed to identify known areas of weakness, and areas known to be attracting audit attention.

Other External Regulators – Consideration is given to the activities of other external regulators including the Auditor General’s Department (AG) and Independent Commissioner Against Corruption (ICAC) to identify potential focus areas for these entities.

Key Business Cycles

The following key business cycles have been identified for inclusion in Council’s monitoring activities to ensure effective risk management:

- **Banking**
- **Debtors**
- **Fixed Assets**
- **Investments**
- **Loans / Grants to Clubs / Community Groups**
- **Credit Cards**
- **Payroll**
- **Purchasing and Procurement**
- **Contracting**
- **Governance**
- **Accounts Payable**
- **Borrowings**
- **Employee Provisions**
- **Grants**
- **Rates/ Rate Rebates**
- **Receipting**
- **User Pay Income- Fee for Service**
- **Budgets**
- **General Ledger**

Rationale for Key Business Cycle Selection

The following table summarises the rationale for including or excluding business cycles:

Business Cycle	Included / Excluded	Rationale
Banking	Included	Includes high risks and fraud risks.
Cash Floats and Petty Cash	Excluded	No high or moderate risks or material balances.
Debtors	Included	Includes high risks. CSA finding in previous review.
Fixed Assets	Included	Includes high risks. Material item.
Inventory	Excluded	No high risk, no material balances. CSA finding in previous review related to stocktakes, but low value and risk.
Investments	Included	No high risks, but involves some material deposit balances.
Loans / Grants to Clubs / Community Groups	Included	No high risks, but involves political / reputational risk.
Prepayments	Excluded	No high or moderate risks or material balances.
Project Costing	Excluded	No high risks, no major projects currently underway. Budget, contracting and procurement controls addressed within other business cycles.
Credit Cards	Included	ICAC / AGD focus area.
Elected Members Expenses	Excluded	No high risks or material balances.
Employee Reimbursements	Excluded	No high risks or material balances. Employee expense claim controls reviewed in AP business cycle.
Other Expenses	Excluded	No high or moderate risks or material balances.
Payroll	Included	Includes high risks. Material item.
Purchasing and Procurement	Included	Includes high risks and fraud risks. Material item.
Contracting	Included	Includes high risks and fraud risks.
Governance	Included	Includes high risks and fraud risks.
Accounts Payable	Included	Includes high risks and fraud risks.
Accrued Expenses	Excluded	No high or moderate risks or material balances.
Borrowings	Included	Includes high risks. LTFP anticipates increased borrowings.
Employee Provisions	Included	Includes high risks.
Taxation	Excluded	No high risks or material balances.
Unused Grant Funding	Excluded	No high risks or material balances.
Grants	Included	Includes high risks. Material Revenue item. CSA finding in previous review.
Investment/Interest Income	Excluded	No high or moderate risks or material balances.
Other Revenue	Excluded	No high or moderate risks or material balances.
Rates/Rate Rebates	Included	Includes high risks. Material Revenue item.
Receipting	Included	Includes fraud risks.
User Pay Income - Fee for Service	Included	No high risks, but includes some fraud risk and reputational risk.
Budgets	Included	Includes high risks.
General Ledger	Included	Includes high risks and fraud risks. CSA finding in previous review. External Audit report raised some findings re system access.
Management Reporting	Excluded	Includes a high risk, but key controls addressed in Budget cycle. CSA finding in previous review related to policies - covered in other business cycles.
Statutory Reporting	Excluded	No high risks. CSA finding in previous review related to policies - covered in other business cycles.

Output 2 - Identification of Specific Internal Controls to be Monitored

Within the business cycles identified in output 1, the following methodology is used to determine the most important controls to address the risks within these business cycles. These controls form the population of controls to be assessed as part of Council's CSA program.

Review of Core vs Additional Controls – within the business cycles and risks identified, the internal financial control self-assessment monitoring program is focused predominantly on Core controls as these have been assessed as per the Better Practice Model as those controls that “are likely to be more important or critical”. For completion, additional controls are reviewed to identify any additional controls which are of particular importance to Council in managing the risks identified.

Risk of Control Failure – The risk of control failure is considered, with those controls with a higher risk of control failure being more important to monitor. Factors considered include the degree of manual intervention, volume/frequency of the control activity, complexity of the control (e.g. any specialist IT/system knowledge required) and level of staff turnover or system changes.

Control Importance – professional judgment is applied to reviewing the suite of controls that address each risk, and identifying which of these controls are the most important or have the biggest influence in managing the risk. This professional judgment is informed by the following principals:

- The number of risks mitigated by an individual control – generally speaking, the more risks a particular control is mitigating, the higher the importance weighting applied to that control.
- The inherent risk rating of the risk being addressed by the control – controls which are addressing Extreme risks are given greater weight, followed by those addressing High risks, and so on.
- Control type – the control type has an influence on the importance rating. For example, preventative controls are generally given a higher importance weighting than detective or directive controls, on the basis that prevention is better than cure.
- Nature of Control (Input, Processing, Output) – the nature of the control can influence the relative importance of the control, depending on the characteristics, culture and maturity of an organisation. Input controls often require human intervention and are generally dependent on the quality of staff. If staff are experienced, capable and well trained, a greater degree of reliance can be placed on input controls. Processing controls are generally IT based, and are reliant on the quality and reliability of the system in question. Output controls have greater importance if actual or perceived weaknesses in input controls exist.
- A higher degree of importance is placed on controls directly mitigating fraud risks, e.g. those protecting against management override of controls, providing segregation of duties, or mitigating a lack of segregation of duties (e.g. independent review of reconciliations, master file changes and key reports).
- IT controls are generally given a higher importance weighting, as they often influence segregation of duties and are often relied on heavily by management to provide comfort that processes are performed properly.

Management / Staff Opinion – Discussions are held with managers and staff responsible for managing business cycles or performing control activities to determine the controls they view as most important. These opinions are critical in achieving the best outcome for the monitoring program, as these managers and staff will have the best understanding of how the controls operate together, and what controls are important to them in achieving their work objectives and getting comfort that their risks are managed.

Practicality / Value Assessment – by their nature, some controls are better suited to a formal self-assessment monitoring program than others. For example, it is difficult to rate the effectiveness of a control of “Budgets and budget amendments are based on realistic and achievable assumptions at time of preparation” in a staff self-assessment program due to the degree of subjectivity and political considerations. Conversely, it is simple to confirm that a reconciliation has taken place, or that a particular policy has been reviewed.

For certain controls, other assurance mechanisms exist separate to the control self assessment process, meaning inclusion in the self assessment process causes duplication of assurance effort. For example, controls addressing training of staff such as “There is adequate training of payroll staff to ensure they are up to date with relevant statutory and enterprise agreements” are monitored via the staff development or performance management framework.

For some other controls, the self-assessment process adds little value because once the control has been implemented, it is unlikely to change without management consciously redesigning the control. For example, assessment of some system controls such as “Rates are automatically generated by the rate system” or “System does not allow posting of unbalanced journals” require yes/no answers that are unlikely to change, and so regular review provides little benefit.

Duplicated controls that appear across multiple business cycles are also removed, to ensure they are only assessed once.

1.3 Number of Controls to be Included in Control Self-Assessment (CSA) Program

Within the selected Business Cycles, the following table illustrates the number of controls have been selected for inclusion within the CSA program:

Business Cycle	Number of Controls		
	Existing Control Self-Assessment Program	Refined for Key Business Cycle & Risk Assessment	Refined for Control Importance, Staff Input etc.
Banking	5	5	5
Cash Floats and Petty Cash	10	0	0
Debtors	13	5	5
Fixed Assets	17	2	6
Inventory	10	0	0
Investments	12	5	3
Loans / Grants to Clubs / Community Groups	7	2	3
Prepayments	1	0	0
Project Costing	6	0	0
Credit Cards	7	6	5
Elected Members Expenses	5	0	0
Employee Reimbursements	3	0	0
Other Expenses	1	0	0
Payroll	24	15	15
Purchasing and Procurement	11	6	4
Contracting	7	5	5
Governance	4	2	1
Accounts Payable	16	8	7
Accrued Expenses	1	0	0
Borrowings	10	1	1
Employee Provisions	4	1	2
Taxation	5	0	0
Unused Grant Funding	2	0	0
Grants	5	0	3
Investment/Interest Income	3	0	0
Other Revenue	1	0	0
Rates/Rate Rebates	10	4	6
Receipting	10	4	4
User Pay Income - Fee for Service	8	2	3
Budgets	9	3	3
General Ledger	12	9	7
Management Reporting	8	0	0
Statutory Reporting	10	0	0
Total	257	85	88

Appendix 1 – Listing of Controls to be Included in CSA

The following table details the specific controls that have been selected for inclusion within the CSA program:

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
Assets	Banking	Access to EFT Banking system is restricted to appropriately designated personnel.	Assets	Banking	Core	ASS-BAN-0001
		Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated.	Assets	Banking	Core	ASS-BAN-0002
		Cash transfers between bank accounts and investment bodies are undertaken by appropriate staff.	Assets	Banking	Core	ASS-BAN-0003
		There is a process in place to ensure all cash collected is adequately recorded and banked regularly.	Assets	Banking	Core	ASS-BAN-0004
		There is a process in place to ensure all cash, blank cheques and/or cheque signing machine are adequately safeguarded.	Assets	Banking	Core	ASS-BAN-0005
	Debtors	Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by relevant staff for accuracy and on-going pertinence.	Assets	Debtors	Core	ASS-DEB-0001
		All invoices raised and credit notes applied have an audit trail.	Assets	Debtors	Core	ASS-DEB-0002
		Bad debt write-offs and movements in the provision for doubtful debts for Sundry Debtors are processed in accordance with delegations of authority and Local Government Act.	Assets	Debtors	Core	ASS-DEB-0003
		Relevant staff reviews debtors ageing profile on a regular basis and investigates any outstanding items, and considers provisions for doubtful debts.	Assets	Debtors	Core	ASS-DEB-0010
		There is a process in place to review and approve all credit notes for sundry debtors in accordance with delegations of authority.	Assets	Debtors	Core	ASS-DEB-0015

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
	Fixed Assets	All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies.	Assets	Fixed Assets	Core	ASS-FIX-0001
		Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999.	Assets	Fixed Assets	Core	ASS-FIX-0004
		Depreciation charges are calculated in accordance with the asset accounting policy and compliant with relevant accounting standards, including the useful life, depreciation method and residual values.	Assets	Fixed Assets	Core	ASS-FIX-0007
		Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties.	Assets	Fixed Assets	Core	ASS-FIX-0009
		There is a process in place for the verification of fixed assets which is reconciled to the FAR.	Assets	Fixed Assets	Core	ASS-FIX-0014
		Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users.	Assets	Fixed Assets	Core	ASS-FIX-0016
	Investments	Council has a clear and comprehensive investment policy to assist when making any decisions to invest funds.	Assets	Investments	Core	ASS-INS-0005
		Delegations are in place for approving and making investment decisions.	Assets	Investments	Core	ASS-INS-0007
		There is a process in place to ensure compliance with Conflict of Interests and Code of Conduct.	Assets	Investments	Core	ASS-INS-0011
	Loans / Grants to Clubs / Community Groups	Bad-debt write-offs for loans receivable are approved in line with relevant delegations.	Assets	Loans / Grants to Clubs / Community Groups	Core	ASS-LOA-0004
		Council has a policy for issuing funds to Clubs/Community Groups. The Policy includes criteria for approval of funds with reference to the Delegations of Authority and Conflicts of Interest.	Assets	Loans / Grants to Clubs / Community Groups	Core	ASS-LOA-0005

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
		There is a process in place to ensure all grants issued are spent in accordance with the funding agreement.	Assets	Loans / Grants to Clubs / Community Groups	Core	ASS-LOA-0007
Expenses	Credit Cards	Access to credit card details and supporting documentation is restricted to appropriate staff.	Expenses	Credit Cards	Core	EXP-CRE-0001
		Cardholders must check their statement to ensure all transactions are correct and identify any transactions of a personal nature which must be reimbursed to Council.	Expenses	Credit Cards	Core	EXP-CRE-0003
		Credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released.	Expenses	Credit Cards	Core	EXP-CRE-0004
		There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	Expenses	Credit Cards	Core	EXP-CRE-0005
		There is a process in place to ensure there are appropriate approvals prior to the issuing of Credit Cards and limits.	Expenses	Credit Cards	Core	EXP-CRE-0007
	Payroll	Access to the payroll deduction listing is restricted to authorised staff.	Expenses	Payroll	Core	EXP-PAY-0001
		All calculations for generating payroll payments are verified for accuracy.	Expenses	Payroll	Core	EXP-PAY-0002
		All payroll deductions must be approved by the relevant employee.	Expenses	Payroll	Core	EXP-PAY-0003
		Any non-routine payroll queries or unusual payroll transactions/request are referred to management for investigation.	Expenses	Payroll	Core	EXP-PAY-0004
		Payroll system generates audit reports detailing all payroll changes and there is a process in place to ensure all changes are reviewed and verified against source documents.	Expenses	Payroll	Core	EXP-PAY-0008

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
		Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the relevant supervisor.	Expenses	Payroll	Core	EXP-PAY-0009
		The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised staff.	Expenses	Payroll	Core	EXP-PAY-0010
		The payment for the payroll must be reconciled to a system generated report detailing amount and employee prior to payment.	Expenses	Payroll	Core	EXP-PAY-0012
		The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll.	Expenses	Payroll	Core	EXP-PAY-0013
		There is a process in place to ensure accurate data entry of payroll source documents.	Expenses	Payroll	Core	EXP-PAY-0014
		There is a process in place to ensure employees are not added to the payroll masterfile, nor details amended or amounts paid without receipt of the appropriate forms which have been authorised by relevant staff.	Expenses	Payroll	Core	EXP-PAY-0015
		There is a process in place to ensure termination payments comply with relevant policies, procedures and legislation.	Expenses	Payroll	Core	EXP-PAY-0016
		There is a process to ensure all overtime is verified and approved by relevant appropriate staff.	Expenses	Payroll	Core	EXP-PAY-0017
		There is a segregation of duties from those preparing the payroll to those responsible for preparation of source documents (e.g. timesheets, leave requests etc).	Expenses	Payroll	Core	EXP-PAY-0021
		Time recording and attendance exceptions such as TOIL or flexitime are based on relevant policies/agreement are identified, monitored and corrected.	Expenses	Payroll	Core	EXP-PAY-0023

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
	Purchasing and Procurement	Access to the supplier master file and ability to make changes is restricted to appropriately authorised staff.	Expenses	Purchasing and Procurement	Core	EXP-PUR-0001
		Council has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest.	Expenses	Purchasing and Procurement	Core	EXP-PUR-0003
		Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.	Expenses	Purchasing and Procurement	Core	EXP-PUR-0005
		There is a process in place to ensure all invoices for payment are matched to relevant source documents such as purchase orders where applicable and are in line with Procurement Policy guidelines.	Expenses	Purchasing and Procurement	Core	EXP-PUR-0008
External Services	Contracting	Tender Documents are kept securely.	External Services	Contracting	Core	EXT-CON-0002
		The selection panel is made up of appropriate personnel who have declared any relevant conflict of interest to ensure that informed and objective decision is made when selecting contractors.	External Services	Contracting	Core	EXT-CON-0003
		There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement Policy.	External Services	Contracting	Core	EXT-CON-0004
		There is a contract management process in place throughout the term of the contract to ensure that supplier/contractor meet their obligations.	External Services	Contracting	Core	EXT-CON-0005
		There is a process in place to ensure that commitments are made with approval by Council or delegated staff.	External Services	Contracting	Core	EXT-CON-0006

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
Financial Governance	Governance	Delegations of authority referenced in the Better Practice Model are reviewed for appropriateness, with changes approved as required.	Financial Governance	Governance	Core	FIG-GOV-0001
Liabilities	Accounts Payable	Access to the supplier masterfile is restricted to authorised staff	Liabilities	Accounts Payable	Core	LIA-ACC-0001
		All invoices and payment requests are approved in accordance with relevant policies and/or Delegations of Authority.	Liabilities	Accounts Payable	Core	LIA-ACC-0002
		Employee expenses claims must be approved by authorised staff and independently verified and include relevant substantiation.	Liabilities	Accounts Payable	Core	LIA-ACC-0004
		Payments are verified to appropriate supporting documentation and are in line with Delegations of Authority.	Liabilities	Accounts Payable	Core	LIA-ACC-0007
		Requested changes or additions to supplier masterfile are verified independently of source documentation.	Liabilities	Accounts Payable	Additional	LIA-ACC-0012
		Separation of Accounts Payable and Procurement duties.	Liabilities	Accounts Payable	Core	LIA-ACC-0013
		There is a process in place to ensure the supplier master file is periodically reviewed for ongoing pertinence.	Liabilities	Accounts Payable	Additional	LIA-ACC-0015
	Borrowings	All loans are in accordance with treasury management policy(ies) which outline appropriate approval mechanisms and authority required.	Liabilities	Borrowings	Core	LIA-BOR-0004
Employee Provisions	There is an approval process for all staff requests for leave and leave taken is recorded by somebody independent from the approval.	Liabilities	Employee Provisions	Core	LIA-EMP-0003	
	Where appropriate, employee provisions are calculated by an automated process and the integrity of the calculations are verified for accuracy to ensure consistency with statutory reporting requirements.	Liabilities	Employee Provisions	Core	LIA-EMP-0004	
Revenue	Grants	Council reviews services where grant funding has ceased to ensure it understands the financial impact on its sustainability.	Revenue	Grants	Core	REV-GRA-0001

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
		Management and/or Council to approve all tied grants (prior to funds being received by Council) to ensure that Council will be able to meet the terms and obligations of the grant.	Revenue	Grants	Core	REV-GRA-0003
		There is a process in place for the regular review of all grant income to monitor compliance with the terms of the grant.	Revenue	Grants	Core	REV-GRA-0004
	Rates/Rate Rebates	Access to the Property master file is restricted to appropriately designated personnel, with a process in place to ensure changes are in line with policies and procedures.	Revenue	Rates/Rate Rebates	Core	REV-RAT-0001
		All rate rebates and adjustments including write offs are appropriately authorised, with reference to Delegations of Authority and source documents.	Revenue	Rates/Rate Rebates	Core	REV-RAT-0002
		Annual valuation update is balanced prior to the generation of rates; all mismatches resolved prior to finalising rate generation.	Revenue	Rates/Rate Rebates	Core	REV-RAT-0004
		Employees responsible for processing rate payments and rebates cannot process their own payments or rebates unless the transaction is approved by someone independent of the process	Revenue	Rates/Rate Rebates	Core	REV-RAT-0005
		Rates are generated and tested for accuracy of calculation methodology prior to the rates billing run.	Revenue	Rates/Rate Rebates	Core	REV-RAT-0008
		Recorded changes to property master file data and any rate adjustments are compared to authorised source documents to ensure that they were input accurately. An audit trail is maintained for all changes.	Revenue	Rates/Rate Rebates	Core	REV-RAT-0009
	Receipting	Customers are provided with a system generated or pre-numbered (manual) sequential tax compliant receipt detailing payment made.	Revenue	Receipting	Core	REV-REC-0003
		Prior to and during the banking process, cash is stored securely at all times.	Revenue	Receipting	Core	REV-REC-0005

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
		There is a process in place to ensure that the third party receipting downloads are reconciled to the third party substantiation documents.	Revenue	Receipting	Core	REV-REC-0009
		There is a review process for the authorisation of the reversal of transactions.	Revenue	Receipting	Additional	REV-REC-0010
	User Pay Income - Fee for Service	Delegations are in place for adjusting or waiving fees for service charges adopted in the fees and charges register.	Revenue	User Pay Income - Fee for Service	Core	REV-USE-0001
		Fees and Charges register is maintained and made available to the public.	Revenue	User Pay Income - Fee for Service	Core	REV-USE-0002
		There is a process in place to ensure the fees and charges are applied in accordance with those adopted in the fees and charges register.	Revenue	User Pay Income - Fee for Service	Additional	REV-USE-0006
	Strategic Financial Planning	Budgets	Access to edit Budget information and master file is restricted/limited to appropriately authorised personnel.	Strategic Financial Planning	Budgets	Core
There is a process in place to ensure the finance system reflects the original adopted budget and any changes adopted by Council.			Strategic Financial Planning	Budgets	Core	STR-BUD-0008
There is a process in place to review actual compared to budget and significant variances investigated.			Strategic Financial Planning	Budgets	Core	STR-BUD-0009
General Ledger		Access to General Ledger maintenance is restricted to appropriately authorised personnel.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0001
		All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0002
		All journals, including manual entries, identify date posted, narration, author, journal and posting reference.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0003

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
		All major updates and changes to General Ledger finance system are authorised, tested and documented.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0004
		General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0009
		Journal entry access is restricted to appropriately authorised personnel.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0010
		Reconciliation of all balance sheet accounts is completed in accordance with a schedule of review and/or procedure.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0011

Attachment 2



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Internal Financial Control Monitoring Methodology

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Contents

1.1 Introduction and Context.....	3
1.2 Methodology for Selection of Controls to be Monitored	5
Output 1 - Identification of Key Business Cycles and Risks.....	6
Rationale for Key Business Cycle Selection	7
Output 2 - Identification of Specific Internal Controls to be Monitored	8
1.3 Number of Controls to be Included in Control Self-Assessment (CSA) Program	10
Appendix 1 – Listing of Controls to be Included in CSA	11

1.1 Introduction and Context

This section provides an overview of the methodology to be applied by Alwyndor in undertaking its internal financial control monitoring program.

There are 5 key components of internal control which are expected to be present, functioning effectively and working together, namely:

- ✓ **Control Environment**
- ✓ **Risk Assessment**
- ✓ **Control Activities**
- ✓ **Information and Communication**
- ✓ **Monitoring Activities**

This methodology applies only to the 5th component of internal control – Monitoring Activities. These activities, whilst important, are not the primary consideration of effective internal control, and must be resourced effectively but not excessively. With this in mind, this methodology is a risk based methodology which seeks to ensure that Alwyndor is prioritising the focus of its monitoring activities towards the most significant risks. This methodology also seeks to target monitoring at controls for which monitoring activities provide the greatest value to Alwyndor in terms of both risk management and continuous improvement.

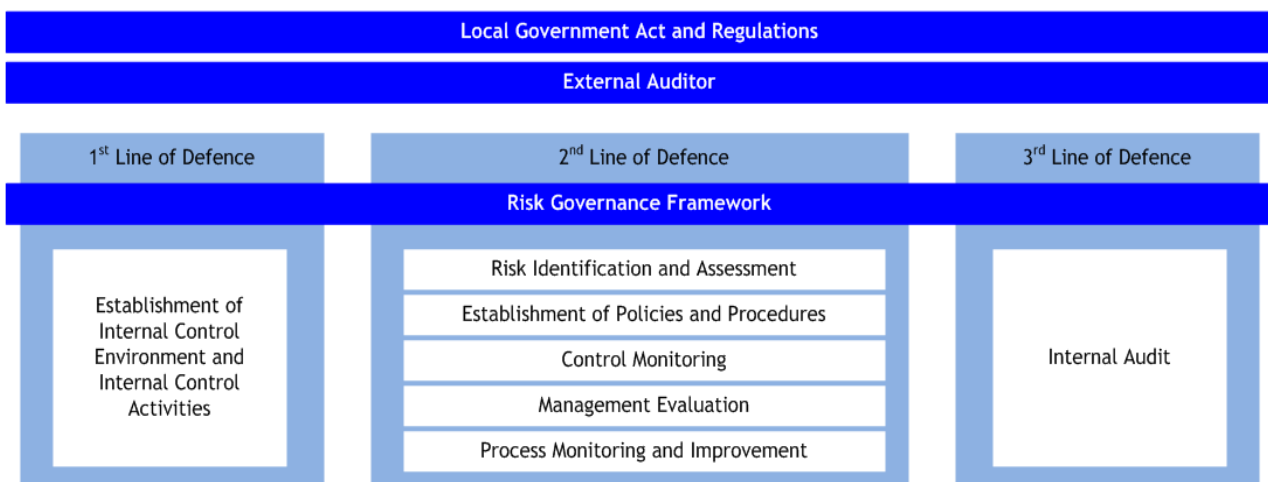
The internal controls environment is not static, and the risks being mitigated by the control environment are not static. As such, the internal financial control monitoring program is reassessed annually prior to conducting reviews to ensure that monitoring activities remain targeted at the appropriate risks.

The Three Lines of Defense Model

The Three Lines of Defense Model provides a framework for viewing risk management as a series of components which build upon each other to provide layers of defense to manage risk.

The first line of defense contains functions that own and manage risk, with the responsibility to maintain controls, identify and manage risks and implement corrective actions for control deficiencies. The second line contains functions that oversee risk and with responsibility to monitor the 1st line and ensure it is properly designed, in place and operating as intended. The third line provides independent assurance i.e. internal audit. The three lines of defense are internal to Alwyndor, and are supported by external components including external audit and LGA Guidance.

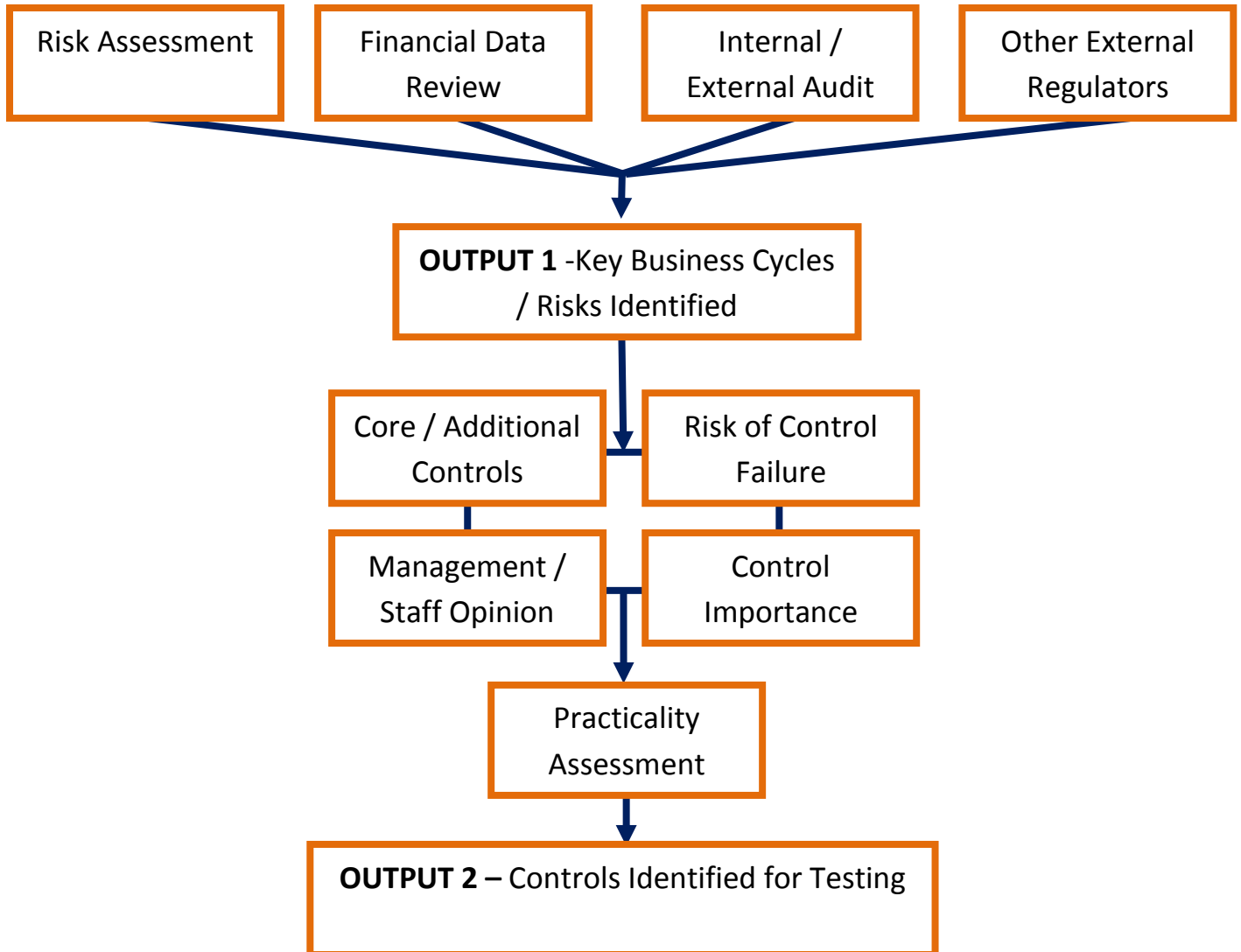
Monitoring activities form an important component of Alwyndor’s lines of defense for managing risk. The *Better Practice Model – Internal Financial Controls for South Australian Councils* identifies monitoring activities as being within the second line of defense. Importantly, monitoring activities such as Control Self-Assessment form only part of Alwyndor’s overall risk management strategy, and should be risk based so as not to be over-resourced.



Source: SALGFMG *Better Practice Model –Internal Financial Controls for South Australian Councils* published April 2017

1.2 Methodology for Selection of Controls to be Monitored

The following Diagram illustrates the methodology used to select control activities for inclusion in Alwyndor’s control monitoring program. Details of each component of the methodology are provided in the following pages.



Output 1 - Identification of Key Business Cycles and Risks

The results of this assessment determine the key business cycles, and key risks within these business cycles, that will be the focus of the control self-assessment program.

Risk Review – A review of Alwyndor’s inherent risk assessment for internal financial controls is performed to identify key financial risks, focusing on extreme and high risk.

Financial Data Review – A high level financial statement review is performed to identify key accounts and transaction streams. The Long Term Financial Plan and Annual Business Plan are reviewed to identify financial trends (e.g. increases in borrowings, changes to relative materiality, major projects being undertaken, etc) that might justify the need to recalibrate focus across different business cycles.

Internal / External Audit Results Review – The findings and recommendations of internal / external financial audits are reviewed to identify known areas of weakness, and areas known to be attracting audit attention.

Other External Regulators – Consideration is given to the activities of other external regulators including the Auditor General’s Department (AG) and Independent Commissioner Against Corruption (ICAC) to identify potential focus areas for these entities.

Key Business Cycles

The following key business cycles have been identified for inclusion in Alwyndor’s monitoring activities to ensure effective risk management:

- **Banking**
- **Debtors**
- **Fixed Assets**
- **Investments**
- **Credit Cards**
- **Payroll**
- **Purchasing and Procurement**
- **Contracting**
- **Governance**
- **Accounts Payable**
- **Borrowings**
- **Employee Provisions**
- **Receipting**
- **User Pay Income – Fee for Service**
- **Budgets**
- **General Ledger**
- **Management Reporting**

Rationale for Key Business Cycle Selection

The following table summarises the rationale for including or excluding business cycles:

Business Cycle	Included / Excluded	Rationale
Banking	Included	Includes high risks and fraud risks.
Cash Floats and Petty Cash	Excluded	No high or moderate risks or material balances.
Debtors	Included	Includes high risks. CSA finding in previous review.
Fixed Assets	Included	Includes high risks. Material item.
Investments	Included	Includes high risks. Liquidity Management is a key legislative responsibility.
Prepayments	Excluded	No high or moderate risks or material balances.
Project Costing	Excluded	No high risks, no major projects currently underway. Budget, contracting and procurement controls addressed within other business cycles.
Credit Cards	Included	ICAC / AGD focus area.
Employee Reimbursements	Excluded	No high risks or material balances.
Other Expenses	Excluded	No high or moderate risks or material balances.
Payroll	Included	Includes high risks. Material item.
Purchasing and Procurement	Included	Includes high risks and fraud risks. Material item.
Contracting	Included	Includes high risks and fraud risks.
Governance	Included	Includes high risks and fraud risks.
Accounts Payable	Included	Includes high risks and fraud risks.
Accrued Expenses	Excluded	No high or moderate risks or material balances.
Borrowings	Included	No external loans currently held. Business cycle controls include RAD controls. Includes high risks - key balance is RADs.
Employee Provisions	Included	Includes high risks.
Taxation	Excluded	No high risks or material balances.
Grants	Excluded	Material number, but low risk from a financial internal control perspective. Key risk is meeting Accreditation standards, managed via alternative assurance mechanisms.
Investment/Interest Income	Excluded	No high or moderate risks or material balances.
Other Revenue	Excluded	No high or moderate risks or material balances.
Receipting	Included	Includes fraud risks.
User Pay Income - Fee for Service	Included	No high risks, but includes some fraud risk and reputational risk.
Budgets	Included	Includes high risks.
General Ledger	Included	Includes high risks and fraud risks. CSA finding in previous review. External Audit report raised some findings re system access.
Management Reporting	Included	Includes a high risk, but key controls addressed in Budget cycle.
Statutory Reporting	Excluded	No high risks.

Output 2 - Identification of Specific Internal Controls to be Monitored

Within the business cycles identified in output 1, the following methodology is used to determine the most important controls to address the risks within these business cycles. These controls form the population of controls to be assessed as part of Alwyndor's CSA program.

Review of Core vs Additional Controls – within the business cycles and risks identified, the internal financial control self-assessment monitoring program is focused predominantly on Core controls as these have been assessed as per the Better Practice Model as those controls that “are likely to be more important or critical”. For completion, additional controls are reviewed to identify any additional controls which are of particular importance to Alwyndor in managing the risks identified.

Risk of Control Failure – The risk of control failure is considered, with those controls with a higher risk of control failure being more important to monitor. Factors considered include the degree of manual intervention, volume/frequency of the control activity, complexity of the control (e.g. any specialist IT/system knowledge required) and level of staff turnover or system changes.

Control Importance – professional judgment is applied to reviewing the suite of controls that address each risk, and identifying which of these controls are the most important or have the biggest influence in managing the risk. This professional judgment is informed by the following principals:

- The number of risks mitigated by an individual control – generally speaking, the more risks a particular control is mitigating, the higher the importance weighting applied to that control.
- The inherent risk rating of the risk being addressed by the control – controls which are addressing Extreme risks are given greater weight, followed by those addressing High risks, and so on.
- Control type – the control type has an influence on the importance rating. For example, preventative controls are generally given a higher importance weighting than detective or directive controls, on the basis that prevention is better than cure.
- Nature of Control (Input, Processing, Output) – the nature of the control can influence the relative importance of the control, depending on the characteristics, culture and maturity of an organisation. Input controls often require human intervention and are generally dependent on the quality of staff. If staff are experienced, capable and well trained, a greater degree of reliance can be placed on input controls. Processing controls are generally IT based, and are reliant on the quality and reliability of the system in question. Output controls have greater importance if actual or perceived weaknesses in input controls exist.
- A higher degree of importance is placed on controls directly mitigating fraud risks, e.g. those protecting against management override of controls, providing segregation of duties, or mitigating a lack of segregation of duties (e.g. independent review of reconciliations, master file changes and key reports).
- IT controls are generally given a higher importance weighting, as they often influence segregation of duties and are often relied on heavily by management to provide comfort that processes are performed properly.

Management / Staff Opinion – Discussions are held with managers and staff responsible for managing business cycles or performing control activities to determine the controls they view as most important. These opinions are critical in achieving the best outcome for the monitoring program, as these managers and staff will have the best understanding of how the controls operate together, and what controls are important to them in achieving their work objectives and getting comfort that their risks are managed.

Practicality / Value Assessment – by their nature, some controls are better suited to a formal self-assessment monitoring program than others. For example, it is difficult to rate the effectiveness of a control of “Budgets and budget amendments are based on realistic and achievable assumptions at time of preparation” in a staff self-assessment program due to the degree of subjectivity and political considerations. Conversely, it is simple to confirm that a reconciliation has taken place, or that a particular policy has been reviewed.

For certain controls, other assurance mechanisms exist separate to the control self assessment process, meaning inclusion in the self assessment process causes duplication of assurance effort. For example, controls addressing training of staff such as “There is adequate training of payroll staff to ensure they are up to date with relevant statutory and enterprise agreements” are monitored via the staff development or performance management framework.

For some other controls, the self-assessment process adds little value because once the control has been implemented, it is unlikely to change without management consciously redesigning the control. For example, assessment of some system controls such as “Rates are automatically generated by the rate system” or “System does not allow posting of unbalanced journals” require yes/no answers that are unlikely to change, and so regular review provides little benefit.

Duplicated controls that appear across multiple business cycles are also removed, to ensure they are only assessed once.

1.3 Number of Controls to be Included in Control Self-Assessment (CSA) Program

Within the selected Business Cycles, the following table illustrates the number of controls that have been selected for inclusion within the CSA program:

Business Cycle	Number of Controls		
	Existing Control Self-Assessment Program	Refined for Key Business Cycle & Risk Assessment	Refined for Control Importance, Staff Input etc.
Banking	5	5	5
Cash Floats and Petty Cash	9	0	0
Debtors	11	4	5
Fixed Assets	14	2	6
Investments	10	5	4
Prepayments	1	0	0
Project Costing	2	0	0
Credit Cards	8	6	5
Employee Reimbursements	2	0	0
Other Expenses	1	0	0
Payroll	20	14	15
Purchasing and Procurement	7	6	4
Contracting	4	3	3
Governance	4	2	2
Accounts Payable	11	7	7
Accrued Expenses	1	0	0
Borrowings	12	1	3
Employee Provisions	3	1	1
Taxation	3	0	0
Grants	3	0	0
Investment/Interest Income	1	0	0
Other Revenue	1	0	0
Receipting	9	5	5
User Pay Income - Fee for Service	5	1	4
Budgets	6	3	4
General Ledger	11	9	6
Management Reporting	5	0	2
Statutory Reporting	9	0	0
Total	178	74	81

Appendix 1 – Listing of Controls to be Included in CSA

The following table details the controls that have been selected for inclusion within the CSA program:

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
Assets	Banking	Access to EFT Banking system is restricted to appropriately designated personnel.	Assets	Banking	Core	ASS-BAN-0001
		Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated.	Assets	Banking	Core	ASS-BAN-0002
		Cash transfers between bank accounts and investment bodies are undertaken by appropriate staff.	Assets	Banking	Core	ASS-BAN-0003
		There is a process in place to ensure all cash collected is adequately recorded and banked regularly.	Assets	Banking	Core	ASS-BAN-0004
		There is a process in place to ensure all cash, blank cheques are adequately safeguarded.	Assets	Banking	Core	ASS-BAN-0005
	Debtors	Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by relevant staff for accuracy and on-going pertinence.	Assets	Debtors	Core	ASS-DEB-0001
		All invoices raised and credit notes applied have an audit trail.	Assets	Debtors	Core	ASS-DEB-0002
		Bad debt write-offs and movements in the provision for doubtful debts for Sundry Debtors are processed in accordance with delegations of authority and Local Government Act.	Assets	Debtors	Core	ASS-DEB-0003
		The organisation maintains a Debt Collection Policy and/or procedure.	Assets	Debtors	Core	ASS-DEB-0013
		There is a process in place to review and approve all credit notes for sundry debtors in accordance with delegations of authority.	Assets	Debtors	Core	ASS-DEB-0015
	Fixed Assets	All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies.	Assets	Fixed Assets	Core	ASS-FIX-0001
		Asset Management Plans are prepared and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors.	Assets	Fixed Assets	Core	ASS-FIX-0003

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code	
		Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties.	Assets	Fixed Assets	Core	ASS-FIX-0009	
		Relevant staff review useful lives, residuals, valuations, depreciation methodology and test for impairment to ensure that methods used are still appropriate and significant changes are incorporated into Asset Management Plans	Assets	Fixed Assets	Core	ASS-FIX-0013	
		There is a process in place for the verification of fixed assets which is reconciled to the FAR.	Assets	Fixed Assets	Core	ASS-FIX-0014	
		Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users.	Assets	Fixed Assets	Core	ASS-FIX-0016	
	Investments	Conflicts of interest are to be disclosed as part of investment decision process.	Assets	Investments	Core	ASS-INS-0004	
		Alwyndor has a clear and comprehensive investment policy to assist when making any decisions to invest funds.	Assets	Investments	Core	ASS-INS-0005	
		Delegations are in place for approving and making investment decisions.	Assets	Investments	Core	ASS-INS-0007	
		There is a process in place to monitor cash and anticipated future cash flows. Surplus funds invested in accordance with Alwyndor policy.	Assets	Investments	Core	ASS-INS-0012	
	Expenses	Credit Cards	Access to credit card details and supporting documentation is restricted to appropriate staff.	Expenses	Credit Cards	Core	EXP-CRE-0001
			Cardholders must check their statement to ensure all transactions are correct and identify any transactions of a personal nature which must be reimbursed.	Expenses	Credit Cards	Core	EXP-CRE-0003
Credit card holders sign a declaration confirming compliance with Alwyndor policy and procedures prior to the Credit Card being released.			Expenses	Credit Cards	Core	EXP-CRE-0004	
There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.			Expenses	Credit Cards	Core	EXP-CRE-0005	
There is a process in place to ensure there are appropriate approvals set prior to the issuing of Credit Cards and limits.			Expenses	Credit Cards	Core	EXP-CRE-0007	
Payroll		Access to the payroll deduction listing is restricted to authorised staff.	Expenses	Payroll	Core	EXP-PAY-0001	

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
		All calculations for generating payroll payments are verified for accuracy.	Expenses	Payroll	Core	EXP-PAY-0002
		All payroll deductions must be approved by the relevant employee.	Expenses	Payroll	Core	EXP-PAY-0003
		Any non-routine payroll queries or unusual payroll transactions/request are referred to management for investigation.	Expenses	Payroll	Core	EXP-PAY-0004
		Payroll system generates audit reports detailing all payroll changes and there is a process in place to ensure all changes are reviewed and verified against source documents.	Expenses	Payroll	Core	EXP-PAY-0008
		Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the relevant supervisor.	Expenses	Payroll	Core	EXP-PAY-0009
		The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised staff.	Expenses	Payroll	Core	EXP-PAY-0010
		The listing of payroll deductions is periodically reviewed by relevant staff for accuracy, compliance with statutory requirement and ongoing pertinence with changes compared to authorised source documents to ensure that they were input accurately.	Expenses	Payroll	Core	EXP-PAY-0011
		The payment for the payroll must be reconciled to a system generated report detailing amount and employee prior to payment.	Expenses	Payroll	Core	EXP-PAY-0012
		The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll.	Expenses	Payroll	Core	EXP-PAY-0013
		There is a process in place to ensure accurate data entry of payroll source documents.	Expenses	Payroll	Core	EXP-PAY-0014
		There is a process in place to ensure employees are not added to the payroll masterfile, nor details amended or amounts paid without receipt of the appropriate forms which have been authorised by relevant staff.	Expenses	Payroll	Core	EXP-PAY-0015
		There is a process in place to ensure termination payments comply with relevant policies, procedures and legislation.	Expenses	Payroll	Core	EXP-PAY-0016
		There is a process to ensure all overtime is verified and approved by relevant appropriate staff.	Expenses	Payroll	Core	EXP-PAY-0017

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
		Payroll Masterfile exception reports are regularly checked by relevant staff and reviewed by independent reviewer.	Expenses	Payroll	Additional	EXP-PAY-0025
	Purchasing and Procurement	Access to the supplier master file and ability to make changes is restricted to appropriately authorised staff.	Expenses	Purchasing and Procurement	Core	EXP-PUR-0001
		Alwyndor has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest.	Expenses	Purchasing and Procurement	Core	EXP-PUR-0003
		Employees must ensure all purchases are in accordance with Alwyndor's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.	Expenses	Purchasing and Procurement	Core	EXP-PUR-0005
		There is a process in place to ensure all invoices for payment are matched to relevant source documents such as purchase orders where applicable and are in line with Procurement Policy guidelines.	Expenses	Purchasing and Procurement	Core	EXP-PUR-0008
External Services	Contracting	There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement Policy.	External Services	Contracting	Core	EXT-CON-0004
		There is a contract management process in place throughout the term of the contract to ensure that supplier/contractor meet their obligations.	External Services	Contracting	Core	EXT-CON-0005
		There is a process in place to ensure that commitments are made with approval by Council or delegated staff.	External Services	Contracting	Core	EXT-CON-0006
Financial Governance	Governance	Delegations of authority referenced in the Better Practice Model are reviewed for appropriateness, with changes approved as required.	Financial Governance	Governance	Core	FIG-GOV-0001
		There is a process in place for staff to be made aware of the Code of Conduct and Conflict of Interest.	Financial Governance	Governance	Core	FIG-GOV-0002
Liabilities	Accounts Payable	Access to the supplier masterfile is restricted to authorised staff	Liabilities	Accounts Payable	Core	LIA-ACC-0001

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
		All invoices and payment requests are approved in accordance with relevant policies and/or Delegations of Authority.	Liabilities	Accounts Payable	Core	LIA-ACC-0002
		Blank cheques to be held securely and access restricted to relevant staff.	Liabilities	Accounts Payable	Core	LIA-ACC-0003
		Employee expenses claims must be approved by authorised staff and independently verified and include relevant substantiation.	Liabilities	Accounts Payable	Core	LIA-ACC-0004
		Payments are verified to appropriate supporting documentation and are in line with Delegations of Authority.	Liabilities	Accounts Payable	Core	LIA-ACC-0007
		Recorded changes to the supplier master file are reviewed through an exception report.	Liabilities	Accounts Payable	Core	LIA-ACC-0009
		Separation of Accounts Payable and Procurement duties.	Liabilities	Accounts Payable	Core	LIA-ACC-0013
	Borrowings	Transfers and withdrawal of funds is approved through delegations of authority.	Liabilities	Borrowings	Additional	LIA-BOR-0011
		Transfer of withdrawal of funds are supported by source documentation or instruction by solicitor.	Liabilities	Borrowings	Additional	LIA-BOR-0012
		Transfer of withdrawal of funds is processed so in a timely manner.	Liabilities	Borrowings	Additional	LIA-BOR-0013
	Employee Provisions	There is an approval process for all staff requests for leave and leave taken is recorded by somebody independent from the approval.	Liabilities	Employee Provisions	Core	LIA-EMP-0003
Revenue	Receipting	Customers are provided with a system generated or pre-numbered (manual) sequential tax compliant receipt detailing payment made.	Revenue	Receipting	Core	REV-REC-0003
		Prior to and during the banking process, cash is stored securely at all times.	Revenue	Receipting	Core	REV-REC-0005
		Receipt transactions are reconciled to the daily takings and out-of-balance banking is corrected promptly.	Revenue	Receipting	Core	REV-REC-0007
		There is a process in place to ensure that the third party receipting downloads are reconciled to the third party substantiation documents.	Revenue	Receipting	Core	REV-REC-0009
		There is a review process for the authorisation of the reversal of transactions.	Revenue	Receipting	Additional	REV-REC-0010

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
	User Pay Income - Fee for Service	Home Care Fees and Charges register is maintained and made available to the public.	Revenue	User Pay Income - Fee for Service	Core	REV-USE-0002
		System generated receipts are issued for cash sales.	Revenue	User Pay Income - Fee for Service	Additional	REV-USE-0004
		There is a process in place to identify fees and charges (including GST treatment) which are reviewed bi-annually and adopted by Alwyndor.	Revenue	User Pay Income - Fee for Service	Core	REV-USE-0007
		There is a process in place to determine and approve discounts to be applied to Home Care.	Revenue	User Pay Income - Fee for Service	Additional	REV-USE-0009
Strategic Financial Planning	Budgets	Access to edit Budget information and master file is restricted/limited to appropriately authorised personnel.	Strategic Financial Planning	Budgets	Core	STR-BUD-0001
		Process to establish the annual budget and ensure it is aligned with the Alwyndor Strategic Plan, including Long Term Financial Plan and Asset Management Plans.	Strategic Financial Planning	Budgets	Core	STR-BUD-0004
		There is a process in place to ensure the finance system reflects the original adopted budget and any changes adopted by Alwyndor.	Strategic Financial Planning	Budgets	Core	STR-BUD-0008
		There is a process in place to review actual compared to budget and significant variances investigated.	Strategic Financial Planning	Budgets	Core	STR-BUD-0009
	General Ledger	Access to General Ledger maintenance is restricted to appropriately authorised personnel.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0001
		All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0002
		All journals, including manual entries, identify date posted, narration, author, journal and posting reference.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0003
		General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0009

Category	Business Cycle	Description	Process Category	Process	Type	ControlTrack Code
		Journal entry access is restricted to appropriately authorised personnel.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0010
		Reconciliation of all balance sheet accounts is completed in accordance with a schedule of review and/or procedure.	Strategic Financial Planning	General Ledger	Core	STR-GEN-0011
	Management Reporting	Alwyndor has adopted a set of key financial indicators and targets that are consistent with the corporate objectives	Strategic Financial Planning	Management Reporting	Core	STR-MAN-0002
		Management and/or Council review the financial management reports on a regular basis and investigate all significant variances to budget.	Strategic Financial Planning	Management Reporting	Core	STR-MAN-0004

Item No: 7.2
Subject: **COVID-19 Update**
Date: 6 May 2020
Written By: General Manager, Community Services
General Manager: Community Services, Ms M Lock

SUMMARY

This report presents an update to the Audit Committee on the impacts of COVID-19 and the measures of support that Council are providing to ratepayer's, as well as community and business support, that have been announced to date.

RECOMMENDATION

That the Audit Committee note this report.

COMMUNITY PLAN

Economy: Supporting and growing local business
Economy: Boosting our visitor economy

COUNCIL POLICY

Not Applicable.

STATUTORY PROVISIONS

Not Applicable.

BACKGROUND

This report provides an overview of the measures Council Administration and Alywndor have implemented in response to the unprecedented pandemic outbreak of COVID-19. These measures are to meet the latest advice and restrictions from Federal and State Governments, while maintaining as our priority the health, safety and wellbeing of staff, Elected Members and the broader community.

In response to COVID-19, Council Administration implemented the following internal working groups to respond swiftly to advice to ensure compliance with State Government declarations and relevant legislation thereafter localised risk assessments have been completed.

- **COVID-19 Taskforce:** An internal working group to work through the issues and implications of COVID-19 to the organisation. The group consisted of key members from across Administration, to provide recommendations to Senior Leadership in response to the government recommendations and declarations. This group operated for an approximate 3 week duration as part of the initial immediate response to the pandemic. This Taskforce has now concluded and replaced with the formation of the Crisis Management Team.
- **COVID-19 Crisis Management Team (CMT):** An internal group of specialists who represent the different areas of Council Administration. The CMT initially met daily (via virtual meeting) to provide rapid response/emergency decisions based on current issues and implications of COVID-19 to the organisation and broader community and review processes to align with Federal and State Government announcements. As declarations are now in place and now through a monitoring phase, this group now meets three times per week to ensure compliance is adhered with the view to revert back to daily when restrictions are changed. This group determine a view of the crisis and gather expert input, implementing strategies to ensure the health and wellbeing of Council staff, while managing the ever-changing situation in continuing to provide services to the community. All communication is coordinated through this group and any recommendations and actions are then escalated to the Senior Leadership Team for decisions if required.
- **Business Recovery Team:** With the CMT instated and working through the issues, the Business Recovery Team has been established to review how processes and mitigation steps can be implemented now in order to return the organisation to normal operations once restrictions are lifted. Their role is to develop a recovery response plan, restore services, minimise cost of restoration of services, measure the cost of impacts and apply learning and improvements. This team are an internal group of specialists who represent a broad cross section of the business and will provide recommendations to Senior Leadership for decisions.
- **Senior Leadership Team:** The Senior Leadership Team meet in the same occurrence as the CMT via virtual meeting, supported by the Communications Advisor and CMT Administrator. The purpose of this meeting is to make decisions on organisational changes as recommended by the CMT. This team ensures all legal requirements are met whilst making decisions to prioritise the health of our staff and community.

SLT and members of the CMT also attend regular meetings facilitated by the Local Government Association with different stakeholder groups across Councils to bring collaboration and support if needed across Councils, ensuring a unified approach where possible.

As a result of the these groups, measures were in place to respond to the declarations in where possible to maintain essential council services including closures of Council facilities in order to continue to provide and deliver the service in a different format or where not possible to temporarily suspend.

The Federal Government restrictions have also placed restrictions on businesses within the City of Holdfast Bay as per the following:

Effective from 23 March 2020 restrictions put in place including for, but not limited to:

- Clubs, bars, pubs, casinos and other licenced entertainment venues
- Hotels except for accommodation
- Cafes and restaurants, including those within hotels, could only serve takeaway meals
- Places of worship
- Gyms and indoor sporting venues

Effective from 26 March 2020, further restrictions put in place to include, but not limited to:

- Community facilities such as community halls, libraries and youth centres and RSL
- Amusement parks, arcades and play centres (indoor and outdoor)
- Personal services (beauty, nail, tanning, waxing and tattoo salons)
- Auction houses, real estate auctions and open houses
- Galleries, national institutions, historic sites and museums

From 3 April 2020, further restrictions were placed on the number of people that could gather for weddings and funerals. Weddings can be conducted with no more than 5 people, and funerals must be limited to no more than 10 people with the 4m² per person rule to be observed.

This has significantly affected businesses and trade within the City of Holdfast Bay and broader Australia wide, with many businesses operating on reduced provisions or closing completely through this time.

REPORT

At the Council meeting held 14 April 2020, Council endorsed the following measures:

- No fines or interest will be charged on rates until 31 August 2020.
- Ratepayers can arrange to pay their rates weekly, fortnightly or monthly, based on an amount that suits their budget.
- Ratepayers can postpone the fourth instalment of 2019/20 to 31 August 2020 without having to pay any interest.
- Effective from 10 March 2020 until 31 August 2020, new fines and interest on outstanding rates will be waived to assist business and residents. External legal action and debt collection processes will also be suspended during this time.
- Ratepayers who may be experiencing financial difficulty due to loss of income are encouraged to contact the City of Holdfast Bay on 8229 9999 to discuss other support options to alleviate hardship.
- Waived fees on the following charges for a period of three months from 1 April to 30 June 2020, with the option to extend for another three months if necessary;
 - Outdoor dining permits
 - Encroachments fees
 - Reserve hire charges
- Fees for food inspection and auditing will be reduced by 25% for three months - 1 April to 30 June 2020, and extend for another three months if required.

Council also agreed to consider further relief measures as part of the 2020/21 Annual Business Plan.

Economic recovery

Council are establishing an Economic Task Group to assist with the economic recovery after COVID-19. The group will consist of community business leaders, representatives from our major retail and industrial precincts, and specialist council staff in the areas of economic development, tourism, regulatory services, events and creative services.

Council Administration are continuing to stay connected with the community via a number of different methods, to include not limited to the following examples: conducting approximately 1000 telephone welfare checks to the vulnerable and amending library services. To support business a webpage dedicated to business advice during COVID-19 to support businesses of the up to date information as it becomes available.

Western Alliance of Councils

The Building Western Adelaide Alliance was formed after the CEO's of the four western metropolitan councils, Cities of Charles Sturt, Holdfast Bay, Port Adelaide Enfield and West Torrens agreed in February 2015 to explore the potential of a Western Alliance to drive economic development in the western region.

As a result of this, the Building Western Adelaide Strategy was endorsed and a Memorandum of Understanding (MoU) signed by the four Councils.

The intent of the Building Western Adelaide Strategy was to:

- Create a coordinated approach to regional economic development activities.
- Collaborate on projects that cross over the region.
- Play an advocacy role with State and Commonwealth Government to secure funding and support for projects.

Western Adelaide is the Engine Room of the State's Economy. At the start of the Building Western Adelaide approach in 2015, the region had a population of 322,320 with 25,053 businesses.

Western Business Leaders (WBL)

The WBL initiative is a forum for local business leaders to share their collective knowledge to meet the challenges and opportunities of future economic growth in a local, state and international context. A fundamental mission for members is promotion of enterprise and innovation to grow local businesses. WBL membership is open to any business based in the Western Adelaide region. Opportunities exist for membership to businesses beyond the region that have a vested interest in the economic growth of Western Adelaide. The current membership includes a wide ranging mix of businesses – from large to small, across a diversity of sectors.

Western Business Leaders – COVID Taskforce

The WBL Executive in conjunction with the four Western Councils developed a sub-group of the WBL to meet the immediate needs of businesses during COVID.

The Taskforce is made up of:

1. Interested WBL Executive members
2. Local business representatives from each of the four western Council areas that have a finger on the pulse in terms of understanding sector and general impact on business in Western Adelaide.
3. Council representatives

The objectives of the Taskforce include:

- To maintain the Region's understanding of how business at a local and sector level are being impacted
- To help shape short term actions that will keep the business community up to date, services that should be implemented to support them during the crisis period, initiatives that could be enacted to aid economic recovery, good news stories.

Given the focus on the short term, the Taskforce will conclude its operation by 30 June 2020. This could be extended upon agreement and a clear purpose/focus. As a result of COVID-19, a sub-taskforce was established Western Business Leaders Business Taskforce, where members of the business community across the Council regions of Holdfast Bay, Charles Sturt, Port Adelaide Enfield and West Torrens who will meet and discuss considerations that Councils may be able to assist businesses with.

BUDGET

Not applicable

LIFE CYCLE COSTS

There are no life cycle costs associated with this report.