

NOTICE OF MEETING

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

Kingston Room, Civic Centre
24 Jetty Road, Brighton

Wednesday 16 March 2022 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 20 October 2021 be taken as read and confirmed.

5. ACTION ITEMS

- 5.1 Action Item List – 16 March 2022

6. PRESENTATIONS

- 6.1 2022/2023 Annual Business Plan Update

7. REPORTS BY OFFICERS

- 7.1 Standing Items (Report No: 69/22)
- 7.2 Long Term Financial Plan Review (Report No: 70/22)
- 7.3 Risk Report (Report No: 71/22)
- 7.4 Internal Audit Program Report (Report No: 72/22)

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 Wednesday 1 June 2022 in the Kingston Room, Civic Centre, 24 Jetty Road, Brighton.

11. CLOSURE

A handwritten signature in black ink, appearing to read 'Roberto Bria', written in a cursive style.

**ROBERTO BRIA
CHIEF EXECUTIVE OFFICER**



**AUDIT COMMITTEE
ACTION ITEMS
As at 16 March 2022**

Meeting	Agenda Item	Action Required	Responsibility	Estimated Completion Date	Current Status
7 October 2020	7.2 Asset Management Plan (AMP) Review	Record risk within organisational risk process and report.	GM Strategy & Corporate	February 2022	Refer to Risk Report (Report No: 349/21).
16 December 2020	9.1 CONFIDENTIAL – Internal Audit – Cyber Security Report	Progress from recommendations to be monitored at each meeting via the Standing Items Report.	GM Strategy & Corporate	June 2022	To be tabled at each meeting until finalised.
16 December 2020	7.1 Standing Items	Develop framework for Governance relationship between Alywndor, Audit Committee and Council.	GM's Alywndor and Strategy & Corporate	June 2022	Delayed due to other priorities.

Item No: 7.1

Subject: **STANDING ITEMS – MARCH 2022**

Date: 16 March 2022

Written By: Manager Financial Services

General Manager: Strategy and Corporate, Ms P Jackson

SUMMARY

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

RECOMMENDATION

1. **That the Audit Committee advises Council it has received and considered a Standing Items Report addressing:**
 - **Monthly Financial Statements**
 - **Risk Management and Internal control**
 - **External Audit**
 - **Public Interest Disclosures – previously Whistle-Blowing**
 - **Economy and Efficiency Audits**
 - **Audit Committee Meeting Schedule 2022**

RETAIN IN CONFIDENCE - Section 91(7) Order

2. **That having considered Agenda Item 6.1 Standing Items – October 2021 in confidence under Section 90(2) and (3)(e) of the *Local Government Act 1999*, the Audit Committee, pursuant to Section 91(7) of that Act orders that Attachment 1 be retained in confidence for a period of 24 months and that this order be reviewed every 12 months.**
-

STRATEGIC PLAN

Statutory Requirement

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/Internal Controls
- Audit – External/Internal
- Public Interest Disclosures – previously Whistle-Blowing
- Section 130A 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 Statements

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

The budget update results for the periods ended 30 September 2021 and 31 December 2021 were considered by Council at its meetings on 26 October 2021 and 8 February 2022. Members of the Committee received these reports (364/21 and 27/22) prior to the Council meeting. The reports showed an improved financial position for Council's municipal operations with an increased budget deficit forecast for Alwyndor operations. The main reasons for the Alwyndor outcome were staff absences due to COVID and the accounting requirement to treat the implementation of the Alayacare software as an operating expense.

Financial reports for Municipal and Alwyndor operations for the month ended 31 October 2021 and 31 January 2022 were considered by Council at its meetings on 23 November 2021 and 22 February 2022. Members of the Committee have received copies of the reports.

Risk Management/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 20 October 2021.

External Audit

Council's external auditor, Dean Newbery attended the Audit Committee on 20 October 2021 to discuss the final audit of the 2020/21 financial statements. The 2020/21 consolidated financial statements were adopted by Council on 26 October 2021 and are included in Council's annual report. Dean Newbery subsequently issued an unqualified audit opinion on the Council and Alwyndor 2020/21 Financial Statements and Internal Controls.

Refer Attachment 1

Council's external auditor has prepared their 2021/22 audit plan for Council's operations and it is attached for the Audit Committee's consideration.

Refer Attachment 2

Public Interest Disclosures – previously Whistle-Blowing

There have been no public interest disclosures made to Council since the previous standing items report on 20 October 2021.

Section 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 20 October 2021.

Council Recommendations

At its meeting on 9 November 2021 Council received the minutes and endorsed the recommendations of the meeting of the Audit Committee held on 20 October 2021.

Audit Committee Meeting Schedule 2022

The Audit Committee's Terms of Reference require it to meet at least four times each year and at least once each quarter. During 2021 five meetings will have been held to align with the two important financial programs in which the Audit Committee plays important roles:

- Development of the annual business plan and budget; and
- 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 2022:

- Wednesday 1 June 2022
- Wednesday 24 August 2022
- Wednesday 19 October 2022

As the above reporting requirements have been addressed no further meetings are proposed for the remainder of 2022.

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



DeanNewbery

Chartered
Accountants

29 October 2021

Mayor Amanda Wilson
City of Holdfast Bay
PO Box 19
BRIGHTON SA 5048

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Dean Newbery
ABN: 30 164 612 890

Dear Mayor Wilson

RE: Balance Date Audit Management Letter: Financial Year Ended 30 June 2021

We have recently completed our external audit of your Council for the financial year ended 30 June 2021.

We issued our 2021 Audit Completion Report to the Council on the 15 October 2021. This report contained key accounting and audit matters raised during the audit, a summary of misstatements and matters to be addressed in future financial years. I met with your Council's Audit Committee on 20 October 2021 where the matters raised in our Audit Completion Report were discussed.

Since our meeting with Council's Audit Committee we have issued an unqualified Auditor's Report on the annual Financial Statements and Council's Internal Controls per Section 129 of the *Local Government Act 1999* (the Act) for the financial year ended 30 June 2021.

I would like to thank the Council's Administration for the assistance they provided during the course of our audit. If any additional information is required on any of the audit matters raised above, please feel free to contact me on the details provided below.

Yours sincerely
DEAN NEWBERY



Samantha Creten
Partner

C. Chief Executive Officer
C. Chair Audit Committee

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Certification of Auditor's Independence

I confirm that, for the audit of the financial statements of the City of Holdfast Bay for the year ended 30 June 2021, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.



SAMANTHA CRETEN

Partner

DEAN NEWBERY

Dated this 29th day of October 2021

Independent Auditor's Report

To the members of the City of Holdfast Bay

Opinion

We have audited the accompanying financial report of the City of Holdfast Bay (the Council), which comprises the statement of financial position as at 30 June 2021, statement of comprehensive income, statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Certification of the Financial Statements.

In our opinion, the financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulation 2011* and the Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants (Including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as Council determines is necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

In preparing the financial report, Council is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless Council either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Council.
- Conclude on the appropriateness of the Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DEAN NEWBERY



SAMANTHA CRETEN
PARTNER

Signed on the 29th day of October 2021,
at 214 Melbourne Street, North Adelaide, South Australia, 5006

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INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE CITY OF HOLDFAST BAY

Opinion

In our opinion, the Council has complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to the Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2020 to 30 June 2021.

Basis for opinion

We have audited the Internal Controls of the City of Holdfast Bay (the Council) under the requirements of *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2020 to 30 June 2021 have been conducted properly and in accordance with law.

We conducted our engagement in accordance with Standard on Assurance Engagements *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and *ASAE 3150 Assurance Engagements on Controls* issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The Council's Responsibility for the Internal Controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with *Section 125 of the Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applying Auditing Standard *ASQC 1 Quality Control for Firms that Perform Audits and Review of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking the assurance engagement.

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on the Council's compliance with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures have been conducted properly and in accordance with law.

ASAE 3150 requires that we plan and performed our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operating effectively through the period. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

An assurance engagement to report on the designed and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of the controls to achieve the control objectives and the operating effectiveness of the controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness to the controls that we consider necessary to achieve the control objectives identified. An Assurance engagement of this type also includes evaluating the suitability of the control objectives.

Limitation on Use

This report has been prepared for the members of the Council in accordance with *Section 129(1)(b) of the Local Government Act 1999* in relation to the Internal Controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

DEAN NEWBERY



**SAMANTHA CRETEN
PARTNER**

Signed on the 29th day of October 2021
at 214 Melbourne Street, North Adelaide, South Australia, 5006

Attachment 2





City of Holdfast Bay – External Audit Plan

30 June 2022

DeanNewbery

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Foreword

28 February 2022

Cr John Smedley
Presiding Member - Audit Committee
City of Holdfast Bay
PO Box 19
BRIGHTON SA 5048

Dear Cr Smedley

We thank you for the opportunity to present to you our Audit Plan for the City of Holdfast Bay (the Council) for the financial year ending 30 June 2022.

Our audit plan is subject to continual review and update as new information and matters arise during the course of the audit. This document is intended for the Council's Audit Committee and Administration only.

Our processes and approach to audit matters will continuously be considered and updated where required to address any changes to the operating environment, identified risks and findings identified from work completed.

Our Audit Plan is tailored specifically to the Council and places a high emphasis on communicating all audit matters and findings to you and the Council on a timely basis.

I look forward to working with yourself and the other members of the Audit Committee.

Should you require any further information, please feel free to contact me on the details provided within.

Yours sincerely
DEAN NEWBERY



Samantha Creten
Partner

Key Contacts & Information

Samantha Creten is the Lead Audit Partner appointed to lead the audit team assembled for the engagement. Samantha is highly experienced Local Government Audit Partner who has over 25 years experience auditing the Local Government sector.

The Engagement Manager assisting Samantha, Whitney Sandow is another key contact for Council and will be managing the field work component of the engagement. Samantha and Whitney are committed to ensuring that a high quality audit service is provided to the Council throughout the term of the engagement.

The engagement team will also be assisted by John Jovicevic to support the audit team on a range of specific audit issues and complex matters as/when they arise.



Samantha Creten
Lead Audit Partner

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Whitney Sandow
Engagement Manager

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John Jovicevic
Audit Partner

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Introduction

Purpose of this Document

This document provides an overview of the planned scope and timing of the audit of the financial statements for the City of Holdfast Bay (**the Council**) for the financial year ending 30 June 2022.

Audit Objectives

The objective of the audit process is to undertake the necessary work that will enable us to form an opinion per Section 129 of the *Local Government Act 1999* as to whether:

- the financial report is prepared, in all material respects, in accordance with the Australian Auditing Standards and the *Local Government Act 1999* (the Act) and applicable Regulations; and,
- controls exercised by the Council in relation to the receipts, expenditure and investment of moneys, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide assurance that the financial transactions of the council have been conducted properly and in accordance with law. The opinion is to be based on the criteria established in the *Better Practice Model – Financial Internal Control* issued by the Local Government Association of South Australia.

The financial statements are to be prepared in accordance with the requirement of the *Model Financial Statements* as required by the *Local Government (Financial Management) Regulations 2011*. All audit procedures have been designed to be carried out by our audit staff to provide us with reasonable assurance that the financial report, as a whole, is free from material misstatement.

The scope of the audit extends only to the Council and not to any Subsidiary entities which are required to obtain their own independent external audit in accordance with the Act.

Scope of the Audit

The scope of the engagement, per Section 129 of the Act includes the audit of the following:

- Section 129(a): Council's financial statements for the financial year which is to be prepared in accordance with the requirements under the Act.
- Section 129(b): Audit of the controls exercised by Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

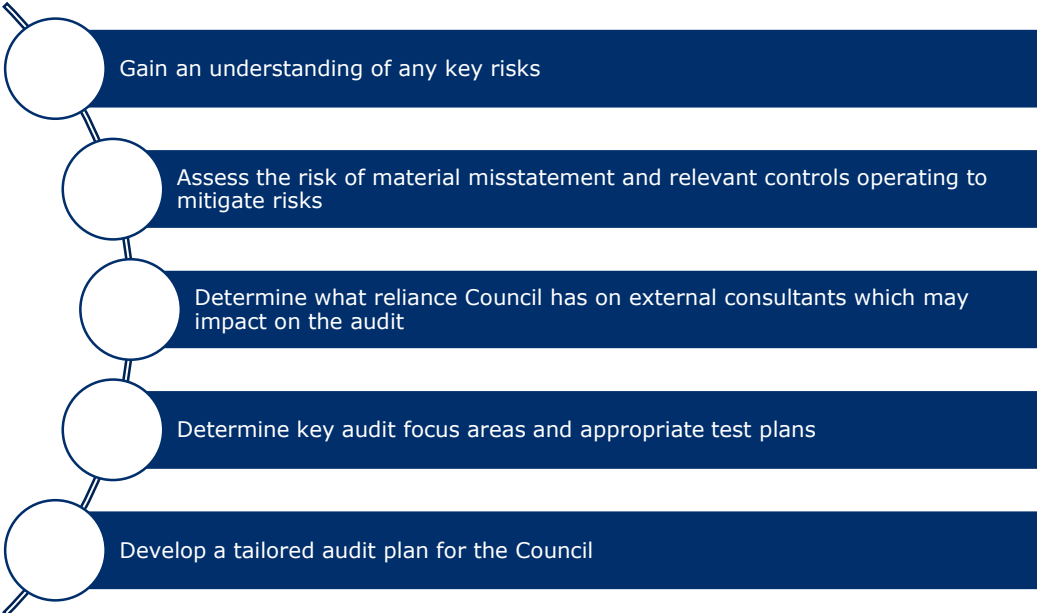
Audit Strategy

We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Council. This ensures that our audit focuses on the areas of highest risk.

Our initial planning of our audit is based on undertaking the following:



In undertaking the initial audit planning tasks, we aim to achieve the following outcomes:



Materiality

Auditors use materiality to assist with making a judgement of the amount of work needed to be performed on specific balances and to evaluate the effect of misstatements on the financial report. In considering what could potentially be deemed as material, our audit considers factors which may influence the decisions of intended users and accordingly, both quantitative and qualitative matters are taken into consideration.

Materiality is therefore considered in the context of its potential impact on the decisions of intended users of the financial report if financial information individually or in aggregate was misstated, omitted and/or not appropriately disclosed. Materiality is initially calculated at the commencement of the engagement during the planning stage and subsequently, reassessed as additional information is obtained during the audit process. It is reassessed up until the time of issuing the audit opinion. As part of our communication strategy, we will communicate any material and, potentially non-material matters (which may be of relevance from an industry best-practice, governance or organisational improvement perspective) during the course of the engagement through our audit management reports issued.

Internal Controls

A key component to the audit work we undertake is gaining an understanding of the internal controls relevant to assisting us with our risk assessment procedures. In testing the effectiveness of internal controls, we gather evidence by using the following techniques:

- Inspection of systems
- Observation of controls
- Inquire of control evaluation results and change subsequently made to the control environment
- Recalculation and/or re-performance of controls
- Assess the Council's risk assessment and control evaluation process

The objective of the test of controls conducted is to achieve the following key outcomes:

- To obtain evidence as to whether internal controls operated as intended throughout the period tested
- Assess internal controls based on the criteria set in the *Better Practice Model – Financial Internal Controls* relevant for Councils in South Australia

Should we become aware of any significant control deficiencies or consider there to be areas where controls could be further strengthened/improved, we will communicate these matters through our audit management reports issued.

Fraud

Our audit is not designed nor intended to detect whether there is any fraudulent activity occurring however, should we become aware of it, we will ensure to report any matters. As part of our audit procedures, we make enquiries of management and those charged with governance to identify any instances of known or suspected fraud.

As part of considering fraud, we also consider the risk of management overrides of controls.

Key Areas of Audit Focus

Based on our existing knowledge of the Council and the Local Government sector, we have identified the matters we think present the risk to potential material misstatements in the financial report. Our audit procedures are designed to focus our testing and review of controls on these assessed risk areas.

Throughout the engagement, we will continue to monitor and assess our risk assessment to ensure that we factor in any additional testing necessary to consider additional risk areas deemed required to be included in our audit testing.

We have highlighted below the audit matters and risks we have identified along with our planned approach to address the audit work we plan to undertake.

Audit Matter	Audit Approach
Management override of Controls	This is a risk that is a required presumption under the Australian Auditing Standards. Our procedures will involve a review of internal controls and test for any unusual transactions within our samples to determine if any transactions do not appear to be within normal business parameters.
Capital Works in Progress (WIP)	Perform sample substantive testing of WIP transactions to ensure correct treatment and classification and ageing of WIP transactions. Conduct sample transactions testing to test for correct recording and classification between capital and operating expenses.
Internal Cost Capitalisation	Perform a review of the assumptions and methodology applied to the capture and recording of internal capitalised costs for capital works projects. Matter noted as part of the FY21 Audit Completion Report and recommendation was made for Council to undertake a review of its methodology to ensure conformance with applicable accounting standards.
Internal Control Review Assessments	Enquire with Management of the framework and program in place to undertake regular review and assessment of Council's internal controls.
Accounting for Grants	Ensure that grants income is correctly treated in accordance with AASB 1058 and the Model Financial Statements.
Alwyndor – Governance Documents	As reported in our FY21 Audit Completion Report, recommendations were made for Council to undertake a review and update of key governance documents. We will undertake follow-up enquiries with Management as to the status of this matter as part of our audit work program.
Asset Valuations	Council is scheduled to undertake valuations of Land & Land Improvements, Building & Other Structures and Stormwater Drainage assets in FY22. Our audit will incorporate a review of the work undertaken by Council and external consultants engaged to ensure valuations conform with applicable accounting standards and that appropriate disclosures are included in the Financial Statements.

Audit Timetable

Our audit timetable has been formulated based on information obtained from Management along with our existing knowledge of the level of work required to be undertaken to form the audit opinions required by the *Local Government Act 1999*.

A summary of our stages of the audit program and expected milestones has been summarised below. Should there be any changes to the expected timetable below, this will be communicated with Management and the Audit Committee.

Key Audit Milestones	Timeframe
Submission of Audit Plan to Council's Audit Committee	February 2022
Commencement of Interim Audit (Off-Site Testing)	April 2022
Interim Audit (On-Site Attendance)	May 2022
Interim Management Report issued to Council's Audit Committee	June 2022
Balance Date Audit requirements checklist to be provided to Council	June 2022
Balance Date Audit requirements to be provided to auditors – <i>including all completed valuations and financial statements of Subsidiary entities</i>	August 2022
Draft financial statements to be provided to auditors	September 2022
Balance Date audit attendance to commence	September 2022
Exit Meeting with Council Management	September 2022
Meet with Council's Audit Committee	October 2022
Audit Reports and Independence Declaration to be issued by auditors	October 2022

Communication Strategy

Our Management Letters/Reports are issued at the conclusion of each audit attendance and we will ensure to provide comments and findings as a result of testing completed on key matters reviewed. Our approach is for our Management Letters/Reports to provide only constructive feedback to any audit findings as required by Australian Auditing Standards.

All Management Letters/Reports will be provided as draft reports to the Administration for their review and comment prior to issuing a final version.

External Confirmations

To assist with the gathering of audit evidence necessary to complete the audit, we will be sending the following confirmation requests:

- External bank confirmations for all bank accounts, loans and products (including credit cards)
- Solicitor's representation letter
- Local Government Finance Authority (LGFA) balance confirmations
- External Asset Valuation(s) (where applicable)

Independence

Our audit is required to be conducted to comply with the following independence requirements:

- *Local Government Act 1999*
- *Local Government (Financial Management) Regulations 2011*
- APES 110 – Code of Ethics for Professional Accountants

As part of our audit procedures, we obtain independence declarations from all engagement staff to confirm that all engagement team members meet the above standards prior to the commencement of working on the engagement. We will annually provide Council with confirmation that we have met with our independence requirements as required by the above legislation and standards.

Should any situation arise where we become aware that an issue over our independence, we will communicate this immediately to Council's Chief Executive Officer and Audit Committee.

We confirm that Dean Newbery has not provided any other services to the Council as at the time of preparing this Report.

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Dean Newbery

ABN 30 164 612 890

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DeanNewbery

Item No: 7.2

Subject: **LONG TERM FINANCIAL PLAN REVIEW**

Date: 16 March 2022

Written By: Manager, Financial Services

General Manager: Strategy & Corporate, Ms P Jackson

SUMMARY

The Long Term Financial Plan (LTFP) has been reviewed and updated to include the 2021/22 Annual Business Plan and 2020/21 audited financial statements and budget updates to 31 December 2021. The projections in the LTFP indicate Council remains in a sound financial position.

The LTFP has also been informed by the latest Asset Management Plans (AMP) and direction from Council with regard to Council's commitment to financial sustainability. A number of assumptions have been reviewed in updating the plan and these are detailed in the report.

The LTFP will be enhanced as part of the 2022/23 budget process to include major projects that have been identified to be undertaken over the next 10 years.

RECOMMENDATION

That the Audit Committee advises Council it has received and noted the revised Long Term Financial Plan.

STRATEGIC PLAN

Statutory Requirement

COUNCIL POLICY

Not Applicable

STATUTORY PROVISIONS

Local Government Act 1999, Section 122

Local Government (Financial Management) Regulations 2011, Regulation 5

BACKGROUND

The Act requires Council to review its LTFP as soon as practicable after adopting the annual business plan. The LTFP was reviewed and updated to include the 2021/22 budget, 2020/21 Annual Financial Statements and budget updates to 31 December 2021.

The annual update has reviewed the existing LTFP assumptions, and has taken into consideration economic conditions and inflation, and used current available financial information. It is noted that the LTFP is not a static document and its purpose is to provide broad financial projections to assist in making key decisions.

Alwyndor Aged Care has been excluded from the LTFP as it is managed as a financially self-sustaining operation. A separate report will be prepared for this committee covering the Alwyndor Long Term Financial Plan.

REPORT

Financial Principles and Targets

Council's key financial principles include the following:

- Delivering a balanced budget that fully funds the costs of its services including depreciation.
- Developing sound infrastructure and asset management planning by creating, enhancing and using long-term infrastructure and asset management plans.
- Providing the community with a reasonable degree of predictability for rate over the medium term.

Council's key financial performance measures and targets include the following:

- Operating result as a percentage of rate revenue between 0% - 10% over a rolling 5-year period.
- Net Financial Liabilities as a percentage of operating revenue less than 75%.
- Net interest expense as a percentage of operating revenue less than 5%.

Revised underlying assumptions

The existing LTFP assumptions have been reviewed including consideration of current economic conditions, inflation and other current financial information.

Inflation Forecasts

The following table provides inflation forecast information. It lists forecasts for the Consumer Price Index (CPI) and Local Government Price Index (LGPI). The forecast Adelaide CPI has been sourced from Deloitte Access Economics. The LGPI is published by the University of Adelaide and measures price movements faced by Councils in South Australia. The LGPI increase has been

determined by averaging the last six years LGPI increase above CPI. The applied LGPI is the addition of the two measures. The LGPI has been used in the LTFP model for indexing operating expenditure (excluding employment costs) and income and capital expenditure.

<u>Year</u>	<u>CPI</u>	<u>LGPI Increase</u>	<u>LGPI</u>
2021/22	2.7%	0.3%	3%
2022/23	2.4%	0.3%	2.7%
2023/24	2.3%	0.3%	2.6%
2024/25	2.3%	0.3%	2.6%
2025/26	2.4%	0.3%	2.7%
2026/27	2.3%	0.3%	2.6%
2027/28	2.4%	0.3%	2.7%
2028/29	2.5%	0.3%	2.8%
2029/30	2.3%	0.3%	2.6%
2030/31	2.4%	0.3%	2.7%

Existing Forecasts

Base case

- 2022/23 operating budget figures based on draft budget as provided by managers and reviewed by the Chief Executive Officer and the Senior Leadership Team.
- Asset renewal/upgrades updated and are based on 3 year capital program and adopted Asset Management Plan.
- Provision for new initiatives - \$500,000 operating.
- Base Case and New Strategic Projects modelled from 2022/23.
- Base Case includes storm-water upgrades as per adopted Asset Management Plan and Brighton Caravan Park Stage 2 upgrade.
- LGPI General Rate Increase; 0.5% rate increase for new development.
- LGPI applied for other expenditure/revenue.
- 2% employment costs with the Superannuation Guarantee rate forecast commencing at 9.5% for 2020/21 increasing to 12% by 2025/26.
- Provision for election costs has been allowed for every four years, commencing at \$226,000 in 2022/23.
- Additional depreciation and maintenance costs provided for new and upgraded assets based on the average useful life of the class of asset.
- Annual increase in valuation of assets impacting future depreciation and holding value of buildings and infrastructure assets.

Base Case plus projects

Throughout the current 2022/23 budget process Council is reassessing the major projects for inclusion in the LTFP. The following projects and funding have been included for initial comparison purposes and are subject to revision.

- Glenelg Oval Masterplan - \$11.1m net.
- Jetty Road Glenelg Masterplan - \$8.6m net.

Further comparative updates will be provided to the committee once finalized as part of the 2022/23 budget process.

Rate Income

Rate predictability is one of the key financial principles in the LTFP. The model has been updated to ensure at least a break-even operating result in future years.

Rate revenue increase

The rate revenue increase is based on the forecast LGPI reflecting Council's direction to keep rate increases as low as practical. An additional 0.5% pa has been provided for property development growth as a result of increases to a property's value, or new developments such as replacing an existing building. The annual increase in rate revenue excludes changes to the Regional Landscape Levy collected by Council on behalf of the Landscape Boards via the Landscape Administration Fund.

Employment Costs

Employment costs have been revised in accordance with current enterprise agreements (EA). The LTFP model has used 2% for the term of plan.

Grants and subsidies

Council receives a mixture of grant funding from the State Government to support its programs and activities. Some grants, like the Financial Assistance Grants, are recurring and received every year. These are assumed to increase by forecast LGPI. The Roads to Recovery (RTR) Federal Government program has been extended from 1 July 2019 to 30 June 2024 with an overall allocation of \$1.49m. Year two of the Supplementary Local Road program with an estimated annual allocation of \$184,000 has also been included.

Remaining Assumptions

Apart from the application of LGPI indexation the remaining key assumptions are unchanged from the existing LTFP and include:

- The 2021/22 capital works program will be completed by 30 June 2022.
- Asset renewal and upgrades are based on the latest forecast for 2022/23 and the existing AMP information.
- No asset sales have been forecast. The property portfolio is reviewed regularly with the aim of improving utilization of facilities and reducing holding costs.
- Additional depreciation and maintenance costs are included for new assets, based on average useful lives and capital costs of the new assets.
- Cash and cash equivalents are modelled to include all investments with borrowings and cash advance debentures provided for when cash is required.

- New borrowings have been forecast on a 15 year repayment basis at current long term LGFA borrowing rates of 3% for new loans and 2.5% for cash advance debentures.
- Alwyndor Aged Care will be preparing a LTFP as part of the 2022/23 budget process and the Audit Committee will be advised of the outcomes.
- The SRWRA net-gain equity is based on Council's 15% share of the SRWRA operating profit as forecast in the current adopted SRWRA LTFP.

PROJECTIONS

A full set of base case financial forecast details are provided for reference as per attachment.

Refer Attachment 1

The results have been charted and show projections for our key financial performance indicators over the 10-year planning horizon. They provide a measure of overall financial capacity to respond to circumstances and undertake major new initiatives without adversely affecting the continued provision of services to our community.

Operating Surplus/ratio

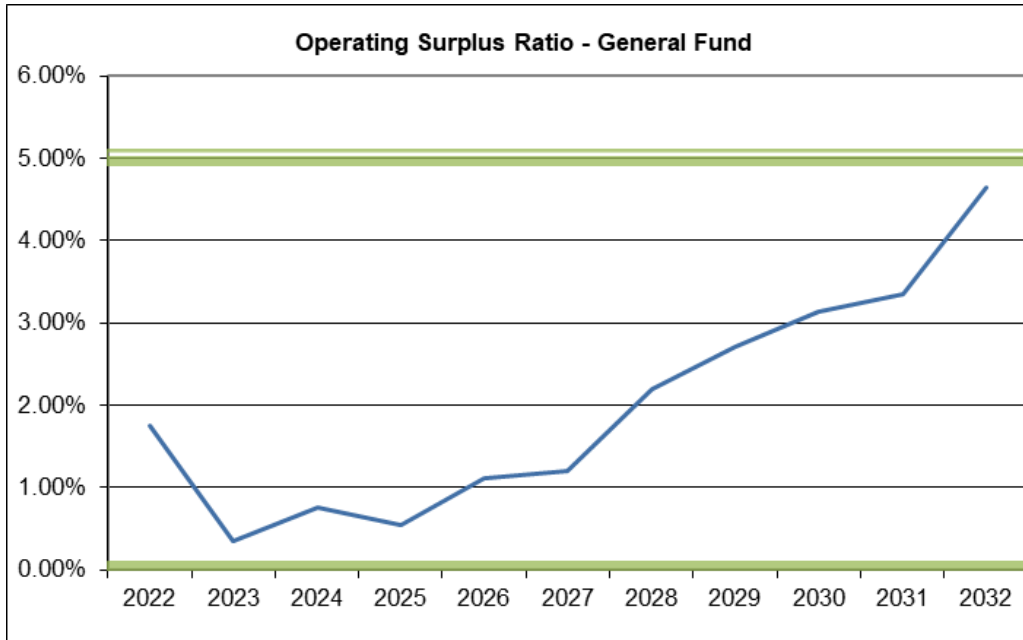
In broad terms, the Operating Surplus is the difference between day-to-day income and expenditure for the period.

Council's income (or revenue) includes rate revenue, user charges, statutory charges, investment income and grants and subsidies of an operating nature from third parties. Operating expenditure is expenditure incurred in the ordinary course of providing Council's services, including a charge for depreciation of infrastructure and assets. Depreciation reflects a portion of the capital cost or value of an asset used or consumed during the year and can be regarded as the cost of "wear and tear".

The Operating Ratio measures the Operating Surplus as a percentage of rate revenue.

A positive ratio indicates the percentage of rates available to help fund current and future capital expenditure. A negative ratio indicates the percentage increase in rate revenue that would have been required to achieve a break-even operating result.

Council has set an Operating Ratio target of between 0 and 10% over a rolling 5-year period. This recognises the impact of one-off events that distort an annual ratio. After adjusting for one-off operating grants for renewed assets, the historic operating ratio over a rolling 5-year period commencing from 2017/18 to the current financial year is a 3% surplus. The 2022/23 forecast shows a sustainable operating surplus into future years.



Net Financial Liabilities

Net Financial Liabilities is a measure of Council's net debt — what Council owes others less what is owed to Council and is calculated as total liabilities less financial assets.

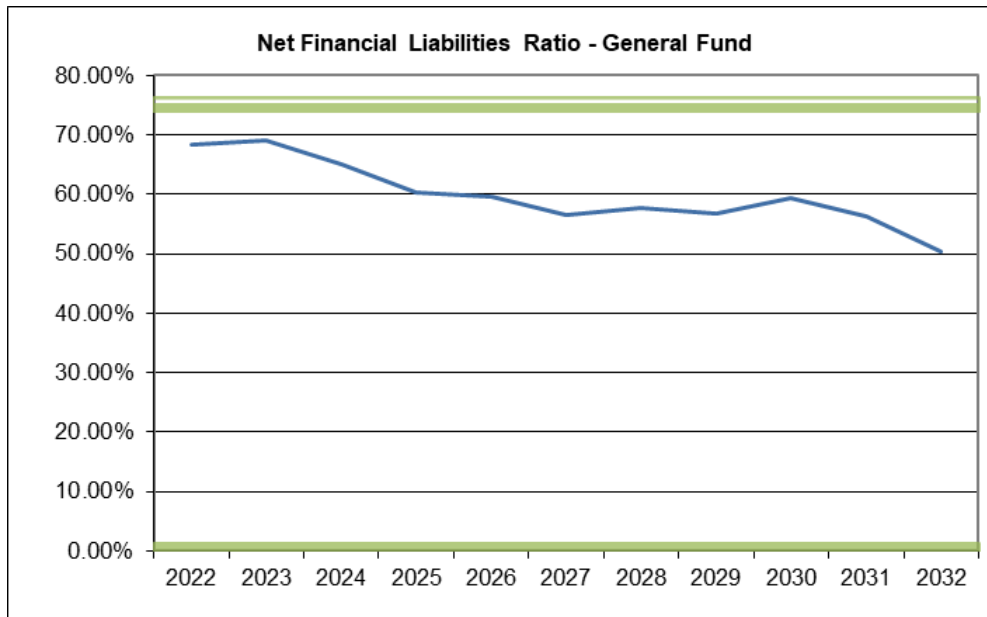
It is a broader and more appropriate measure than just debt and recognises Council's available financial assets (such as cash and investments) and other liabilities (including employee entitlements and creditors).

Net Financial Liabilities Ratio

The Net Financial Liabilities Ratio indicates how significant Council's Net Financial Liabilities are compared to income and indicates the extent to which Net Financial Liabilities could be met by revenue. It is calculated by expressing Net Financial Liabilities as a percentage of revenue.

A declining Net Financial Liabilities Ratio indicates that Council has a corresponding increase in capacity to service its financial obligations.

Council has set a target to maintain a Net Financial Liabilities Ratio of not more than 75%. This is analogous to a household with an annual income of \$100,000 having a mortgage and credit card debt of \$75,000. The base case is showing Council is well below the range thereby providing capacity for future funding of major projects.



Interest Cover Ratio

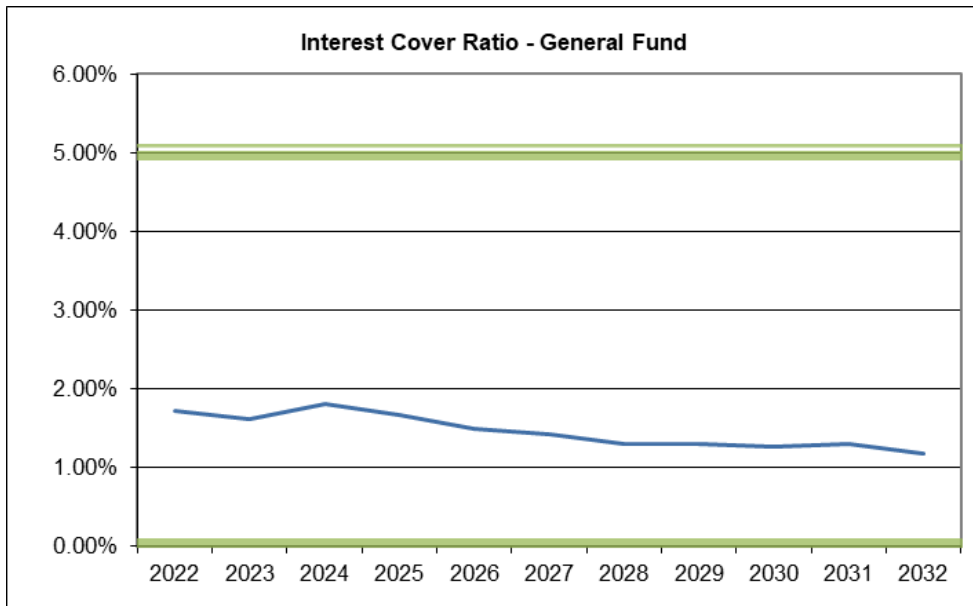
The Interest Cover Ratio measures the portion of annual revenue required to meet Council’s net interest expenses.

As with the Net Financial Liabilities Ratio, a declining Interest Cover Ratio indicates that Council has a corresponding increase in capacity to service its financial obligations. This may be the result of declining Net Financial Liabilities and/or falling interest rates.

A high Interest Cover Ratio indicates that Council has reduced flexibility to fund its services.

Council has set a target to maintain an Interest Cover Ratio of not more than 5%. This means that 5 cents out of every \$1 of revenue is used to pay net interest.

The base case chart indicates Council is well below this threshold for the foreseeable future.



Asset Sustainability

Asset Sustainability is expressed capital expenditure on renewal and replacement as a percentage of the optimal expenditure identified in Council’s Asset Management Plans.

The AMP has provided the capital renewal expenditure figures and therefore this percentage amount is 100%.

What do the revised projections tell us?

The revised projections indicate that, based on current assumptions, Council remains within the target range for a balanced budget with a more favourable outlook over the mid-term.

The LTFP assumes a ‘no change’ policy (ie a continuation of existing services and programs). As Council responds to changing community expectations, it will make decisions to change services and invest in new and improved infrastructure, such as community facilities, that will be funded from the projected strong financial capacity.

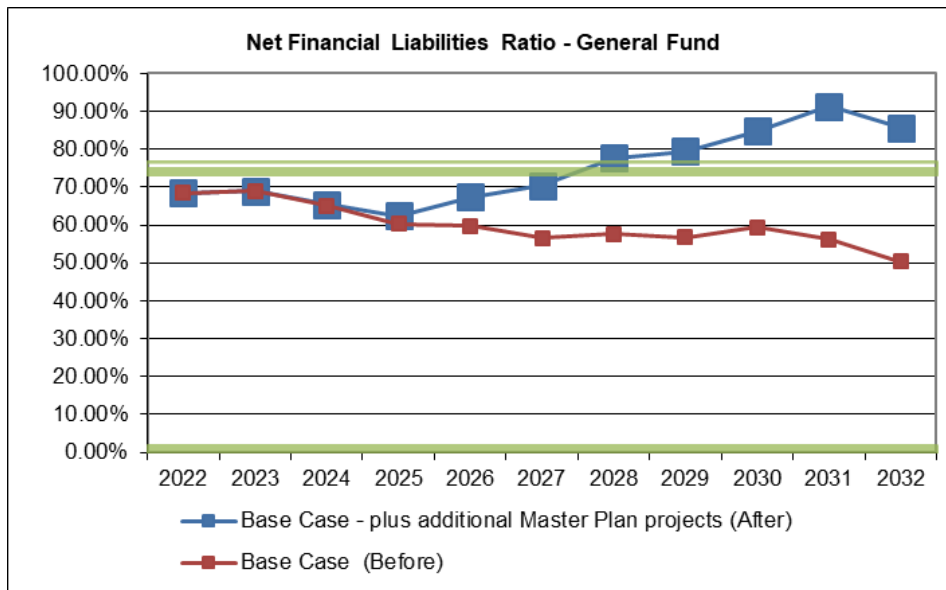
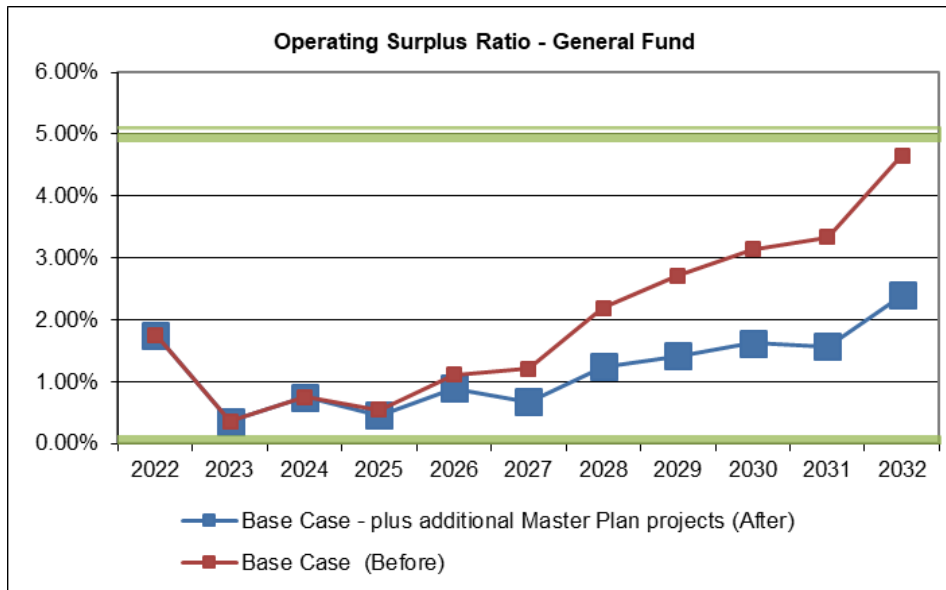
This can be achieved by:

- continually reviewing and enhancing services to our community;
- continue to invest in renewal and replacement of our assets and infrastructure to ensure they meet the service needs in the most cost-effective manner;
- taking advantage of opportunities and respond to emerging issues; and
- using additional borrowings to fund new or upgraded assets.

The revised financial projections contained in this overview are based on a variety of estimates and assumptions.

Financial modelling has been done to show the impact of funding the existing major master plan projects including Jetty Road Glenelg and Glenelg Oval. They indicate that while the operating result will remain within Councils acceptable range, the NFL ratio will exceed 75% from 2028 onwards. In this regard as part of the 2022/23 budget process the funding and inclusion of long term projects is being assessed.

The following charts indicate the impact of existing long-term major projects on the LTFP.



Options under consideration by Council to fund long term major projects and maintain financial sustainability thresholds include reviewing operating expenditure and income and/or revising the current net financial liabilities ceiling.

As with all projections, the view can change as underlying circumstances change. For example additional modelling was done in response to the impact of COVID-19. With this in mind, Council will continue to closely monitor its strategic and financial planning outlook.

Financial Strategies

The revision of the LTFP enables Council to reinforce its financial strategies to:

- maintain long-term financial sustainability; and
- build and maintain adequate financial capacity to fund its services including the flexibility to respond to changing needs and circumstances.

The financial strategies to maintain long-term financial sustainability include:

- using the LTFP in key decision making;
- continually improving and enhancing Asset Management Plans;
- continue to improve the model underpinning the LTFP;
- regularly review the LTFP;
- reduce the reliance on rate revenue;
- continually improving financial management practices; and
- measuring and reporting performance against targets.

Chief Executive Officer Comment

It is a requirement under the Act that a review of the LTFP include a report from the Chief Executive Officer on the sustainability of Council's long term financial performance. The following comments from the CEO have been provided in this regard.

The LTFP has been revised and updated to include the 2021/22 Annual Business Plan and 2020/21 Financial Statements. It has also taken into account budget updates to 31 December 2021 and the 2022/23 draft operational budget. As indicated within this report the LTFP is a modelling tool that needs to be reviewed and monitored to assist in financial forecasting and decision making.

A number of assumptions have been revised including forecasting the level of rate increase (excluding new development growth) at 2.7% forecast LGPI. The indexation for other expenditure and revenue is forecast at LGPI. The revised LTFP indicates that Council is sustainable with the Operating Ratio target of between 0 and 10% over a rolling 5-year period being met.

The LTFP also indicates that the Net Financial Liabilities Ratio (NFLR) base case scenario will remain below the Council agreed threshold of 75%. The LTFP and NFLR indicate that the current forecast level of borrowings is sustainable over the mid-term and that Council has the capacity to borrow additional funds for new major projects. Strategies to increase revenue and/or reduce operating expenditure will ensure that the NFLR will remain under the threshold in the long-term.

Council continually reviews and enhances its services to the community. Future decisions will also be made to invest in new and improved infrastructure and community facilities and the LTFP will assist in this regard. The revised LTFP indicates that Council is in a strong financial position with a sustainable outlook and has the financial capacity to fund future capital projects as they arise.

BUDGET

The LTFP informs the budget and is used as a tool in financial decisions making.

LIFE CYCLE COSTS

This report does not have any direct full life cycle cost implications.

Attachment 1



City of Holdfast Bay (excluding Alwyndor Aged Care)
10 Year Financial Plan for the Years ending 30 June 2032

STATEMENT OF COMPREHENSIVE INCOME - GENERAL FUND
Scenario: Base Case

	Actuals	Current Year	Projected Years									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income												
Rates	37,977,000	39,025,000	40,190,000	41,401,000	42,649,000	43,976,000	45,302,000	46,712,000	48,213,000	49,667,000	51,008,000	52,333,000
Statutory Charges	2,263,000	2,420,000	2,582,000	2,649,000	2,718,000	2,791,000	2,864,000	2,941,000	3,023,000	3,102,000	3,186,000	3,269,000
User Charges	3,249,000	3,055,000	3,241,000	3,625,000	3,735,000	3,847,000	3,947,000	4,054,000	4,168,000	4,276,000	4,391,000	4,505,000
Grants, Subsidies and Contributions	3,490,000	3,099,000	2,381,000	2,123,000	1,872,000	1,922,000	1,972,000	2,025,000	2,082,000	2,136,000	2,194,000	2,251,000
Investment Income	31,000	21,000	20,000	21,000	22,000	23,000	24,000	25,000	26,000	27,000	28,000	29,000
Reimbursements	380,000	697,000	754,000	774,000	794,000	815,000	835,000	858,000	882,000	905,000	929,000	953,000
Other Income	1,204,000	617,000	602,000	618,000	634,000	651,000	667,000	685,000	704,000	722,000	741,000	760,000
Net gain - equity accounted Council businesses	66,000	160,000	219,000	223,000	227,000	235,000	235,000	240,000	244,000	248,000	253,000	257,000
Total Income	48,660,000	49,094,000	49,989,000	51,434,000	52,651,000	54,260,000	55,846,000	57,540,000	59,342,000	61,083,000	62,730,000	64,357,000
Expenses												
Employee Costs	17,090,000	17,639,000	18,177,000	18,588,000	19,045,000	19,513,000	19,904,000	20,302,000	20,665,000	21,035,000	21,412,000	21,797,000
Materials, Contracts & Other Expenses	19,472,000	20,089,000	20,339,710	20,690,544	21,251,159	21,836,520	22,646,445	23,022,499	23,680,891	24,311,008	24,978,058	24,985,946
Depreciation, Amortisation & Impairment	9,449,000	9,743,000	10,467,398	10,814,961	11,169,941	11,474,212	11,805,941	12,178,013	12,587,287	13,020,157	13,402,165	13,789,904
Finance Costs	603,000	760,590	826,881	952,523	897,016	835,564	816,181	775,100	797,346	797,422	843,257	790,497
Net loss - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	46,614,000	48,231,590	49,810,990	51,046,027	52,363,116	53,659,297	55,172,566	56,277,612	57,730,524	59,163,587	60,635,480	61,363,347
Operating Surplus / (Deficit)	2,046,000	862,410	178,010	387,973	287,884	600,703	673,434	1,262,388	1,611,476	1,919,413	2,094,520	2,993,653
Asset Disposal & Fair Value Adjustments	(1,365,000)	-	-	-	-	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	5,631,000	2,392,000	2,836,269	554,250	938,241	2,293,192	1,451,291	963,486	960,450	954,627	-	-
Net Surplus / (Deficit)	6,312,000	3,254,410	3,014,279	942,223	1,226,125	2,893,895	2,124,725	2,225,874	2,571,926	2,874,040	2,094,520	2,993,653
Other Comprehensive Income												
Amounts which will not be reclassified subsequently to operating result												
Changes in Revaluation Surplus - I,PP&E	5,567,000	-	9,903,395	12,240,718	9,954,932	10,581,162	13,683,278	12,962,485	13,954,267	11,670,666	13,010,352	16,833,098
Share of Other Comprehensive Income - Equity Accounted Council Businesses	21,000	-	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	5,588,000	-	9,903,395	12,240,718	9,954,932	10,581,162	13,683,278	12,962,485	13,954,267	11,670,666	13,010,352	16,833,098
Total Comprehensive Income	11,900,000	3,254,410	12,917,674	13,182,941	11,181,057	13,475,057	15,808,002	15,188,359	16,526,193	14,544,707	15,104,871	19,826,752

City of Holdfast Bay (excluding Alwyndor Aged Care)
10 Year Financial Plan for the Years ending 30 June 2032
STATEMENT OF FINANCIAL POSITION - GENERAL FUND
Scenario: Base Case

	Actuals	Current Year	Projected Years									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS												
Current Assets												
Cash & Cash Equivalents	443,000	221,487	(164,565)	-	-	-	-	-	-	-	-	-
Trade & Other Receivables	2,421,000	1,773,451	1,632,906	1,598,512	1,646,441	1,734,681	1,758,916	1,785,308	1,834,179	1,809,064	1,826,448	1,861,380
Total Current Assets	2,864,000	1,994,938	1,468,341	1,598,512	1,646,441	1,734,681	1,758,916	1,785,308	1,834,179	1,809,064	1,826,448	1,861,380
Non-Current Assets												
Financial Assets	1,133,000	1,380,000	1,308,000	1,234,000	1,158,000	1,083,000	1,006,000	930,000	856,000	856,000	856,000	856,000
Equity Accounted Investments in Council Businesses	3,314,000	3,474,000	3,693,000	3,916,000	4,143,000	4,378,000	4,613,000	4,853,000	5,097,000	5,345,000	5,598,000	5,855,000
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	694,277,000	709,774,000	723,352,975	735,240,050	744,544,499	758,383,686	773,166,542	789,682,277	806,434,635	823,385,999	837,252,391	853,925,586
Other Non-Current Assets	4,497,000	4,497,000	4,497,000	4,497,000	4,497,000	4,497,000	4,497,000	4,497,000	4,497,000	4,497,000	4,497,000	4,497,000
Total Non-Current Assets	703,221,000	719,125,000	732,850,975	744,887,050	754,342,499	768,341,686	783,282,542	799,962,277	816,884,635	834,083,999	848,203,391	865,133,586
TOTAL ASSETS	706,085,000	721,119,938	734,319,316	746,485,562	755,988,940	770,076,367	785,041,458	801,747,585	818,718,814	835,893,063	850,029,839	866,994,965
LIABILITIES												
Current Liabilities												
Cash Advance Debenture	357,000	-	-	-	-	-	-	-	-	-	-	-
Trade & Other Payables	6,099,000	5,015,235	4,962,554	5,011,931	5,063,961	5,139,432	5,168,443	5,214,783	5,294,494	5,364,125	5,386,172	5,400,961
Borrowings	1,116,000	1,543,435	1,687,049	1,687,325	1,752,351	1,910,494	1,688,015	1,901,255	2,072,631	2,376,586	2,515,578	2,601,553
Provisions	2,908,000	3,125,173	3,367,029	3,613,397	3,864,277	4,120,572	4,382,282	4,649,406	4,921,945	5,199,899	5,483,267	5,772,050
Other Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities relating to Non-Current Assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	10,480,000	9,683,843	10,016,632	10,312,653	10,680,589	11,170,499	11,238,739	11,765,444	12,289,070	12,940,610	13,385,017	13,774,564
Non-Current Liabilities												
Cash Advance Debenture	-	1,401,626	1,120,701	1,347,143	1,026,319	1,346,120	1,346,292	1,342,307	1,346,431	1,344,541	1,342,525	661,232
Trade & Other Payables	-	12,220	12,964	14,500	14,940	15,388	15,788	16,216	16,672	17,104	17,564	18,020
Borrowings	14,439,000	25,556,013	25,758,963	24,191,638	22,439,287	22,213,793	21,273,778	22,239,523	22,126,892	24,076,306	22,634,728	20,033,175
Provisions	292,000	337,827	363,971	390,603	417,723	445,428	473,718	502,594	532,055	562,101	592,733	623,950
Total Non-Current Liabilities	14,731,000	27,307,685	27,256,599	25,943,884	23,898,268	24,020,728	23,109,576	24,100,639	24,022,050	26,000,052	24,587,550	21,336,377
TOTAL LIABILITIES	25,211,000	36,991,528	37,273,231	36,256,537	34,578,857	35,191,227	34,348,316	35,866,084	36,311,120	38,940,662	37,972,567	35,110,941
Net Assets	680,874,000	684,128,410	697,046,085	710,229,025	721,410,082	734,885,140	750,693,142	765,881,501	782,407,695	796,952,401	812,057,272	831,884,024
EQUITY												
Accumulated Surplus	180,304,000	183,558,410	186,572,690	187,514,912	188,741,037	191,634,932	193,759,657	195,985,531	198,557,457	201,431,497	203,526,017	206,519,670
Asset Revaluation Reserves	500,570,000	500,570,000	510,473,395	522,714,113	532,669,045	543,250,208	556,933,486	569,895,971	583,850,238	595,520,904	608,531,255	625,364,354
Available for Sale Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	680,874,000	684,128,410	697,046,085	710,229,025	721,410,082	734,885,140	750,693,142	765,881,501	782,407,695	796,952,401	812,057,272	831,884,024

City of Holdfast Bay (excluding Alwyndor Aged Care)
10 Year Financial Plan for the Years ending 30 June 2032

STATEMENT OF CASH FLOWS - GENERAL FUND

Scenario: Base Case

	Actuals	Current Year	Projected Years									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities												
Receipts:												
Rates Receipts	38,696,000	38,837,326	40,179,350	41,389,930	42,637,592	43,963,870	45,289,879	46,699,111	48,199,279	49,653,709	50,995,742	52,320,888
Statutory Charges	2,276,000	2,629,041	2,576,770	2,646,837	2,715,772	2,788,643	2,861,643	2,938,514	3,020,353	3,099,449	3,183,288	3,266,320
User Charges	3,473,000	3,368,882	3,235,739	3,614,138	3,731,889	3,843,832	3,944,171	4,050,973	4,164,775	4,272,945	4,387,747	4,501,775
Grants, Subsidies and Contributions (operating purpose)	3,529,000	3,364,597	2,389,838	2,205,006	1,867,706	1,876,640	1,997,567	2,039,038	2,080,258	2,134,445	2,222,948	2,249,160
Investment Receipts	31,000	23,723	20,024	20,976	21,976	22,976	23,976	24,976	25,976	26,976	27,976	28,976
Reimbursements	394,000	719,810	752,629	773,519	793,519	814,495	834,519	857,447	881,423	904,447	928,423	952,423
Other	1,199,000	231,866	602,484	617,483	633,483	650,451	666,483	684,419	703,387	721,419	740,387	759,387
Payments:												
Payments to Employees	(17,240,000)	(17,376,000)	(17,909,000)	(18,315,000)	(18,767,000)	(19,229,000)	(19,614,000)	(20,006,000)	(20,363,000)	(20,727,000)	(21,098,000)	(21,477,000)
Payments for Materials, Contracts & Other Expenses	(22,617,000)	(20,140,243)	(20,408,936)	(20,660,127)	(21,222,555)	(21,785,747)	(22,646,508)	(22,997,601)	(23,629,045)	(24,268,220)	(24,982,446)	(24,984,560)
Finance Payments	(603,000)	(760,590)	(826,881)	(952,523)	(897,016)	(835,564)	(816,181)	(775,100)	(797,346)	(797,422)	(843,257)	(790,497)
Net Cash provided (or used in) Operating Activities	9,138,000	10,898,414	10,612,017	11,340,240	11,515,367	12,110,595	12,541,550	13,515,777	14,286,059	15,020,748	15,562,808	16,826,871
Cash Flows from Investing Activities												
Receipts:												
Amounts Received Specifically for New/Upgraded Assets	5,632,000	1,284,000	2,836,269	554,250	938,241	2,293,192	1,451,291	963,486	960,450	954,627	-	-
Sale of Replaced Assets	261,000	1,683,000	492,000	190,000	21,000	683,000	338,000	480,000	370,000	291,000	374,000	384,000
Repayments of Loans by Community Groups	32,000	247,000	243,000	72,000	74,000	76,000	75,000	77,000	76,000	74,000	-	-
Payments:												
Expenditure on Renewal/Replacement of Assets	(8,488,000)	(13,112,000)	(9,041,000)	(7,612,000)	(7,924,000)	(11,373,000)	(9,971,000)	(13,350,000)	(12,814,000)	(15,574,000)	(14,004,000)	(14,014,000)
Expenditure on New/Upgraded Assets	(9,299,000)	(13,811,000)	(5,593,978)	(3,039,318)	(2,616,458)	(4,042,237)	(3,272,519)	(2,861,263)	(2,941,378)	(3,017,854)	(628,206)	-
Net Cash provided (or used in) Investing Activities	(11,862,000)	(23,709,000)	(11,063,709)	(9,835,068)	(9,507,217)	(12,363,045)	(11,379,228)	(14,690,777)	(14,348,928)	(17,272,227)	(14,258,206)	(13,630,000)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from CAD	-	1,401,626	-	-	-	-	-	-	-	-	-	-
Proceeds from Borrowings	5,000,000	12,661,000	1,890,000	120,000	-	1,685,000	748,000	2,867,000	1,960,000	4,326,000	1,074,000	-
Payments:												
Repayments of Borrowings	(3,055,000)	(1,338,040)	(1,378,870)	(1,687,049)	(1,687,325)	(1,752,351)	(1,910,494)	(1,688,015)	(1,901,255)	(2,072,631)	(2,376,586)	(2,515,578)
Net Cash Flow provided (used in) Financing Activities	1,945,000	12,724,586	511,130	(1,567,049)	(1,687,325)	(67,351)	(1,162,494)	1,178,985	58,745	2,253,369	(1,302,586)	(2,515,578)
Net Increase/(Decrease) in Cash & Cash Equivalents	(779,000)	(86,000)	59,438	(61,877)	320,824	(319,801)	(172)	3,985	(4,124)	1,890	2,015	681,293
plus: Cash & Cash Equivalents - beginning of year	865,000	86,000	-	59,438	(2,439)	318,385	(1,416)	(1,588)	2,397	(1,727)	163	2,178
Cash & Cash Equivalents - end of the year	86,000	-	59,438	(2,439)	318,385	(1,416)	(1,588)	2,397	(1,727)	163	2,178	683,471
Cash & Cash Equivalents - end of the year	86,000	-	59,438	(2,439)	318,385	(1,416)	(1,588)	2,397	(1,727)	163	2,178	683,471
Investments - end of the year	-	-	-	-	-	-	-	-	-	-	-	-
Cash, Cash Equivalents & Investments - end of the year	86,000	-	59,438	(2,439)	318,385	(1,416)	(1,588)	2,397	(1,727)	163	2,178	683,471

City of Holdfast Bay (excluding Alwyndor Aged Care)
10 Year Financial Plan for the Years ending 30 June 2032
KEY PERFORMANCE INDICATORS - GENERAL FUND
Scenario: Base Case

**Current
Year
2021/22**

Projected Years

2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32

- Within green benchmark (green min and/or green max)
 - Within amber benchmark (amber min and/or amber max)
 - Not within benchmark (amber min and/or amber max)
- ↗ Within green benchmark
 - ↗ above green maximum and below amber maximum
 - ↘ below green minimum and above amber minimum
 - ↑ above amber maximum
 - ↓ below amber minimum

Council's Target Benchmarks

Note 15 Ratios

Operating Surplus Ratio	Snapshot	● —	● —	● —	● —	● —	● —	● —	● —	● —	● —
	Actual Ratio	1.76%	0.36%	0.75%	0.55%	1.11%	1.21%	2.19%	2.72%	3.14%	3.34%
Adjusted Operating Surplus Ratio	Snapshot	● —	● —	● —	● —	● —	● —	● —	● —	● —	● —
	Actual Ratio	1.76%	0.36%	0.75%	0.55%	1.11%	1.21%	2.19%	2.72%	3.14%	3.34%
Net Financial Liabilities Ratio	Snapshot	● —	● —	● —	● —	● —	● —	● —	● —	● —	● —
	Actual Ratio	68.47%	69.01%	64.98%	60.35%	59.66%	56.55%	57.61%	56.66%	59.39%	56.26%
Interest Cover Ratio	Snapshot	● —	● —	● —	● —	● —	● —	● —	● —	● —	● —
	Actual Ratio	1.73%	1.61%	1.81%	1.66%	1.50%	1.42%	1.30%	1.30%	1.26%	1.30%

Item No: 7.3
Subject: **RISK REPORT**
Date: 16 March 2022
Written By: Manager, Strategy and Governance
General Manager: Strategy and Corporate, Ms P Jackson

SUMMARY

At the last Audit Committee meeting, the Committee was advised that a broader review of the risk function was being undertaken. This work is progressing, under the direction of the newly appointed Risk and Improvement Officer, who commenced in late December 2021.

The review includes a comprehensive revision of both the policy suite and registers, incorporating internal audit recommendations and best practice. Revised documentation is expected to be ready for the Audit Committee's consideration at the next meeting.

At this time, there is no change to the risk profile or overall risk exposure for Council.

RECOMMENDATION

That the Audit Committee notes this report.

STRATEGIC PLAN

Statutory compliance

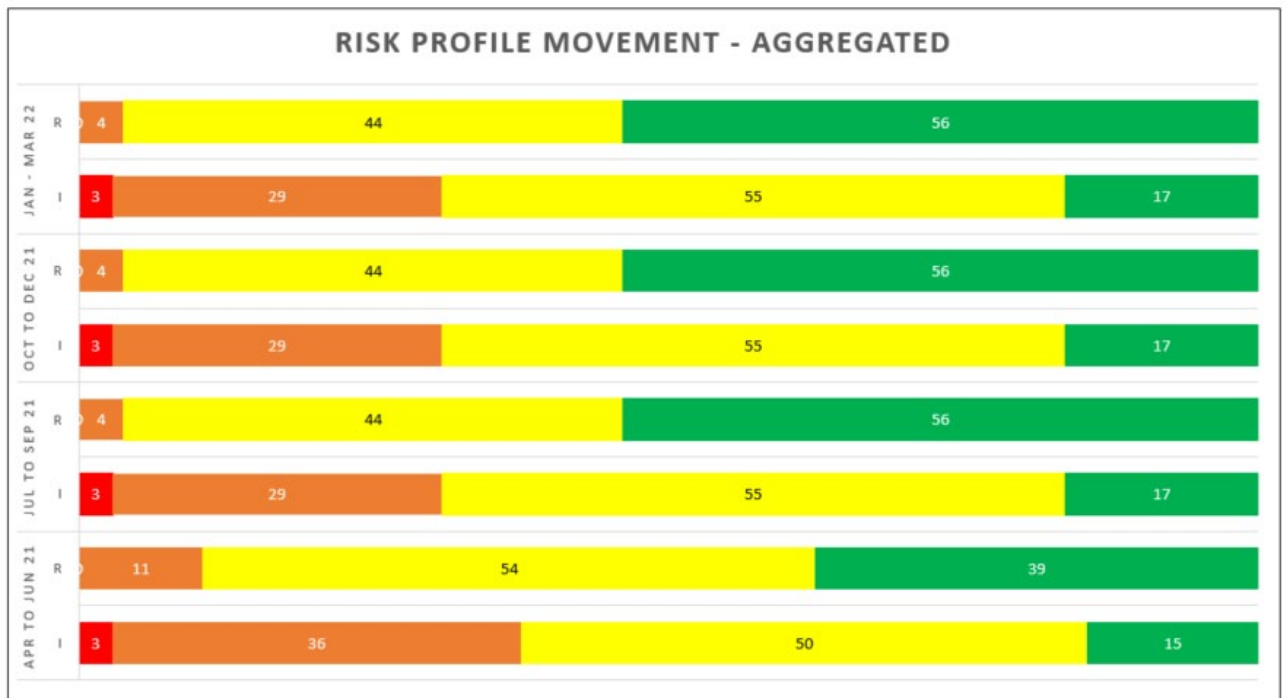
COUNCIL POLICY

Risk Management Policy

STATUTORY PROVISIONS

Not Applicable

Table 2: Risk Profile Movement



Under the current Risk Management Framework all strategic risks, and all extreme and high operational risks are required to be reported to the Audit Committee.

The strategic risk register is provided as Attachment 1. Updates are marked in red.

Refer Attachment 1

There are no extreme risks on the operational risk register and an extract of the high risks is provided as Attachment 2. These remain unchanged from the previous report.

Refer Attachment 2

BUDGET

There are no budget implications associated with this report.

LIFE CYCLE COSTS

There are no life cycle costs associated with this report.

Attachment 1



Current as at: 1/03/2022

Risk ID #	Strategic or Operational	Objectives (Env, Comm, Plans, Culture, Economy) What are we trying to achieve?	Risk Description (Short)	Risk Description (Long) There is a risk of ...	Risk Category	Date of Identification	Date of last review	Responsible GM	Causes (Potential and Actual) What are the contributing factors as to how and why this risk occurs right now? What would cause this event to occur in the future (based on what we know)?	Consequences What would the consequences be to the City of Holdfast Bay if the risk did occur?	Likelihood	Consequence	Inherent Risk Rating (if controls fail)	Critical Controls What are the things we do to manage the risk? (Controls reduce either the likelihood or consequence) Align to causes where possible	Which number cause does this control address?	Control Effectiveness: Effective (E) Majority Effective (ME) Partially Effective (PE) Ineffective (IE)	Overall Control Effectiveness	Likelihood	Consequence	Residual Risk Rating	Accept the level of Risk (Risk as low as reasonably practicable? - No = Treatment Actions)	Treatment Actions	Who	Progress comments	When by? (with revised predicted date)
1	Strategic	Environment	Environmental Management	Poor or ineffective management of the impacts of climate change				GM Assets & Delivery	1. Growing community expectations regarding management of the environment 2. Waste Management. Insufficient effort to divert waste from landfill. 3. Notwithstanding that a 'climate emergency' has been noted by Council, climate change ambiguity in messaging from various levels of government remains, along with responsibility for managing the impacts. 4. Insufficient funding or other priorities 5. Insufficient support or leadership from Administration	Environmental impacts Current and future financial impacts	LIKELY CATASTROPHIC	EXTREME	Environment Strategy & Implementation Plan	1,2,3	ME	PE	Possible	MAJOR	HIGH	NO	Finalise Environment strategy & implement based on funding commitments by Council	GM Assets & Delivery	Completed.	Completed	
													Reducing carbon footprint	1,2	PE						Continue transition to hybrid vehicles, increase solar power installations, rollout energy audits & implement energy saving initiatives subject to Council funding	Team Leader Environment & Coast	Not funded as a new initiative for 2021/2022	30/06/2022	
													Greenhouse gas reduction strategy	1,2	ME						Develop and implement a carbon neutral plan in order to achieve carbon neutral target of 2030	GM Assets & Delivery	Significant amount of tree inlets have been installed.	30/06/2022	
													Improving resource efficiency	1,2	ME						Continue rollout of recycling initiatives in 2020/21 at council facilities subject to Council funding	Environment Officer	Not currently funded, consideration made during kerbside tender process to include specs for this.	30/06/2022	
													Climate change impact assessments	1,3	PE						Continue rollout of sustainable waste management initiation in 2021/22 at council facilities subject to Council funding	Technical Officer	Tree stock from 2020 is now being taken care of, allocated funding in new initiative from 2020 was for tree planting only - not the ongoing 4 year cycle of tree care therefore risk of trees dying is increased accounting for no acceleration of planting due to staff resourcing concerns for after care.	30/06/2022	
													Improve seawall, beach/dune management & stormwater controls	1,3	PE						Accelerate urban tree planting subject to Council funding	Arbiculture	SRWRA MRF has been approved and will be operational by 1 August 2021. SRWRA has been successful in receiving \$8.5m in Federal and State Government grants. SMRF Opened in November 2021	20/06/2022 4 August 2021 Completed	
													****Urban forest strategy (This control needs to reflect an increase in Tree Canopy Cover with the Urban Forest Strategy being the treatment action following the Street tree audit)	1,3	PE						Support construction of SRWRA MRF	CEO	****NEW TREATMENT - Development of an urban Forest Strategy following a street tree audit.	30/06/2024	
													Increase diversion from landfill/improve recycling and green organics capture	1,2	ME						****NEW TREATMENT - Development of an urban Forest Strategy following a street tree audit.	Team Leader Environment & Coast	Further grant funding has been received and weekly FOGO spec considerations included in Kerbside tender for community wide roll out.	30/06/2022	
													Community preparedness & education	1,3	ME						Continue support for RedPlan initiative - subject to Council Funding	GM Assets & Delivery	This has been reviewed as part of the Resident South Group in relation to heat safety in the weather. Further clarification to be provided at next meeting.	30/06/2024	
													Effective partnerships/support with State Government to manage climate change impacts	3	PE						Build effective relationships with Coastal Protection Board, DEW, EPA & Green Industries SA	GM Assets & Delivery	This is an ongoing treatment.	31/03/2021 Ongoing	
2	Strategic	Community	Community Services delivery	Poor or ineffective Community Service delivery			GM Community & Business	Poor or ineffective Community Service delivery	Community service delivery impacts	Possible	MAJOR	HIGH	Play Space action plan	1	E	PE	UNLIKELY	moderate	MEDIUM	NO	Undertake a Coastal Adaptation Scoping Study	Team Leader Environment & Coast	In progress and on track - completion date is realistic.	30/06/2024 Completed	
													Arts and Culture strategy	1	PE						Develop a Sport and Recreation Plan	Manager Public Realm and Urban Design	Subject to funding and completion of Glenelg Oval Master Plan.	30/06/2023	
													Youth Action Plan	1	PE						Review adequacy of resourcing to implement Arts and Culture strategy/actions	Community Art & Culture Coordinator	Completion of the Arts and Culture Strategy and associated 5 year action plan took into account eh resourcing to deliver the strategy. Completed.	20/06/2022	
													Social needs analysis	1	IE						Review Youth Action Plan for effectiveness	Manager Community Wellbeing	Short and Medium term actions are being implemented and review of long term actions to be undertaken.	30/06/2024	
													Access and Social Inclusion Plan (in development)	3	IE						Explore the Social Needs Analysis - to develop a more granular view, including opportunities from the Brighton Community Hub project consultations	Manager Customer Experience & Libraries	Reviewed the University study with the intention of identifying the most appropriate programs to meet Community needs and implement in 2021/22 - Some budget is allocated. Digital hub program trials commenced in May 2020.	31/12/21 30/06/2022	
													Community Wellbeing Future State Report	2	PE						Finalise Disability Access and Inclusion Plan (DAIP)	Manager Community Wellbeing	Plan has been developed and implemented. The 4 year action plan is active and will continue to be reviewed and reported on annually. An 'Easy English' version of the DAIP has been developed for the purpose of accessibility for people with low literacy levels.	30/06/2021 4 year plan to 2024	
													Business process mapping Completed for all Community Services business units (except Community Activation)	4,5	IE						Link a range of documentation - including Demographic Population Mobility Study, Community Services Audit, Social Needs Analysis to Community Wellbeing Future State Report and develop an action plan to implement	Manager Customer Experience & Libraries	Revised the documentation, action plan to developed, delays experienced due to COVID-19 with limited opportunities to consult with community.	20/03/2021 30/9/21 Delayed	
													Stakeholder engagement in relation to future grant funding for community wellbeing	5	PE						Community Wellbeing Taskforce (in conjunction with (external) Economic Recovery Taskforce)	GM Community & Business	ERT has concluded and last meeting on 12/5/21. Internal working group have been meeting - determining next steps with info from workshops. The needs of businesses and the community will continue to be monitored and services will be scaled up and down as required in response to conditions as they emerge.	20/06/2020 Ongoing	
													Alterations to community service delivery	6	ME						Complete business process mapping for Community Activation team	Manager City Activation	Will be scheduled once a Manager City Activation has been appointed	1/11/2021 Delayed	
													Aged Care Quality Standards	5	PE						Explore / implement a pilot for user-pays service provision to offset potential funding cancellation	Manager Community Wellbeing	Council service model has changed so grant funding has been moved to Alwyndor effectively minimising the risk. User pays options for sub-contracted transport and social support have been implemented. Community Wellbeing Program Fees & Charges Schedule for 2021/22 adopted by council and implemented from 1 July 2021. Effectively schedule has a subsidised rate for CHSP funded clients and a Private rate for unsubsidised clients	20/06/2024 Completed	
													Volunteer Services Strategy	2,4	PE						Consider impacts of COVID on future state of community services delivered (ongoing agility regarding changes as they occur)	GM Community & Business	This is an ongoing treatment. The needs of businesses and the community will continue to be monitored and services will be scaled up and down as required in response to conditions as they emerge.	20/09/2020 Ongoing	
																					Consider impacts on service levels, particularly in relation to cleaning/hygiene standards and building capacity	GM Assets & Delivery	Completed	Completed	
																					Implement recommendations from Future State Report to create efficiencies	Manager Community Wellbeing	Completed	30/06/2024 Completed	
																					Implement remaining actions from business process mapping exercise and align with business transformation projects	Manager Community Wellbeing	Completed	20/06/2024 Completed	
																					Implement the outcomes of the Aged Care Quality Standards Gap analysis	GM Alwyndor	Complete and ongoing	20/06/2024 Complete and Ongoing	
																					Decide on an approach to lobbying/engaging with State and Federal government in relation to grant funding	Manager Community Wellbeing	No longer relevant - HACC funding has ceased CHSP has been novated to Alwyndor.	30/06/2021 N/A	

Risk ID #	Strategic or Operational	Objectives (Env, Comm, Place, Culture, Economy) What are we trying to achieve?	Risk Description (Short)	Risk Description (Long) There is a risk of ...	Risk Category	Date of Identification	Date of last review	Responsible GM	Causes (Potential and Actual) What are the contributing factors as to how and why this risk occurs right now? What would cause this event to occur in the future (based on what we know)?	Consequences What would the consequences be to the City of Holdfast Bay if the risk did occur?	Likelihood	Consequence	Inherent Risk Rating (if controls fail)	Critical Controls (Controls reduce either the likelihood or consequence) Align to causes where possible	Which number cause does this control address?	Control Effectiveness: Effective (E) Partially Effective (PE) Ineffective (IE)	Overall Control Effectiveness	Likelihood	Consequence	Residual Risk Rating	Accept the level of Risk (Risk as low as reasonably practicable? - No = Treatment Actions)	Treatment Actions	Who	Progress comments	When by? (with revised predicted date)
3	Strategic	Place making	Asset Management	Insufficient or ineffective Asset Management Planning Conducting risks identified in Asset Management Plans 2021-2031				GM Assets & Delivery	1. Significant investment annually by Council - reliant on effective Asset Management Plans (and resultant preventative maintenance) 1.1 Potential acceleration of capital expenditure as a result of economic stimulus arising from state and federal government COVID recovery grants 2. Lack of understanding of what asset portfolio is required to meet Council's strategic objectives (partly informed by Social Needs Analysis) 3. Lack of strategic investment outlook (aligned to the strategic plan) in the medium to longer-term 4. Holdfast Bay Council has unique circumstances to manage, which impact on infrastructure, including: - significant visitor numbers (1.4m visitors per year) - impacting upon asset and infrastructure - increasing itinerant/transient population and anti-social behaviour which the community expects that the Council assists with (nice area, good weather in summer, particularly around Jetty Road) - Wellbeing and Social Inclusion - 57% women, safety a key concern (lighting and access) 5. Some asset categories not being maintained or lacking effective planning and investment for renewal to sufficient levels, for example future requirements regarding stormwater management (drainage/coastal) and impacts of climate change in the absence of State Government funding 6. Lack of definition of service levels for assets (for example, for parks) 7. Where new infrastructure is being developed, there is a lack of embedding future expected maintenance expenditure (for example new beachfront path at Minda - new attraction which means high use and therefore increased wear and tear) 8. Traffic management strategies insufficient and transport capacity being stretched (mill, congestion, parking issues) 9. Opportunities evolving to use different funding models (Government and Private) 10. Asset investment process not identifying full asset life-cycle costs (renewal, maintenance etc.) 11. selection of new infrastructure should be based on whole of life cost. 12. Service standards need to be determined with the community and the agreed standard assessed to determine financial impact. Monitor community standards and expectations.	Infrastructure quality and useful lives decline Increase in future capital expenditure requirements Potential inundation of homes/local areas (drainage AMP)	LIKELY	MAJOR	HIGH	Place making Strategies guiding future asset investment/design	2,3	ME	PE	UNLIKELY	MAJOR	MEDIUM	NO	Review Volunteer Services Strategy	Manager Community Wellbeing, Manager Public Realm & Urban Design	Review Completed by Active Communities prior to organisational re alignment.	30/06/2021 Completed
														Asset Management Plans Modelling, reporting	All	PE						Change Management plan / training on organisational change	GM Assets & Delivery	To be reviewed following recruitment of new Asset Management Lead	30/06/2022 Completed
														Matching project resources to program investment	1,1	PE						Capital Project list: Repror/Reconsider capital project list and method of construction post-COVID	GM Assets & Delivery	Completed	Completed
														Preventative Maintenance Planning	1,4,5,6,7,8	PE						Develop 'shovel-ready' project list - in accordance with longer term strategies, and financial and asset plans	GM Strategy & Corporate	Ongoing in the context of the Strategic Plan review and development of the Corporate Plan	30/11/2020 Ongoing
														Grant management processes/access to state government funding process	1,1	ME						Review AMP's (including post-COVID review of service levels), taking into consideration additional 3-3-24-24 other strategic plans fully address the AMP's (e.g. social needs analysis, strategic property review, traffic management strategy, future demand expectations on new/renewed assets, community-driven service levels)	Manager Engineering	AMP's reviewed and adopted late 2020, however their review is an ongoing treatment. The AMP's are continually reviewed and a major update will be required in 2023/24 FY	31/03/2024 Ongoing
														Asset Investment process (planning through to construction)	5,6,7	PE						Currently planning/documenting new preventative maintenance approach - moving towards further proactive maintenance	Manager Field Services	Automated maintenance schedules in Tech 1, reports are downloaded, reviewed monthly for non conforming items on the schedule and actioned accordingly - ongoing and on track	1/10/2021 Ongoing
														Maintain knowledge base	18	ME						Develop engagement plan with state government - including identification and access to new funding sources as part of post-COVID response	GM Strategy & Corporate	Operational engagement was undertaken via LGFSG and Council's CMT, funding stimulus was released by Federal and State Governments early in 2021.	30/09/2020 Ongoing
														Reliable asset Management Software	All	PE									
4	Culture	External Communications	Failure to appropriately engage the broader community and stakeholders				GM Community & Business	1. A need to select appropriate method of engagement /informing etc. in line with the IAP2 framework (community can get "engagement fatigue") 2. A need to respond to vocal minority/to awaken silent majority 3. Ad-hoc approach to stakeholder management (responsive approach) 4. As COVID is continuing, the effectiveness of community engagement is diminished (due to reduced face-to-face) 5. Reduction in engagement with Community using traditional mediums due to Messenger newspaper ceasing and other print media impacts	Lack of community engagement which leads to potential negative impacts on strategy Reputational damage	Possible	MODERATE	MEDIUM	Communications Strategy 2030	1	PE	UNLIKELY	moderate	LOW	Support staff ability to understand/measure full asset life-cycle costs Succession planning Invest in reliable data to inform AMP's	GM Assets & Delivery	Significant improvement in data achieved in 2021 to be reviewed upon replacement of Asset Management Lead	30/06/2024 30/06/2022			
													Community Engagement Framework + Policy	1,2,3	ME				Develop a Stakeholder Management Plan	Manager Communications & Engagement	Further conversations need to occur with SLT and Manager to establish the focus and parameters of the Plan prior to development Further updates to be provided in October	30/06/2021 Ongoing			
													Customer Experience Strategy (in development)	1,2,3	IE				Develop Customer - Community Reference Groups	Digital Engagement Partner	SLT have granted approval for the establishment of consumer reference groups utilising our YOUR HOLDFAST database. Technical platform to be developed. SLT have granted approval for the establishment of consumer reference groups utilising our YOUR HOLDFAST database. The process for establishing the community reference groups is currently being updated.	30/06/2021 Ongoing			
													Access and Social Inclusion Plan (in development)	1,2,3	IE				Inform and educate leadership group about key elements of Communications Strategy	Manager Communications & Engagement	Regular meetings occur with SLT and Communication Manager is now a member for the Leadership group and will provide updates at monthly SLT meetings. Communications and Engagement Manager is a member of the leadership group and provides communications updates at leadership meetings.	30/06/2021 Ongoing			
													Customer Service facility modifications to comply with COVID Safe	4	E				Training and development across CHB aligned with Customer Experience strategy and Customer Charter	Manager Customer Experience & Libraries	Recommended the Customer Experience Strategy Working groups with focus on Customer Charter completion by July 2020 resulting in training roll out by November 2021.	30/11/2021			
													Digital Transformation Program (including bringing forward some IT improvements, such as bandwidth upgrades, Web chat)	1,2,3	PE				Assess external communication to the Community - given ceasing of Messenger and other print publications not online	GM Community & Business	Established a quarterly printed publication distributed to all rate payers called OUR PLACE. Fortnightly E newsletter call HOLDFAST NEWS emailed to subscribers and a printed version provided to CHB community hubs for distribution.	30/09/2020 Completed			
5	Strategic	Community	Ability to sustainably provide aged care services to the community consistent with the requirements of the ACCS.				GM Alwyndor	1. Significant operation (\$20m turnover and 250 staff) with other Allied Health operations 2. Lack of defined/inadequate policies and procedures 3. Failure to identify, report and manage risk of services delivered off site (in the home) 4. Failure to assess, document and respond to risks to customer safety 5. Lack of rigorous governance structures 6. Inability to attract and maintain a well trained workforce 7. Inability to understand consumer needs and expectations and provide services to meet those needs and expectations 8. Inability to react to change in the Government funding model 9. Poor staff training/understanding of requirements 10. Reactionary changes to manage impacts of COVID - particularly for visitors and hygiene standards, therapy services reduction impacted on revenue (but not >15% reduction) and costs (to meet additional standards and PPE expenses)	Failure to adequately and safely care for residents Failure to meet health-specific standards Failure to meet legislative standards (e.g. Local Government Act as well as Aged/Health requirements)	Possible	MAJOR	HIGH	Comprehensive clinical policies and procedures	2	ME	UNLIKELY	MAJOR	MEDIUM	NO	Finalise Disability and Access and Inclusion Plan and Customer Experience Strategy (including customer journey mapping)	GM Community & Business	CX Strategy delayed due to staff changes	DAIP Completed, CX Strategy due 30/11/2021		
													Comprehensive training plan (based on Training Needs Analysis), covering Mandatory Employee training on the ACCS Standards, AHRA nursing standards & Alwyndor systems and processes	4,6,9	ME					Development of operational manual aligned to Accreditation self-assessment	GM Alwyndor	Organisational changes implemented to ensure ongoing viability and success of aged care services. Treatments to be reviewed in light of ongoing changes to quality and reporting requirements. NB This is a continuous process in response to ongoing changes to quality initiatives and mandatory reporting requirements from the Federal Government and SA Health.	30/06/2020 Ongoing		
													Mandatory reporting systems and processes	5	E					Respond to issues identified in Accreditation Report	GM Alwyndor	Completed	30/06/2020 Completed		
													Dedicated resources to maximise funding	8	ME					Review Governance Structure, Audit Schedules and KPI's	GM Alwyndor	Completed	30/09/2020 Completed		
													Governance frameworks which include: monitoring of incidents data, ongoing review of policies and procedures, legislative compliance, continuous improvement	1,2,5	ME					Strategic Management Review	GM Alwyndor	Strategic Plan developed and first year implementation has commenced. Completed	30/09/2020 Completed		
													Hygiene and access standards; Aged Care and Quality Commission audits	10	E										
													Customer feedback mechanisms - including surveys, resident meetings, focus groups, family/stakeholder engagement	3,4,7	E										
													Self-assessment system consistent with the ACCS standards	3,4,7	E										
													Effective care planning and assessment processes	2,3,4,8	ME										

Risk ID #	Strategic or Operational	Objectives (Env, Comm, Place, Culture, Economy) What are we trying to achieve?	Risk Description (Short)	Risk Description (Long) There is a risk of ...	Risk Category	Date of Identification	Date of last review	Responsible GM	Consequences (Potential and Actual) What are the contributing factors as to how and why this risk occurs right now? What would cause this event to occur in the future (based on what we know)?	Consequences What would the consequences be to the City of Hobart if the risk did occur?	Likelihood	Consequence	Inherent Risk Rating (if controls fail)	Critical Controls What are the things we do to manage the risk? (Controls reduce either the likelihood or consequence) Align to causes where possible	Which number cause does this control address?	Control Effectiveness: Effective (E) Majority Effective (ME) Partially Effective (PE) Ineffective (IE)	Overall Control Effectiveness	Likelihood	Consequence	Residual Risk Rating	Accept the level of Risk (Risk as low as reasonably practicable 7 - No = Treatment Actions)	Treatment Actions	Who	Progress comments	When? (with revised predicted date)
8	Strategic	Culture	WHS	WHS & Staff safety: Staff, contractor or volunteer death or serious injury OR subject to physical, sexual, emotional or psychological abuse				GM Strategy & Corporate	1. Systems to manage fatigue which impact on health and wellbeing require improvement 2. Lean staffing model impacting on stress of workforce 3. Increasing awareness and emerging risk of Mental Health impacts associated with physical and verbal abuse from customer/general public, burnout/fatigue, cumulative trauma (along with upcoming change in presumptive legislation); Mental Health and Wellbeing Strategy continuously evolving	Physical, sexual, emotional or psychological abuse	Possible	CATASTROPHIC	HIGH	WHS Strategic Plan and Programs Workforce Capability Audit & Gap Analysis Reviewing of rostering requirements for Field Services & Events staff for Council events Reasonable Adjustment Procedures for non-work related medical conditions	1,2,3 1,2 1,2,3 1	E PE PE E	ME	Rare	CATASTROPHIC	MEDIUM	NO	LGAWCS Audits undertaken bi-annually Business Capability Model to be developed and implemented before capability & gap analysis can be completed for whole of organisation - (audit to be undertaken for Leadership Team against Leadership Capability by 30/6/2021) Workforce Capability analysis to be conducted for the whole organisation. Monitor resourcing levels within the organisation to ensure they are appropriate to achieve workload Review currently underway regarding shift work and fatigue of Field Services staff to be incorporated in Enterprise Agreement negotiations Review shift work arrangements and fatigue of Field Services staff as incorporated in the current Enterprise Agreement	Manager People & Culture GM Strategy & Corporate GM Assets & Delivery; Manager Field Services; People & Culture Manager	Scheduled for October/November 2022 SLT to review resourcing levels on a monthly basis via People and Culture meeting Development of a Corporate Plan and Service Review Framework have commenced, which will assist in resource planning decisions in future. Bill - Contributed to discussions for review and provided feedback - Negotiated for review during the current EBA. Treatment working to be reviewed by GM City Assets. A review into fatigue at the depot in regards to overtime shifts was completed and fatigue was not identified as an issue. This is continually monitored and staff resourcing managed to avoid fatigue. There is a commitment to investigate the feasibility of a 7 day roster shift pattern during the current field staff EB Agreement. This is to be completed prior to negotiations commencing for the new EB commencing 30 June 2024	21/12/2021 31/12/2022 21/12/2021 Ongoing 21/12/2020/30/01/2024
9	Strategic	Culture	Local Government Reform	Inability to implement appropriate controls to manage changes to Local Government reform				CEO	1. Significant ongoing changes being proposed and implemented in local government, including: - Rate Capping - Audit Committee Changes - Audit proposals for changes to the Auditor-General - Planning reform - Rate Waivers (Opposition Bill in front of Parliament) 2. General rate and revenue pressures from state government 3. Boundary Reform process - some residents from Marion Council wanting to join HB Council	Revenue or financial impacts	Possible	MAJOR	HIGH	Ongoing monitoring of changes Providing input into proposed changes and advocating to government on impacts of changes	1 1,2,3	E E E	UNLIKELY	MAJOR	MEDIUM	YES	Review Working-from-Home policy and procedure Engaging with LGA to lobby State Government against legislation which has detrimental impact on the financial sustainability of the council	Manager People & Culture CEO	Completed Council wrote to LGA regarding LG Amendment Bill in mid-2020 Legislation passed upper house with large number of amendments as a result of lobbying by the LGA - new legislation expected to be passed in June 2021 The Statutes Amendment (Local Government Review) Act 2021 was assented to by the Governor on 17 June 2021 but is yet to commence. Consultation has commenced with the sector regarding commencement and Regulations and the LGA has undertaken to provide supporting documents and training to the sector. CoHB elected to subscribe to the training program offered by the LGA, which is expected to commence shortly.	30/09/2020 Ongoing	
11	Strategic	All	Strategy	Lack of strategic alignment				GM Strategy & Corporate	1. Lack of Complete and up-to-date strategy which is understood and agreed by key stakeholders (Current strategy outdated and being renewed) 1.A. Impacts of COVID are having ongoing impacts on the Strategy 1.B. Requirement to consider the role of CoHB in assisting with the local business economic recovery and resilience 2. Difficulty in measuring performance on what is being achieved (outcomes vs outputs) 3. Lack of ability to measure community wellbeing to inform Social Needs Analysis as a key input to the Strategy 4. Future outlook for service/asset model is changing in addition to the ability of the organisation to respond to those changing needs (e.g. online services required, increasing demand/expectations in relation to asset base (tourism), homeless management, aged care management, potential changing government agenda/reform) 5. Lack of understanding/agreement on future priorities (asset investment and services) - lack of agreement at Exec and Elected Member level to finalise renewed strategy 6. Current transformation projects ongoing - transformation projects may not be aligned to renewed strategy; strategically critical projects may not be included in transformational program 7. Increasing demand for enhanced customer experience 8. A need to be more agile to respond to the community's needs 9. A need to "fund what we are trying to achieve" (service delivery and service level choices) 10. Increasing pressures to justify how Councils spend money vs community expectations 11. Difficult to understand full cost of individual services 12. Lack of risk appetite to explore alternative service delivery options	Non-achievement of objectives Potential to impact on sustainability of the organisation	Possible	MODERATE	MEDIUM	Strategic Plan Project to review the Strategic Plan (also needs to consider the CEX Strategy, Social Needs, Environment, Asset Management Plans) Economic Recovery Taskforce (commenced June 2020) - actions being undertaken to embed	1, 1,2,3,4,5,6,7,8,9,10,11,12	IE IE PE	PE	UNLIKELY	Minor	LOW	NO	Providing input into the impacts of the proposed planning changes to CoHB Develop indicators to measure the effectiveness of the strategy implementation Update Strategic Plan to include outcomes-based measures and develop integrated planning to ensure all strategic commitments are reported against Develop a plan that considers the causes and to ensure deadlines are met to deliver the new strategy Develop a corporate plan to ensure programmatic integration of all strategic commitments	Manager Development Services Manager Strategy & Governance Manager Strategy & Governance	Transition occurred on 19/3/21 and regular reporting to SLT, Council and staff will continue. New Strategic Plan in progress New Strategic Plan and framework development in progress New Strategic Plan adopted November 2021 and commenced in January 2022. Corporate Plan development has commenced. Requires ICT investment for a data capturing/reporting system.	31/3/2021 Ongoing 04/10/2020 30/9/2021 21/12/2020 30/09/2021 31/10/2021
15	Strategic	Community	Event Management	Inability to deliver a sustainable events calendar				GM Community & Business	1. The city delivers many significant events throughout the year (NYE, concerts, Christmas Pageant, ad hoc events at beaches) 2. Recent Events strategy being implemented 3. Not matching community needs/expectations in relation to event delivery/volume of events (tension between residents, businesses and visitors) 4. Management of open space an ongoing and increasing issue 5. Scale of events increase risks in relation to community safety 6. Reduced community attendance due to restrictions on mass gatherings which will reduce income (and expenditure)	Poorly delivered events - impact on Reputation	Possible	MAJOR	HIGH	Events Strategy (draft) Tourism Plan 2020 (currently being reviewed based on credible data) Commercial Activation of Community Land Policy Asset Management Plans / maintenance schedule Tourism Destination Action Plan Regional Destination Action Plan (Western Alliance) Economic Activation Plan 2030 Strategic Plan 2030 Risk Management & Emergency Response Plans + Crisis Communications Plans	1,2,3 3 4 4 1,2,3 1,2,3 3 3,4 5	IE PE PE PE IE E E E E	ME	POSSIBLE	moderate	MEDIUM	NO	Project to review the Strategic Plan to also include broader research and data to determine recovery from COVID impacts - particularly as a result of reduced interstate and international tourism on local businesses Finalise Events Strategy - including modifications considering mass gathering restrictions and impacts on interstate and international travel (and impacts on discretionary spend) - full impacts are not yet materialised (and agility to change events on an ongoing basis) Annual review of event risk management and emergency responses/Staff training and development in relation to events Annual review of event schedule Event survey data	Tourism Development Coordinator Manager City Activation Manager City Activation Manager City Activation Manager City Activation	New Strategic Plan in progress, Review report received by Council February 2021, outlining the broad direction of the new Strategic Plan. Changes requested by Council have been incorporated into Events Strategy. This is an ongoing treatment Events are reviewed on an ongoing basis with outcomes informing the planning of future events. This is an ongoing treatment Advance planning of the event schedule begins towards end of year as part of the budgeting process for the coming Financial Year. Workshop held with Elected Members March 2022. This is an ongoing treatment	A Tourism Plan has been developed Details Completed Council endorsement 30/06/2024 Ongoing 30/06/2024 Ongoing 30/09/2024 21/12/2021 Ongoing 30/06/2024 Ongoing

Risk ID #	Strategic or Operational	Objectives (Env, Comm, Place, Culture, Economy) What are we trying to achieve?	Risk Description (Short)	Risk Description (Long) There is a risk of ...	Risk Category	Date of Identification	Date of last review	Responsible GM	Causes (Potential and Actual) What are the contributing factors as to how and why this risk occurs right now? What would cause this event to occur in the future (based on what we know)?	Consequences What would the consequences be to the City of Holdfast Bay if the risk did occur?	Likelihood	Consequence	Inherent Risk Rating (if controls fail)	Critical Controls (Controls reduce either the likelihood or consequence) Align to causes where possible	Which number cause does this control address?	Control Effectiveness: Effective (E) Majority Effective (ME) Partially Effective (PE) Ineffective (IE)	Overall Control Effectiveness	Likelihood	Consequence	Residual Risk Rating	Accept the level of risk (Risk as low as reasonably practicable) 7 - No Treatment Actions	Treatment Actions	Who	Progress comments	When by? (with revised predicted date)	
16	Strategic	Culture	Budget Management	Poor or ineffective budget development and management				GM Strategy & Corporate	1. Lack of zero baseline budgeting (of discretionary spend) aligned with strategy and service level requirements (generally just CPI increases) 2. Insufficient budget allocated to significant new assets being developed 3. Difficult to understand full cost of individual services 4. Lack of oversight of Alwyndor finances on an everyday basis - as well as being separated from core Council financial system 5. A need to review budget management/delegations 6. Difficult to embed future potential strategic options and requirements in Long Term Financial Planning 7. Impacts of COVID will have ongoing variability impacts (financial sustainability) on the budget (revenue (rates) and expenditure (strategic investments and ongoing expenditure))	Poor or ineffective financial management and financial sustainability impacts	Possible	CATASTROPHIC	EXTREME	Budget Development process	1,2,3,4	ME	ME	UNLIKELY	MAJOR	MEDIUM	NO	Annual training and education re the Budget Development process (include additional training re 'commercial acumen')	Manager Finance	Completed and ongoing	Completed	
														Budget Management policy, process, training	1,	ME						Refinement of budget review processes (short-term reviews - to include more discussions at quarterly reviews - to respond to the changes in the economic environment due to unknown impacts of COVID)	Manager Finance	Completed and ongoing	Completed	
														"Control Track" - annual testing of best practice Budget internal controls and effectiveness measures	4,5	ME						Regular training/education and support re the Budget Management process	Manager Finance	Completed and ongoing	Completed	
														Long-term Financial Plan being updated	2	PE						Annual review of internal controls, including reporting and budget management policy, process and procedure - using "Control track" tool - reporting also to Audit Committee on results.	Manager Finance, (Manager Finance Alwyndor and GM Alwyndor)	Completed and ongoing	Completed	
19	Strategic	Economy	Economic Development and Tourism	Poor or inadequate Economic Development and Tourism Management				GM Strategy & Corporate, GM Community & Business	1. Council's Tourism Plan currently out of date 2. A need to finalise development of the Social Inclusion/Access and Inclusion Plan 3. A need for more effective traffic management strategies and transport capacity being stretched (infill, congestion) 4. A lack of investment in market research to inform economic development/tourism management 5. A lack of infrastructure to attract private investment 6. Substantial impacts on local businesses due to COVID restrictions on interstate and international visitation.	Unattractive place to do business Poor outlook for tourism opportunities to attract sustainable tourism businesses	Possible	MAJOR	HIGH	Tourism Destination Action Plan, Regional Destination Action Plan (Western Alliance), Tourism Plan 2020	1	IE	ME	UNLIKELY	MAJOR	MEDIUM	NO	LTFP being reviewed (including impacts of COVID) and updated to include strategic projects and scenario analysis - using new LG solutions product. Also LTFP being prepared for Alwyndor operations using same product.	Manager Finance, (Manager Finance Alwyndor and GM Alwyndor)	Completed and ongoing	Completed and ongoing	Completed
														Economic Activation Plan 2030	2,	E						Review Retail Strategy for Jetty Road - consider impacts of COVID to further develop the broader economy (more than retail such as accommodation, hospitality, etc.)	GM Community & Business	Review will be undertaken in ne FY and completed by November 2021	1/11/2021 Ongoing	
														Jetty Road Retail Strategy + Action Plan	4	PE						Genelg rejuvenation Project	Manager Public Realm and Urban Design	Further Clarification sought from SLT	1/03/2023	
														CoRB Investment Prospectus	4,5	E						Finalise Events Strategy	Manager City Activation	Changes requested by Council have been incorporated into Events Strategy.	20/06/2021 Ongoing	
														Quality of Life survey	5	E						Tourism & Retail Market Research - impacts on retail spend due to interstate and international travel restrictions (and impacts on discretionary spend); short, medium and long-term action plan being implemented for destination marketing in response to COVID	GM Community & Business	Magpiegan-2m-Market Research completed pre-covid and we received updates during covid. Market insights are sourced on an ongoing basis via a range of sources including SpendMap. A Tourism Recovery Plan 2023 was recently adopted.	26/06/2023 Ongoing	
														Tourism and Retail Market research	1,2	IE						Review Economic Activation Plan 2030 considering the impacts of COVID (consider also the Economic Recovery Taskforce)	Manager City Activation	Activation Plan and actions are still current and can be adapted accordingly to suit most instances. City recovery is on TRACK! Deal with immediate actions and responded with initiatives resulting in positive outcomes for most sectors.	24/06/2023 Ongoing	
														Business Confidence Survey	4	E										
														Jetty Road Investment Prospectus	4,5	PE										
10	Strategic	Culture	ICT enabling strategy	Inadequate consideration of how information technology can support service delivery (Information systems are not Effective and fit-for-purpose Used to an optimum level)				GM Strategy & Corporate	1. Lack of a defined/realised IT strategy to enable overarching organisational strategy 2. Inadequate approach to data governance, including data security / collection practices/systems, poor use of extensive data collected 3. Significant transformation projects ongoing, particularly with Technology One (for example works orders from entry into the organisation to completion) 4. Inadequate identification of specific opportunities to enable better engagement with customers via ICT innovations 5. Lack of appropriate access to analyse and use data to guide evidence-based decision-making 6. Current move towards 'SMART' city concepts with prioritisation and strategic choices required 7. Extensive number of projects being implemented - some lack of overarching program governance to 'join the dots' 8. Vendor functionality improvements timeframe not aligned with Council's needs (Tech)	Inefficiencies of internal processes Lack of clear and planned investment in appropriate IT systems Delivery of works poorly tracked/managed within internal systems	Likely	MODERATE	HIGH	Information Management Governance Committee	2,7	PE	PE	POSSIBLE	MODERATE	MEDIUM	NO	Develop a set of criteria for measuring success of ICT projects	Manager Innovation & Technology	Technology road map and IT blueprint have been developed and provided to SLT for further discussion and feedback.	21/02/2021 31/12/2021	
														Information Management Strategy	1,5	PE						Consider efficiency and effectiveness for staff WFH (telephony systems, cloud-based IT)	GM Strategy & Corporate	Completed	Completed	
														IT Roadmap (in draft); Smart City Tech (draft blueprint); Future State Architecture	1,3,4,6,8	PE										
7	Strategic	Place making	Planning Development	Poor or ineffective planning systems and processes			GM Assets & Delivery	1. Impacts of upcoming planning reform potentially reduces Council's influence over planning direction 2. State government priorities/targets to increase tree coverage impacting on Council planning (tree coverage) 3. Lack of finalised Code and DPTI system to manage new planning 4. Loss of knowledge	Incorrect or poor planning decisions	Possible	MAJOR	EXTREME	Effective Planning and Development application process	2,3	ME	ME	POSSIBLE	MODERATE	MEDIUM	NO	Review processes & improve as a result of the new planning system implementation	Manager Development Services	Initial and large changes have been implemented and will continue to be monitored and altered as necessary - ongoing	30/06/2021 Ongoing		
													Effective & integrated IT systems (State portal/Council Tech)	3	PE						Review IT systems, develop integration from PlanSA (Attorney General's Department) system & train staff to ensure smooth transition to the new system	Manager Development Services	Initial intensive training has been rolled out and Completed - this will continue to be monitored on a needs basis for existing and new staff. Systems have been integrated. Completed	30/06/2021 Completed		
													Effective Planning Team with appropriate resources	1	ME						Review Planning team	Manager Development Services	Independent review has taken place - further decision making regarding a refined structure to suit the business unit is underway - on track	30/06/2021 Ongoing		
6	Strategic	Culture	Disruptive events	Inability to respond and recover effectively from disruptive events			GM Strategy & Corporate	1. Cyber Security/hacking 2. Disruptive events	Not able to perform time critical functions during a significant disruptive event	Possible	MAJOR	EXTREME	Business Continuity Plan and Crisis and Incident Management Plan (recently tested as part of COVID impacts)	1,2	PE	ME	POSSIBLE	Minor	MEDIUM	NO	Consider feedback/input as part of consultation of new DPTI system	Manager Development Services	Weekly meetings with DPTI are underway and will continue until the end of 2021. Each week feedback is sought and provided to DPTI about any roadblocks and/or technical difficulties experienced - on track	31/12/2021		
													IT DR Plans	1,2	PE						Finalise recently reviewed BCP's. Review to include Emergency Management Operations Manual and WEEPS	Manager Strategy & Governance	A review of Emergency Management operations including BCP's was undertaken in late 2020. SLT to consider a report in April 2021	20/06/2020 30/12/2021		
													Emergency Management Plan	1,2	E						Review IT Disaster Recovery (DR)	Manager Innovation & Technology	Primary and DR infrastructure has been replaced - Completed. Must update the DR plan. Draft DR Plan written and will be presented at the next Audit Committee meeting	26/09/2020 20/06/2021 Completed		
12	Strategic	Culture	Workforce Planning	Poor or ineffective workforce planning, including recruitment and retention			GM Strategy & Corporate	1. Lack of effective position management (including planning, role type, need for the role) 2. Poor or ineffective decisions on recruitment of some individual positions 3. Lack of effective Workforce Planning 4. Significant change underway (and to come) and workforce capability currently not sufficient (refer to Transformation Capability risk) 5. Pressure as a result of COVID to ensure workforce is more efficient	Without the correct staff, there is an impact on the quality of business and service delivery Negative impact on staff engagement and morale	Possible	MODERATE	MEDIUM	Vacancy Management Process	1,	E	ME	Rare	moderate	LOW	NO	Finalise Crisis and Incident Management Plan	GM Assets & Delivery	Position currently Vacant (previously Rajiv) A review of Emergency Management operations including BCP's was undertaken in late 2020. SLT to consider a report in April 2021.	24/07/2020 30/06/2021 Delayed		
													Recruitment & Selection Procedures (merit based)	2,4	ME						All vacancies reviewed in consultation with P&C, approved by GM's & final decision to conduct recruitment process and engage preferred candidate by CEO	SLT	Completed	Completed		
													Workforce Capability Audit & Gap Analysis	3,4	PE						P&C Participation on panels to ensure culture/skill fit P&C Participation on panels where relevant to ensure culture/skill fit	Manager People & Culture	Completed	Completed		
													Leadership Scorecard Process	4	ME						Business Capability Model to be developed and implemented before capability & gap analysis can be completed for whole of organisation. Audit to be undertaken for Leadership Team against Leadership Capability by 31/12/2021	Manager Strategy & Governance	Deferred pending development of Corporate Plan. A draft framework is currently under development and will shortly be tested.	20/06/2020 31/12/2021 In progress		
													Professional Development Review Process	1	ME						Bi-annual leadership scorecard measurement which includes 360 degree review for all Leaders & overall leadership benchmark.	Manager People & Culture	Completed	Completed		
13	Strategic	All	Project delivery	Inability to effectively implement strategic projects			CEO	1. Volume and complexity of projects 2. Stakeholder interest in outcomes of major projects 3. Decentralised approach to project management 4. A need to clarify roles and responsibilities (governance) in relation to projects 5. Some historical issues with capital project estimating (quantity surveying) processes (estimates in design not correlating with tender responses)		Possible	MAJOR	HIGH	Annual budget process	1,4	E	ME	UNLIKELY	MODERATE	MEDIUM	NO	Annual PDR process for all staff that includes a development plan	Manager Finance	Current cycle commencing June 2021 and will Complete by July 2021	24/07/2020 Ongoing		
													Project Management Methodology	3,4	PE						Project Governance needs to be defined to improve the Project Management Methodology	Manager Strategy & Governance	In progress. A Project Board has been established and will be considering a draft Project Management Framework at its next meeting.	20/06/2021 Ongoing		
													Budget bids include business cases and risk assessments	1,3,4	E						Undertake an audit of how the Project Management Methodology is implemented in Council	GM Strategy & Corporate	To be considered as part of the internal audit program	2021-23 2022-23		
													Consultation Plans for all projects	2	E						Review Major Capital Project Estimating processes Develop 3 year forward works program - plan design - construct	GM Strategy & Corporate	Have competed for roadworks and bus stops and stormwater for 2021 and will be ongoing	24/07/2020 Ongoing		
													Regular Corporate Reporting	4	E						Allocate Project Management resources to suit the project including specialists as required.	CEO	New Organisational realignment has clarified the roles and responsibilities of project governance. Additional Resources have been allocated to support appropriate delivery of Strategic projects.	12/07/2021 Ongoing		
DRAFT	Strategic	Culture	Customer Service	Poor or ineffective customer service delivery			GM Community & Business	1. Lack of customer-centric service design to promote optimal customer contact/service. Customer Experience Strategy currently being developed (change culture to "customer outcomes-focused" organisation) 2. There is a need to strengthen customer focus of Council staff (recruitment, culture and skills development) to enable transformational activities 3. Lack of strong IT systems and efficient and effective processes (eg works orders, complaints management) to support efficient and Complete customer service 4. Changing profile of customer expectations and service requirements, for example increasing requirements for additional services to support increasingly	Reputational impacts	Possible	MAJOR	HIGH	Customer experience strategy, key measures + quality standards	1,2,5	IE	ME	UNLIKELY	MODERATE	MEDIUM	NO	Ensure budget is sufficient to deliver project including risks, contingencies and budget considerations for whole of life costs.	GM Community & Business	Ongoing			
													Technology One system for customer interactions	3	PE						Change management plan (customer experience strategy)	GM Community & Business	In progress, delayed due to staff changes	21/12/2020 31/12/2021 Delayed		
																					Development of relevant/achievable measures and quality standards in relation to the customer experience	GM Community & Business	In progress, delayed due to staff changes. Complaints policy was reviewed and amended in June 2021. Request Management Service is in development. Service Review Framework is in development	12/06/2021 Ongoing		

Risk ID #	Strategic or Operational	Objectives (Env, Comm, Place, Culture, Economy) What are we trying to achieve?	Risk Description (Short)	Risk Description (Long) There is a risk of ...	Risk Category	Date of Identification	Date of last review	Responsible GM	Causes (Potential and Actual) What are the contributing factors as to how and why this risk occurs right now? What would cause this event to occur in the future (based on what we know)?	Consequences What would the consequences be to the City of Holdfast Bay if the risk did occur?	Likelihood	Consequence	Inherent Risk Rating (if controls fail)	Critical Controls What are the things we do to manage the risk? (Controls reduce either the likelihood or consequence) Align to causes where possible	Which number cause does this control address?	Control Effectiveness: Effective (E) Majority Effective (ME) Partially Effective (PE) Ineffective (IE)	Overall Control Effectiveness	Likelihood	Consequence	Residual Risk Rating	Accept the level of Risk (Risk as low as reasonably practicable? - No = Treatment Actions)	Treatment Actions	Who	Progress comments	When by? (with revised predicted date)
14				aging population in the Council online/out of hours capacity 5. Lack of performance measurement in line with community needs 6. Government changes impact upon service delivery (Planning Code, Dog and Cat management, Aged Care Royal Commission findings) 7. As COVID is continuing, the effectiveness of customer service delivery is diminished (due to reduced face-to-face)				CEO	1. Continuous legislative and regulatory changes 2. Aged care changes 3. A need for strengthened compliance framework / understanding of the risk of non-compliance	Non-compliance with legislative or regulatory requirements	POSSIBLE	MAJOR	HIGH	Mitel phone system solutions	3	PE	PE	UNLIKELY	Minor	LOW	NO	Implement Request Management, including the customer interface, to support customer experience	Manager Innovation & Technology	RMS for depot will be completed by 30/6/2021 RMS for regulatory services by 30/6/2021 SLT have agreed to put the customer interface on hold 2022/23 financial year. RMS is a continuing project and projects direction is being reviewed by the steering committee.	30/06/2021 Delayed
														Training and development of staff in relation to customer experience	2	PE						Exploring further functionality (Mitel) to enhance customer experience	Manager Customer Experience & Libraries	IT testing updated Mitel solution software. On track for completion.	30/06/2022
														Communications Strategy 2030	1,2	PE						Ensure that customer-experience training embedded in annual training calendar	Manager Customer Experience & Libraries	Commencing planning on imbedding Customer Charter and Customer Experience Strategy in regular training programs and induction in conjunction with P and C	30/06/2022
														CHB style guide	1	E						Review communications strategy annually	Manager Communications & Engagement	On track.	30/06/2021 Ongoing
														Reviewing customer profiles regularly (approx. 3-yearly); currently Completed for tourism/retail cohort and residents	1,4	PE						Review style guide annually	Manager Communications & Engagement	New style guide for Jetty Road Glenelg has been developed in April 2021. Review of CHB style guide is on track for completion.	30/06/2021 Ongoing
														Identifying externally-imposed changes that impact upon service delivery and training staff to comply	6	ME						Review customer profile in more granular detail for the broader customer base to encompass all Council services (not just tourism)	GM Community & Business	In progress, delayed due to staff changes.	31/12/2020 31/12/2021 Delayed
														Engagement channels (increased with COVID response, such as online responsiveness, social media, Web chat, meeting platforms)	7	E						Strengthen key stakeholder engagement actions (develop a plan in line with these requirements to facilitate better alignment)	Manager Communications & Engagement	Engagement and Communication template has been reviewed and updated and each project manager develops and individual community engagement plan for each engagement. Communication and engagement plan template has been reviewed and updated. Each project manager is now required to complete a plan prior to the development of each engagement.	30/06/2021 Ongoing
														Community Engagement Framework	1,4	ME						Provide support and training/development for business units across Council Develop community reference groups Monitor digital media platforms to formally capture community engagement.	Manager Communications & Engagement	Training and support provided for each engagement project manager ongoing. As per the above line 20 and digital media platforms created and working ongoing.	30/06/2021 Ongoing
17	Strategic	Culture	Legislative Compliance and change management	Poor or ineffective management of legislative and regulatory obligations and ongoing changes				CEO	1. Continuous legislative and regulatory changes 2. Aged care changes 3. A need for strengthened compliance framework / understanding of the risk of non-compliance	Non-compliance with legislative or regulatory requirements	LIKELY	MODERATE	HIGH	Compliance Register - Council	1,2,3	PE	ME	POSSIBLE	moderate	MEDIUM	NO				
														Aged Care Standards - Quality System	2	E						Compliance Register - Completed for all Acts	Team Leader Governance	Pending LGA Compliance register model being released (under development with LGA and Norman Waterhouse) - Governance to consult with LT regarding resourcing or use of a consultant.	30/06/2021 31/03/2022
														LGA Circulars - Changes to legislation	1,2,3	E						Compliance Register to be risk assessed	Team Leader Governance	Pending LGA Compliance register model being released (under development with LGA and Norman Waterhouse) - Governance to consult with LT regarding resourcing or use of a consultant.	30/06/2021 31/03/2022
														Aged Care Changes - Notifications from industry bodies	2	E						Undertake internal audit on compliance register (both on the completion/effectiveness of the register as well as individual identified compliance audits)	Team Leader Governance	Pending LGA Compliance register model being released (under development with LGA and Norman Waterhouse) - Governance to consult with LT regarding resourcing or use of a consultant.	30/06/2021 30/06/2023
18	Strategic	Culture	Transformation capability	Current staff profile capability not able to transform the organisation			GM Strategy & Corporate	1. Significant need going forward to transform the organisation from 'process-driven' to innovative and dynamic 2. Lack of internal capability/capacity for the organisation needs to transform the organisation to deliver strategic direction (problem solving/influencing/innovative thinking) 3. Lack of skills/training to support staff to build skills to implement change 4. Culture of 'government/public service' ("We've always done it this way", internal compliance) 5. Some 'Decision Paralysis and/or lack of engagement' amongst mid-level management (from a combination of capability, resilience, fear of making decisions, permission [and trust from SLT to make decisions]) and a lack of understanding/alignment of the existing strategy)	Inability for organisational staff to implement new strategies to transform Council going forward		POSSIBLE	MAJOR	HIGH	Business Capability Model developed	1	PE	PE	POSSIBLE	MODERATE	MEDIUM	NO	Undertake an internal audit of the Aged Care Quality standards at Ahlyndor	GM Ahlyndor	Rolling program in conjunction with Gap Analysis report NB This is a continuous process of rolling audits which support the standards, the audit schedule is managed through Compliance Master, audit reporting and monitoring software.	30/06/2021 Ongoing
														Performance Development process and system	2,3,4	PE						Change Management plan - focusing on organisational change	Manager People & Culture	Compliance with EBA requirements for any organisational change and appropriate support provided by P&C	Ongoing
														Leadership Development Program	5	PE						Performance Development Plans should consider future capability requirements (as part of the Workforce Development Plan)	Manager People & Culture	This action should sit with SLT and Strategy to determine future service requirements. A new action to be created for P&C with focus on Vacancy Management with a view on future capability and service requirements. (ongoing) Vacancy Management is a standing item on fortnightly P&C meeting with SLT. Future services and capability sits with SLT and Strategy.	30/07/2022 Ongoing
																PE						Development of Workforce Development Plan that considers business capability, future workforce requirements, current workforce profile	Manager People & Culture	Galpins Completed Workforce Planning Audit in early 2021 - report, recommendations and actions currently under review by GM Strategy and Corporate. Suggest a report be tabled at Audit Committee.	31/12/2021 Ongoing

Attachment 2



Operational Risk Register Extract

Risk ID #	Risk Description (Long) There is a risk of ...	Responsible GM	Residual Risk Rating	Treatment Actions What are the things we should be doing that we aren't currently? Once implemented become a new control	Who	Progress comments	When by? (with revised predicted date)
81	Asset Management Plans with high and very high risk actions with actions to be completed in within 1 year	GM Assets & Delivery	HIGH	Refer to 2020-21 Asset Management Risk Action Plan- Prioritised actions only not all actions	Asset Management Lead	Managed by Asset Management team – IN PROGRESS	8 February 2022
82	Asset Management Plans with high and very high risk actions with actions to be completed in within 2 years	GM Assets & Delivery	HIGH	Refer to 2020-21 Asset Management Risk Action Plan - Prioritised actions only not all actions	Asset Management Lead	Managed by Asset Management team	8 February 2023
83	Asset Management Plans with high and very high risk actions with actions to be completed in within 4 years	GM Assets & Delivery	HIGH	Refer to 2020-21 Asset Management Risk Action Plan - Prioritised actions only not all actions	Asset Management Lead	Managed by Asset Management team	8 February 2025

Item No: 7.4

Subject: **INTERNAL AUDIT PROGRAM REPORT**

Date: 16 March 2022

Written By: Manager, Strategy and Governance

General Manager: Strategy and Corporate, Ms P Jackson

SUMMARY

Following endorsement of the Council's Internal Audit Plan last year (AC277/21), Internal Auditors, Galpins, have progressed with the 2021-22 scheduled program of reviews.

Of the six risk-based audits outlined for 2021-22, two have been completed, two are currently ongoing and the remaining two are due to be commenced in coming weeks, for completion prior to the financial year end.

RECOMMENDATION

That the Audit Committee notes this report.

STRATEGIC PLAN

Statutory compliance

COUNCIL POLICY

Risk Management Policy

STATUTORY PROVISIONS

Local Government Act 1999

BACKGROUND

Section 125 of the *Local Government Act 1999* requires Council to implement and maintain appropriate internal control policies and procedures. A risk-based Internal Audit Plan is produced annually to guide internal audit activities throughout the year.

An Internal Audit Plan for the financial year was drafted with Galpins and endorsed by Audit Committee (AC277/21).

REPORT

The following provides a summary update against the Internal Audit Plan, which is provided as Attachment 1:

Environmental Management Strategy	Audit completed, actions to be implemented
Budget Management	Audit completed, actions to be implemented
Cyber Security – Follow-up	Audit scoped and commenced, based on follow up of recommendations
Implementation of Planning Reform	Audit scoped and commenced, staff interviews completed
Asset Management	Scheduled to commence after Planning Reform audit
Financial Controls	Scheduled as last audit for the FY, prior to EOFY external audit

Refer Attachment 1

2020 Cyber Security Internal Audit

Currently, the recommendation implementation rate is 67% with 18 out of 27 actions completed. With regard to the remaining actions, updates are provided in Attachment 2.

Refer Attachment 2

There is only one recommendation which has not been started, namely:

Complete stage 2 of the Information Management Change Program (incorporating Alwyndor as an additional stakeholder). (Ref. 11.1)

This project has been defined in the Technology Roadmap to cover both Council and Alwyndor, and a revised commencement date is to be defined as part of the investment prioritisation process, that is currently underway.

Budget Management Internal Audit

The Budget Management Internal Audit was undertaken late in 2021. The final report has been received and is provided as Attachment 3.

Refer Attachment 3

Implementation of actions will commence shortly.

Environment Strategy Internal Audit

The Environment Strategy Internal Audit was undertaken late in 2021. The final report has been received and is provided as Attachment 4.

Refer Attachment 4

Implementation of actions will commence shortly.

BUDGET

There are no budget implications associated with this report.

LIFE CYCLE COSTS

There are no life cycle costs associated with this report.

Attachment 1



Internal Audit Program 2021 - 22

Attachment 1

#	Audit Type	Timing	Project Short Name	Indicative Internal Audit Project Scope	Risk Coverage	Project Sponsor
5	Initial	Oct/Nov	Environmental Management Strategy	Assessment of: Environmental analysis and information - as an input to Council Strategy development	1	Michael deHuis
1	Initial	Jan/Feb	Budget Management	Financial Sustainability review Business Planning and Budget Processes	16	John Newton
2	Follow Up	Jan/Feb	Cyber Security	A follow up review of progress in implementing recommendations from the 2020 internal audit on cyber security.	6,10	Pam Jackson
3	Initial	Jan/Feb	Implementation of Planning Reform	Post implementation review of PDI Act Regulations (planning reform), including: <ul style="list-style-type: none"> - adequacy of Council's processes to align to new regime - legislative compliance - including in relation to required supporting frameworks such as delegations, authorisation - review of clarity of internal policies, procedures and plans and identify opportunities for improvement - training/development for staff - customer feedback/complaints regarding the new process. - peer review for input/feedback about opportunities for improvement. 	7	Michael deHuis
4	Initial	Mar/April	Asset Management <i>(This audit was originally scheduled for 2020-21, now planned for 2021-22).</i>	Audit to be targeted based on results from a maturity assessment exercise. <ul style="list-style-type: none"> - Potential areas of focus to be determined but may include: - Short-term Asset Management: <ul style="list-style-type: none"> - Focus on largest classes of assets - for example transport - Assurance on compliance with asset management legislative requirements, <ul style="list-style-type: none"> • clarity and accuracy of interrelationships and linkages between the strategic plan, • asset management plans, maintenance plans/procedures, asset management policy • and the long term financial plan - Reasonableness of useful life estimates, depreciation rates and management of significant assets - Review of asset management systems used to ensure working effectively. 	3	Michael deHuis
6	EOFY	May/Jun	Financial Controls	The audit will include a sample-based assessment of the rigour and accuracy of control self-assessment activities conducted by CHB staff.	All	John Newton

Attachment 3



Galpins

Accountants, Auditors & Business Consultants

City of Holdfast Bay

Internal Audit Report – Budget Management

March 2022



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Document Control

Date	Revision Number	Revision Details	Author	Reviewer
08.02.22	v1.0	Draft report	Tim Muhlhausler	Dharshini Devasagayam
14.03.22	v1.0	Final report	Tim Muhlhausler / Dharshini Devasagayam	Janna Burnham

Entry meeting	04.11.21
Fieldwork commenced and completed	30.11.21 – 21.01.22
Draft report issued	08.02.22
Exit meeting	21.01.22 & 14.02.22
Revised draft report issued	16.02.22
Final report issued	14.03.22

1. Executive Summary

1.1 Background

The 2021-22 Internal Audit Plan provided for a review of the City of Holdfast Bay's (CHB's) budget management. This was not a reflection of perceived shortfalls in the process, but rather due to the importance of the function.

Alwyndor operates a separate budget that is not directly overseen by CHB; however the net impact (operating loss or profit) is reflected in CHB's financial position. The 2021-22 Annual Business Plan projected income and expenses for CHB are as follows:

	Municipal	Alwyndor	CHB consolidated
Operating revenue	\$47.8 million	\$24.1 million	\$71.8 million
Operating expenditure	\$47.7 million	\$24.4 million	\$72.0 million
Operating surplus / (deficit)	\$0.1 million	\$(0.3) million	\$(0.2) million
Amounts specifically for new or upgraded assets	\$0.9 million		\$0.9 million
Net Surplus / (deficit)	\$1.0 million	\$(0.3) million	\$0.7 million

CHB has an experienced Financial Services team to oversee budget management. The Senior Leadership Team (SLT) is also closely involved in reviewing the proposed budget each year. Skilled management of the budget is an essential element to enable Council to meet its strategic goals, for provision of services needed by the community in a financially sustainable manner.

1.2 Objectives

The audit provides assurance that the established processes and controls in relation to budget management are robust.

The audit specifically evaluated and reports on:

- compliance with legislative requirements, and methodology for presenting material to the Council to enable informed decision making
- efficacy of the introduced zero based budgeting process
- assessment of CHB's status against a maturity model for budget management
- the adequacy of planning to link the budget to the Long-Term Financial Plan (corporate planning)
- whether revaluation initiatives are in line with better practice (high level review)
- staff/management understanding of the budget, budget monitoring and how to manage variations
- the adequacy of current governance arrangements in place – for example including but not limited to:
 - clarity and appropriateness of current roles and responsibilities
 - oversight of the budget management approach taken by Alwyndor.

1.3 Relevant Strategic Risks

This audit aligned with Council's strategic risk:

- *Poor or ineffective budget development and management.*

1.4 Good Practices Observed

- ✓ Positive culture observed and all interviewees demonstrated:
 - a sound understanding of CHBs budget management processes
 - a positive intent towards budget management
 - a commitment to working collaboratively across CHB towards the organisation's objectives.
- ✓ All Budget Managers reported that the Finance team provide good support for the business units in relation to CHB's budget management processes.
- ✓ CHB's budget management processes are rated as majority 'advanced' and 'established' when assessed against better practice.
- ✓ In preparing the 2021-22 budget CHB complied with legislation.
- ✓ CHB's budgeting methodology, being a hybrid of traditional budgeting with 'zero-based' elements, is pragmatic and meets the needs of the organisation.
- ✓ All members of staff and management interviewed demonstrated a good understanding of their roles and responsibilities in relation to CHB's budget management.

1.5 Key Findings and Recommendations

This internal audit project aimed to assess the controls established to address strategic risk *Poor or ineffective budget development and management*. Based on the work undertaken, and when considering the design and/or effectiveness of controls collectively, we conclude that the control environment for budget management is: **Effective**.

Council is compliant with budget management requirements of the Local Government Act and Regulations. Budget Managers and Senior Leadership are appropriately engaged in the budget process and ongoing assessment of budget position and are provided with effective tools and support from Finance to monitor the budget. A suitable framework exists for proposing and assessing new initiatives, improvements could however be made to build the maturity of prioritisation and forward planning processes.

In the context of effective existing budget controls, opportunities discussed in this report are categorised as ‘better practice’ findings, aimed at supporting continuous improvement and growth in maturity of the budget process informed by target levels of maturity set in collaboration with CHB staff. There are opportunities to provide more accurate estimates of depreciation using indexation techniques, and to provide greater confidence over future funding for multi-year projects via the forward planning and budget processes.

Please refer to **Appendix 2, Overall control environment conclusion rating definitions** for further information.

Findings are summarised below.

Finding	Recommendation	Audit Risk Rating	CHB Risk Rating	Expected Completion Date
2.1 Compliance with legislation	There are no recommendations for this section.	n/a	n/a	n/a
2.2 Budget maturity assessment	Recommendation 1: Review the Maturity Model for Budget Management and consider implementation of improvement plans to further strengthen Council’s budget management.	Better Practice	Moderate	Various (see section 2.2 for details)
2.3 Other observations	There are no recommendations for this section.	n/a	n/a	n/a

2. Detailed Findings and Recommendations

2.1 Compliance with legislation	Audit Risk Rating	CHB Risk Rating
	n/a	n/a

Key Findings

- In preparing the 2021-22 annual budget, CHB complied with legislation.

Discussion

The audit scope called for a review of CHB's compliance with legislative requirements, and methodology for presenting material to Council to enable informed decision making.

To achieve this audit interviewed nine staff members to gain an understanding of budget preparation and management workflows and systems. Audit also reviewed the 2021-22 Annual Business Plan and supporting documents.

Details of the Audit's assessment of compliance with legislation are documented in **Appendix 4**.

There are no recommendations in this section of the report.

2.2 Budget maturity assessment	Audit Risk Rating	CHB Risk Rating
	Better practice	Moderate

Key Findings

- The maturity of Council's budget management practices is majority 'advanced', however there are continuous improvement opportunities.
- Opportunities for Council to strengthen its budget management include providing additional funding certainty for multi-year projects, use of indexation to improve the accuracy of depreciation in non-valuation years, and encouraging greater use of system functionality to file calculations, non-financial information and other documents supporting budget lines.

Discussion




The audit scope called for an assessment of CHB's status against a maturity model for budget management. Galpins have developed a Budget Maturity Assessment Model to assess a Council's maturity against 19 better practice criteria across the following areas:

- Strategic Alignment
- Budget Preparation and Approval
- New Initiatives / Budget Bids
- Post-adoption Budget Management
- Other Considerations

Audit have assessed that, of the 19 criteria assessed, Council's budget management practices are 'advanced' for 9 criteria (47%), 'established' for 8 criteria (42%) and 'developing' for 2 criteria (11%).

The assessment criteria and Council's ranking are shown in 0. The results of the assessment are summarised below:







Strategic Alignment

Criteria	Actual Maturity (from 1 - 12)	Audit Minimum Target Maturity (from 1 - 12)	Status vs Audit expectations	Better Practice Target Maturity (from 1 - 12)
Alignment with Strategic Plan / Annual Business Plan	10 Advanced	9 Established	Target exceeded 	10 Advanced
Consistency with Asset Management Plan/s (AMP)	7 Established	7 Established	Target met 	9 Established
Use of Long Term Financial Plan (LTFP) in budget process	10 Advanced	9 Established	Target exceeded 	10 Advanced

Observations

- CHB's long-term financial plan is referenced by the Senior Leadership Team and Finance when reviewing the draft budgets with the Managers, with clear alignment between the two.
- Whilst the current budget aligns with the Strategic Plan / Annual Business Plan applicable at the time of development, management is aware of the need to ensure the 2022-23 annual business plan and budget align with the three revised focus areas within the 'Our Holdfast 2050+' strategic plan that commenced from 1 January 2022.
- The consistency of the budget with Asset Management Plans would benefit from annual review/update of the plans. This has not occurred historically. Internal Audit will be reviewing Asset Management in an upcoming audit later in the Internal Audit Plan, where the merits of annual updates will be considered. No recommendation is provided in this report.
- There has been an increase in the use of the LTFP as a tool for presenting and workshopping the budget during the budget preparation process. The use of the LTFP to model the impact of budget responses to COVID-19 is a recent success story.

Budget Preparation and Approval

Criteria	Actual Maturity (from 1 - 12)	Audit Minimum Target Maturity (from 1 - 12)	Status vs Audit expectations	Better Practice Target Maturity (from 1 - 12)
Collaboration / internal consultation during Budget preparation	11 Advanced	10 Advanced	Target exceeded 	11 Advanced
Tools provided to budget preparers	9 Established	9 Established	Target met 	10 Advanced
Budget inputs	8 Established	10 Advanced	Target not met 	10 Advanced
Treatment of depreciation	6 Developing	9 Established	Target not met 	9 Established
Treatment of multi-year projects	7 Established	7 Established	Target met 	10 Advanced
Presentation of Budget for review / approval by Senior Leadership Team (SLT) and Elected Members (EMs)	10 Advanced	9 Established	Target exceeded 	10 Advanced

Observations

- All managers interviewed spoke very positively about the support they received from Finance during the budget preparation process.
- Methodologies for calculating department-specific budget lines, for example utilising non-financial data to calculate expected growth rates, were not consistently documented. Managers reported having to develop their own methodologies when starting in their roles, having not received explicit handover or example calculations. There is an opportunity to

more widely utilise existing functionality in TechOne to file supporting calculations / information against budget lines within the budget packs. This will facilitate knowledge retention / transfer and provide greater transparency to the SLT when reviewing budgets.

- CHB does not apply indexation for the calculation of depreciation in between revaluation years. Accounting standard AASB 116.31 requires that 'Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period'. In the local government sector, it is most common to apply a 5 year revaluation cycle.

The following table illustrates the potential growth in asset values (all else being equal) using Local Government Price Index (LGPI) at various levels as an estimate of construction cost increases.

Table 1: Percentage increase in unit rates (cumulative) since revaluation year (Year 0) at various levels of LGPI

	Years since revaluation				
	Year 1	Year 2	Year 3	Year 4	Year 5
LGPI at 2.5%	2.5%	5.1%	7.7%	10.4%	13.1%
LGPI at 3.5%	3.5%	7.1%	10.9%	14.8%	18.8%
LGPI at 5.0%	5.0%	10.3%	15.8%	21.6%	27.6%

This demonstrates that in the absence of regular indexation and/or revaluation, even when LGPI is relatively low, asset values may be materially misstated after 3-4 years.

To overcome this issue, indexation of unit rates (e.g. using either appropriate growth factors or internal replacement cost) can be applied in between full revaluation cycles to reduce the potential misstatement, thus extending the allowable time between revaluations. The use of indexation is considered best practice in the local government sector, enabling a greater balance between the cost and benefits of revaluations.

- Some interviewees expressed a desire for more clarity over future funding for multi-year projects. This has been a theme across a number of separate Internal Audits, including audits of 'Stakeholder Management' and 'Environment Strategy'.



CHB's new initiative process provides additional funding for specific projects, however funding for multi-year projects is limited to the budget year. Funding for future years is dependent on the project being assessed as a priority in subsequent budget years. As an example, during our review of CHB's implementation of the environment strategy, Audit observed that this year-by-year approval of project funding could create uncertainty and inefficiencies.

One of two peer councils interviewed as part of the environment strategy review allows for multi-year financial commitments for actions which are linked to a plan and/or project that is endorsed by the elected body. This provides greater funding certainty for the actions.

There is an opportunity for CHB to strengthen its budget management governance by providing funding support for multi-year projects at the project's inception. This could be achieved, for example, via the development of medium-term (e.g. 3-4 year) plans which by virtue of endorsement by Council would provide greater certainty of future funding. This could be further enhanced within the prioritisation methodology for approval of new initiatives, with additional weighting being awarded to multi-year projects within approved plans.

Importantly, development of medium-term plans would not commit Council to future projects or strategies, and Council can amend these plans at their discretion. Medium-term plans do, however, provide greater transparency and clarity for EMs, management and the community regarding what the agreed investment priorities are, further supporting appropriate decision making.

New Initiatives / Budget Bids

Criteria	Actual Maturity (from 1 - 12)	Audit Minimum Target Maturity (from 1 - 12)	Status vs Audit expectations	Better Practice Target Maturity (from 1 - 12)
New initiatives / budget bid process	10 Advanced	8 Established	Target exceeded 	11 Advanced
Prioritisation of new initiatives / budget bids	10 Advanced	9 Established	Target exceeded 	11 Advanced

Observations

- In recent years, CHB management have identified areas of improvement in the new initiatives process and have taken proactive steps to improve the nature and timing of information provided to Elected Members to support their decision making.
- A prioritisation framework has been developed for selecting new initiatives, including criteria such as Strategic Plan alignment, community benefit, efficiency savings, criticality (e.g. for contractual / legislative obligations), risk reduction and linkage to AMP renewals.
- The prioritisation framework is of a good standard, and there is potential to strengthen the framework to further facilitate informed, more objective decision making.
 - The framework has not been endorsed by Elected Members. Endorsement would have the benefit of encouraging consistency in the evaluation of new initiatives, and minimising the risk of political considerations disproportionately influencing decisions.
 - The framework is typically applied to new initiatives with well progressed concept plans. Applying the framework earlier in the cycle of new initiatives would help to ensure that the merit of new ideas (in the context of competing priorities) is scrutinised prior to resources being applied to developing concept plans.
 - New initiatives for multi-year projects would benefit from both the implementation of medium term plans endorsed by Council, and recognition of additional priority in subsequent years' budgets to provide greater long-term funding assurance (see discussion re multi-year projects above). There is an opportunity to provide guidance within the prioritisation framework for decision criteria specific to in-flight initiatives, which present different risks to council than brand new initiatives.
 - Explicit guidance would be beneficial for applying the framework to consideration of 'opportunistic' projects linked to State / Federal funding. These may not have the degree of explicit linkage to current strategic plans that new initiatives are expected to, but should be explored in a transparent, structured manner to ensure genuinely

beneficial opportunities are exploited, whilst funding that is not in the long-term best interests of the community is rejected.

Post-adoption Budget Management

Criteria	Actual Maturity (from 1 - 12)	Audit Minimum Target Maturity (from 1 - 12)	Status vs Audit expectations	Better Practice Target Maturity (from 1 - 12)
Budget review - EMs	9 Established	9 Established	Target met	9 Established
Budget review - Managers	10 Advanced	9 Established	Target exceeded	10 Advanced
Management of Budget variations / reallocations between budget lines	9 Established	9 Established	Target met	9 Established

Observations

- All managers interviewed spoke very positively about the support they received from Finance during the budget review process.
- All legislated budget reviews have been undertaken.

Other Considerations

Criteria	Actual Maturity (from 1 - 12)	Audit Minimum Target Maturity (from 1 - 12)	Status vs Audit expectations	Better Practice Target Maturity (from 1 - 12)
Budget Management Software	10 Advanced	6 Developing	Target exceeded	11 Advanced
Post-budget evaluation / lessons learnt	6 Developing	6 Developing	Target met	6 Developing
Timing of budget process	8 Established	7 Established	Target exceeded	8 Established
Allocation of responsibilities	12 Advanced	12 Advanced	Target met	12 Advanced
Staff training	9 Established	9 Established	Target met	9 Established

Observations

- The existing Corporate Performance Management (CPM) tool used to facilitate the new initiatives process was developed in-house by former CHB staff. Council is currently considering replacement of this tool. Audit considers that it remains fit-for-purpose in the short term, but support investigation of alternative solutions particularly as:
 - the CPM does not integrate with the budget packs, creating duplication of data entry

- ongoing technical support may be lacking.
- Whilst not highly formalised, informal post-budget 'lessons learnt' exercises do occur routinely at a senior level and have resulted in improvements to the budget process, such as proactive meetings with ratepayers who have previously expressed strong interest in the budget and improvements to the new initiatives process.

As CHB is committed to continuous improvement of its budget management processes, Audit have identified the following improvement plans for consideration:

Strategic Alignment	
Criteria	Improvement Plan/s
Alignment with Strategic Plan / Annual Business Plan	There are no improvement plans for this criterion
Consistency with Asset Management Plan/s (AMP)	There are no improvement plans for this criterion ¹
Use of Long Term Financial Plan (LTFP) in budget process	There are no improvement plans for this criterion

Budget Preparation and Approval	
Criteria	Improvement Plan/s
Collaboration / internal consultation during Budget preparation	There are no improvement plans for this criterion
Tools provided to budget preparers	1 Provide Managers with additional guidance / example calculations re use of non-financial data.
	2 Provide 3-4 year plan data to managers as an input into budget preparation (<i>once developed – see below</i>).
Budget inputs	1 Encourage greater use by budget managers of system functionality to file supporting documents (e.g. budget calculations, non-financial data) against budget lines in TechOne budget packs. <i>This can be achieved, for example, via staff training or through promotion by Finance staff during budget meetings.</i>
Treatment of depreciation	1 Introduce the use of indexation for asset values (and depreciation) in between valuation years.
Treatment of multi-year projects	1 Develop medium term (e.g. 3-4 year) plans linked to the strategic plan, identifying proposed future capital projects / new initiatives and multi-year projects requiring funding.
Presentation of Budget for review / approval by Senior Leadership Team and Elected Members	There are no improvement plans for this criterion

¹ Note – There is potential to explore the benefits of more frequent (e.g. annual) updates to AMPs - no recommendation at this time, to be considered in Internal Audit of asset management.

New Initiatives / Budget bids	
Criteria	Improvement Plan/s
New initiatives / budget bid process	1 Develop medium term (e.g. 3-4 year) plans linked to strategic plan, identifying proposed future capital projects / new initiatives and multi-year projects requiring funding. <i>NOTE: duplicated treatment plan - see above.</i>
Prioritisation of new initiatives / budget bids	1 Continue to develop the new initiatives prioritisation framework to: <ul style="list-style-type: none"> provide greater assurance of funding for multi-year projects provide guidance for decision criteria specific to in-flight initiatives provide guidance for consideration of 'opportunistic' projects linked to State / Federal funding clarify the timing of the prioritisation decision (e.g. for new initiatives at commencement of the idea vs concept stage). <p>Seek endorsement of the framework from Elected Members.</p>

Post-adoption Budget Management	
Criteria	Improvement Plan/s
Budget review - EMs	There are no improvement plans for this criterion
Budget review - Managers	There are no improvement plans for this criterion
Management of Budget variations / reallocations between budget lines	There are no improvement plans for this criterion

Other considerations	
Criteria	Improvement Plan/s
Budget Management Software	1 Investigate options for software to replace the existing Corporate Performance Management (CPM) system.
Post-budget evaluation / lessons learnt	There are no improvement plans for this criterion
Timing of budget process	There are no improvement plans for this criterion
Allocation of responsibilities	There are no improvement plans for this criterion
Staff training	There are no improvement plans for this criterion

Risk Exposure

- Continuous improvement opportunities exist in the budget process, which are likely to result in increased efficiency and effectiveness in the delivery of budget objectives.

Recommendation 1	Review the Budget Management Maturity Model and consider implementation of improvement plans to further strengthen Council's budget management.
Improvement plan	Agreed Actions / Action Officer / Completion Date
Provide Managers with additional guidance / example calculations re use of non-financial data.	<p>Agreed Action: Exemplars/templates for how to identify and quantify social, environmental and other non-financial costs to be provided as part of the New Initiative Process.</p> <p>Action Officer: Manager Strategy and Governance Target completion date: 11/22</p>
Provide 3-4 year plan data to managers as an input into budget preparation (<i>once developed – see below</i>).	<p>Agreed Action: Provide 4-year forward budget estimates to managers.</p> <p>Action Officer: Manager Strategy and Governance in collaboration with Manager Financial Services Target completion date: 01/23</p>
Encourage greater use by budget managers of system functionality to file supporting documents (e.g. budget calculations, non-financial data) against budget lines in TechOne budget packs. <i>This can be achieved, for example, via staff training or through promotion by Finance staff during budget meetings.</i>	<p>Agreed Action: Training is provided on an ongoing, as-needs basis.</p> <p>Action Officer: Manager Financial Services Target completion date: ongoing</p>
Introduce the use of indexation for asset values (and depreciation) in between valuation years.	<p>Agreed Action: Long Term Financial Plan has incorporated this recommendation.</p> <p>Action Officer: Manager Financial Services Target completion date: ongoing</p>
Develop medium term (e.g. 3-4 year) plans linked to the strategic plan, identifying proposed future capital projects / new initiatives and multi-year projects requiring funding.	<p>Agreed Action: Develop a rolling 4-year Corporate Plan and associated planning process for implementation, commencing with the new Council. Process should consider the State budget forecasting model, scaled to CHB.</p> <p>Action Officer: Manager Strategy and Governance Target completion date: 12/22</p>

Improvement plan	Agreed Actions / Action Officer / Completion Date
<p>Continue to develop the new initiatives prioritisation framework to:</p> <ul style="list-style-type: none"> • provide greater assurance of funding for multi-year projects • provide guidance for decision criteria specific to in-flight initiatives • provide guidance for consideration of 'opportunistic' projects linked to State / Federal funding • clarify the timing of the prioritisation decision (e.g. for new initiatives at commencement of the idea vs concept stage). <p>Seek endorsement of the framework from Elected Members.</p>	<p>Agreed Action: Develop a prioritisation framework that:</p> <ul style="list-style-type: none"> - provides principles by which projects are objectively assessed for value and priority, including but not limited to considerations such as: <ul style="list-style-type: none"> ○ alignment to the strategic plan and relevant strategies ○ value to the community (quantitative and qualitative) ○ return on investment (quantitative and qualitative) ○ relative benefits to other scheduled investments ○ impacts on other scheduled investments ○ organisational capacity to deliver ○ opportunity costs - appropriately addresses planning for multi-year commitments - provides criteria against which opportunistic/ unplanned projects may be considered and assessed - considers the scheduling of investments across medium and long term time horizons - includes a process by which Audit Committee oversees or periodically reviews the application of the Framework. <p>Action Officer: Manager Strategy and Governance Target completion date: 12/22</p>
<p>Investigate options for software to replace the existing Corporate Performance Management (CPM) system.</p>	<p>Agreed Action: Investigate software options to replace the existing CPM module, in order to support the development of the Corporate Planning program and improve corporate and management reporting.</p> <p>Action Officer: Manager Strategy and Governance in collaboration with Manager Innovation and Technology Target completion date: 06/22</p>

2.3 Other observations

Audit Risk Rating	Client Risk Rating
n/a	n/a

Key Findings

- CHB's budget methodology is pragmatic and meets the needs of the organisation.
- All nine staff interviewed demonstrated a sound understanding of the budget, budget monitoring and how to manage variations.
- Oversight of the Alwyndor budget is appropriate.

Discussion

In addition to scope areas considered within the maturity model and legislative compliance review, the audit scope called for an evaluation of the following:

- efficacy of the introduced zero based budgeting process
- staff/management understanding of the budget
- the adequacy of current governance arrangements in place for oversight of the budget management approach taken by Alwyndor.

Efficacy of the introduced 'zero based' budgeting process

Council's budgeting approach has been self-described as 'zero-based'. In reality, the budget methodology is a hybrid of traditional indexation with some elements of zero-based budgeting.

Zero-based budgeting a method of budgeting in which all expenses must be justified, and every function is analysed for its needs and costs so that the budget is built around what is needed for the upcoming year².

The 2021-22 budget pack when first released to Managers had no prepopulated revenue and expenditure data for the 2021-22 year. The budget pack however includes the following information for Managers to use as a guide:

- 2019-20 actuals
- 2020-21 year to date actual
- 2020-21 year to date commitment
- 2020-21 adopted budget
- 2020-21 original budget.

The managers were also given a summary of the 2021-22 budget parameters and provided with their salaries and wages costs for review.

Audit interviewed three Managers and two General Managers to understanding how the 2021-22 budget was prepared. The primary approach adopted by Managers is to index the historical data. The draft budgets are reviewed by the Senior Leadership Team and Finance in consultation with the

² Investopedia, n/a, *Zero-Based Budgeting (ZBB)*, URL: <https://www.investopedia.com/terms/z/zbb.asp>

responsible manager to ensure CHB's budget objectives are met. The draft budget is workshopped with Council prior to community consultation.

Audit have concluded that CHB's budgeting methodology, being a hybrid of traditional budgeting with 'zero-based' elements, is pragmatic and meets the needs of the organisation.

Staff/management understanding of the budget, budget monitoring and how to manage variations

Nine of nine staff/management interviewed demonstrated a sound understanding of CHB's budget processes including budget setting, monitoring and how to manage variations.

Adequacy of current governance arrangements in place for oversight of the budget management approach taken by Alwyndor

Alwyndor operates a significantly different business to CHB, with an entirely different financial and risk profile. This necessitates industry specific expertise to appropriately develop a budget. As such, it is not considered practical, necessary, or indeed useful for CHB management to take a key operational role in the development of the Alwyndor budget. Appropriate governance mechanisms to ensure visibility over the budget is, however, considered important.

This is achieved in a number of ways. CHB's CEO collaborates with Alwyndor staff in preparing the Alwyndor budget. Whilst the council budget is the core focus, the Alwyndor budget is presented to the CHB Senior Leadership team, providing the opportunity for comments and questions. The Alwyndor budget is then presented to Council for approval.

Audit considers that these existing governance mechanisms provide sufficient ability for CHB to review, question, and ensure comfort with the Alwyndor budget.



Appendices

Appendix 1. Audit scope and methodology

Scope

The audit did not review Alwyndor's budget management approach, however it considered CHB's governance/oversight of Alwyndor's budget.

Methodology

In conducting the audit, the audit team:

- reviewed documentation relevant to the audit, including: the current budget, relevant policies and procedures, the Long Term Financial Plan (LTFP), minutes of governance meetings, any other document identified as relevant
- conducted interviews with internal stakeholders. This is likely to include staff from the Financial Services Team as well as the executive team, including the CEO
- reviewed CHB's budget management processes against better practice principles and against legislative requirements
- identified potential opportunities for improvement
- drafted a report summarising findings and recommendations for improvement
- provided a final report for presentation to the Audit Committee.

Appendix 2. Overall control environment conclusion rating definitions

This internal audit project aimed to assess the controls established to address a key strategic risk or risks as documented in the Executive Summary. Based on the work undertaken, and when considering the design and/or effectiveness of controls collectively, we conclude that the control environment is one of the following ratings:

Rating	Effective	Majority Effective	Partially Effective	Requires Significant Improvement	Ineffective
Definition	Controls assessed were effective in mitigating the key strategic risk or risks	Controls assessed were largely effective in mitigating the key strategic risk or risks	Controls assessed were partially effective in mitigating the key strategic risk or risks	Controls assessed require significant improvement to mitigate the key strategic risk or risks	Controls assessed were ineffective in mitigating the key strategic risk or risks

Appendix 3. Risk framework

The method of risk assessment used in this audit is based on the Better Practice Model issued by the Local Government Financial Management Group and the Local Government Association.

It measures the likelihood of each risk occurring and the consequence of the risk event. From this analysis it is then possible to determine the level of inherent risk (risk without any controls in place) and residual risk (risks when controls are in place). This method of analysis is not an exact science and quite subjective, but it is of value as an indicator and therefore assists in assessing audit risks.

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

The following tables have been provided as a guide for risk management processes. Councils may wish to consider tailoring the parameters provided for their individual circumstances, or use their existing likelihood and consequence

Likelihood Rating	Description
E. Almost Certain	Is expected to occur in most circumstances
D. Likely	Will probably occur in most circumstances
C. Possible	Might occur at some time
B. Unlikely	Could occur at some time
A. Rare	May occur only in exceptional circumstances

Impact Scale	Socio-political & Community Issues	Business Impact	Public Safety	Environment
1. Insignificant	<ul style="list-style-type: none"> No adverse effect on public image Insignificant level of community concern Negligible adverse impact upon social health and well being of the community which has little or no impact upon established community relationships and links. 	<ul style="list-style-type: none"> Low financial loss – impact of less than \$5k Small delays in undertaking routine needs or tasks for ½ day. 	<ul style="list-style-type: none"> No injuries or no significant injuries Negligible loss or damage to property / infrastructure. 	<ul style="list-style-type: none"> “Nuisance” category under the SA Environment Protection Act (1993) met Contamination – on-site release immediately contained Slight, quickly reversible damage to few species.
2. Minor	<ul style="list-style-type: none"> Minor adverse effect on public image Minor level of community concern Minor adverse impact upon social health & well being of the community that may have a minor impact upon established community relationships & links. 	<ul style="list-style-type: none"> Medium financial loss – impact of between \$5k and \$20k Minor impact in undertaking routine needs or tasks for 1 day. 	<ul style="list-style-type: none"> First aid treatment required Minor loss or infrastructure damage. 	<ul style="list-style-type: none"> “Nuisance” category under SA Environment Protection Act (1993) met Some minor adverse effects to few species/ ecosystem parts that are short term and immediately reversible.
3. Moderate	<ul style="list-style-type: none"> Moderate adverse effect on public image Moderate level of community concern Social health and well being of the community affected by moderately reduced opportunities for participation in community life and/or decision making, moderate incidences of increased isolation etc. 	<ul style="list-style-type: none"> High financial loss – impact of between \$20k and \$50k Capability / production impaired, moderate impact on stakeholders & routine needs or tasks for 1 – 3 days. Minor legal issues, non compliances and breaches of regulation. 	<ul style="list-style-type: none"> Medical treatment required Moderate loss/or infrastructure damage. 	<ul style="list-style-type: none"> “Material” category under the SA Environment Protection Act (1993) met Contamination – on-site release contained with outside assistance Temporary, reversible damage, loss of habitat and migration of animal population, plants unable to survive, pollution requires physical removal, land contamination localised and can be quickly remedied.
4. Major	<ul style="list-style-type: none"> Major adverse effect on public image Significant level of community concern Social health and well being of the community seriously affected by major community unrest and/or significant breakdown of established community relationships and links. 	<ul style="list-style-type: none"> Major financial loss - impact of between \$50k and \$100k Loss of capability, disruption to production, major impact on stakeholders & routine needs or tasks for 3 – 5 days. Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible. 	<ul style="list-style-type: none"> Serious & extensive injuries Serious structural damage to infrastructure or serious loss of assets. 	<ul style="list-style-type: none"> “Serious” category under the SA Environment Protection Act (1993) met Contamination – off-site release with no detrimental effects Death of individual animals, large scale injury, loss of keystone species and widespread habitat destruction.
5. Catastrophic	<ul style="list-style-type: none"> Huge effect on public image Community outrage Social health & well being of the community hugely affected by major community unrest and/or significant breakdown of established community relationships & links. 	<ul style="list-style-type: none"> Huge financial loss/exposure – impact greater than \$100k Loss of production/capability, failure to meet stakeholder’s needs for more than 5 days Projects & programs failure, inability to meet minimum acceptable standards, most objectives not met Major breaches of regulation, major litigation. 	<ul style="list-style-type: none"> Fatalities Critical loss, irreversible damage property / infrastructure. 	<ul style="list-style-type: none"> “Serious” category under the SA Environment Protection Act (1993) met Toxic release off-site with detrimental effect Death of animals in large numbers, destruction of flora species, air quality requires evacuation, permanent and wide spread land contamination, irreversible soil erosion or severe compaction, widespread introduction of weeds.

Appendix 4. Compliance with legislative requirements




Compliance with the Local Government Act 1999, Part 2 Section 123 – Annual business plans and budgets

Legislation	Audit Assessment
(1) A council must have, for each financial year— (a) an annual business plan; and (b) a budget	✓
(2) Each annual business plan of a council must— (a) include a summary of the council's long-term objectives (as set out in its strategic management plans); and (b) include an outline of— (i) the council's objectives for the financial year; and (ii) the activities that the council intends to undertake to achieve those objectives; and (iii) the measures (financial and non-financial) that the council intends to use to assess the performance of the council against its objectives over the financial year; and (c) assess the financial requirements of the council for the financial year and, taking those requirements into account, set out a summary of its proposed operating expenditure, capital expenditure and sources of revenue; and (d) set out the rates structure and policies for the financial year; and (e) assess the impact of the rates structure and policies on the community based on modelling that has been undertaken or obtained by the council; and (f) take into account the council's long-term financial plan and relevant issues relating to the management and development of infrastructure and major assets by the council; and (g) address or include any other matter prescribed by the regulations.	✓
(3) Before a council adopts an annual business plan, the council must— (a) prepare a draft annual business plan; and (b) follow the relevant steps set out in its public consultation policy, taking into account the requirements of subsection (4).	✓

Legislation	Audit Assessment
<p>(4) For the purposes of subsection (3)(b), a public consultation policy must at least provide for the following:</p> <ul style="list-style-type: none"> (a) the publication in a newspaper circulating within the area of the council and on a website determined by the chief executive officer of a notice informing the public of the preparation of the draft annual business plan and inviting interested persons— <ul style="list-style-type: none"> (i) to attend— <ul style="list-style-type: none"> (A) a public meeting in relation to the matter to be held on a date (which must be at least 21 days after the publication of the notice) stated in the notice; or (B) a meeting of the council to be held on a date stated in the notice at which members of the public may ask questions, and make submissions, in relation to the matter for a period of at least 1 hour, (on the basis that the council determines which kind of meeting is to be held under this subparagraph); or (ii) to make written submissions in relation to the matter within a period (which must be at least 21 days) stated in the notice; and (b) the council to make arrangements for a meeting contemplated by paragraph (a)(i) and the consideration by the council of any submissions made at that meeting or in response to the invitation under paragraph (a)(ii). 	✓
<p>(5) The council must ensure that copies of the draft annual business plan are available at the meeting under subsection (4)(a)(i), and for inspection (without charge) and purchase (on payment of a fee fixed by the council) at the principal office of the council and on the website at least 21 days before the date of that meeting.</p>	✓
<p>(5a) The council must ensure that provision is made for—</p> <ul style="list-style-type: none"> (a) a facility for asking and answering questions; and (b) the receipt of submissions, on its website during the public consultation period. 	✓
<p>(6) A council may then, after considering—</p> <ul style="list-style-type: none"> (a) any submission made to the council during the public consultation period; and (b) any new or revised information in the possession of the council that is relevant to the material contained in the draft annual business plan; and (c) such other materials or information as the council thinks fit, adopt its annual business plan (with or without amendment). 	✓
<p>(7) Each budget of a council must—</p> <ul style="list-style-type: none"> (a) be considered in conjunction with the council's annual business plan (and must be consistent with that plan, as adopted); and (b) be adopted by the council after the council has adopted its annual business plan. 	✓
<p>(8) An annual business plan and a budget must be adopted by a council after 31 May for the ensuing financial year and, except in a case involving extraordinary administrative difficulty, before 31 August for the financial year.</p>	✓

Legislation	Audit Assessment
<p>(9) A council must, after adopting an annual business plan and a budget—</p> <p>(a) ensure—</p> <p>(i) that a summary of the annual business plan is prepared so as to assist in promoting public awareness of the nature of its services and its rating and financial management policies, taking into account its objectives and activities for the ensuing financial year; and</p> <p>(ii) that a copy of the summary of the annual business plan accompanies the first rates notice sent to ratepayers after the declaration of its rates for the financial year; and</p> <p>(b) ensure—</p> <p>(i) that copies of the annual business plan and the budget (as adopted) are available for inspection (without charge) or purchase (on payment of a fee fixed by the council); and</p> <p>(ii) that copies of the summary of the annual business plan are available for inspection and to take (without charge), at the principal office of the council; and</p> <p>(c) ensure that electronic copies of the annual business plan and the budget (as adopted) are published on a website determined by the chief executive officer.</p>	✓
<p>(10) The regulations may prescribe requirements with respect to the preparation, form and contents of—</p> <p>(a) an annual business plan (including a draft for the purposes of public consultation), and the summary required under subsection (9); and</p> <p>(b) a budget.</p>	✓
<p>(11) However, in any event, the summary of the annual business plan must include an assessment of the extent to which the council's objectives for the previous financial year have been attained (taking into account the provisions of the annual business plan for that financial year).</p>	✓
<p>(12) Subject to complying with a preceding subsection, any relevant document under this section will be in a form determined by the council.</p>	✓
<p>(13) A council must, as required by the regulations, and may at any time, reconsider its annual business plan or its budget during the course of a financial year and, if necessary or appropriate, make any revisions.</p>	✓
<p>(14) A rate cannot be challenged on a ground based on non-compliance with this section, or on a ground based on the contents of a document prepared or adopted by a council for the purposes of this section.</p>	✓

Compliance with the Local Government (Financial Management) Regulation 2011, Part 2 – Financial accountability

Legislation	Audit Assessment
<p>7—Budgets</p> <p>Pursuant to section 123(10)(b) of the Act, each budget of a council under the Act must—</p> <ul style="list-style-type: none"> (a) include budgeted financial statements, which must be presented, other than notes and other explanatory documentation, in a manner consistent with the Model Financial Statements; and (b) state whether projected operating income is sufficient to meet projected operating expenses for the relevant financial year; and (c) include a summary of operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances; and (d) include estimates with respect to the council's operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators. 	
<p>8—Provision of subsidiary budgets to councils</p> <p>(1) For the purposes of clause 9(2)(e) of Schedule 2 of the Act, a copy of a budget adopted by a subsidiary must be provided to the chief executive officer of the relevant council within 5 business days after its adoption.</p> <p>(2) For the purposes of clause 25(2)(e) of Schedule 2 of the Act, a copy of a budget adopted by a regional subsidiary must be provided to the chief executive officer of each constituent council within 5 business days after its adoption.</p>	
<p>9—Review of budgets</p> <p>(1) A council, council subsidiary or regional subsidiary must prepare and consider the following reports:</p> <ul style="list-style-type: none"> (a) at least twice, between 30 September and 31 May (both dates inclusive) in the relevant financial year (where at least 1 report must be considered before the consideration of the report under sub regulation (1)(b), and at least 1 report must be considered after consideration of the report under sub regulation (1)(b))—a report showing a revised forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances; (b) between 30 November and 15 March (both dates inclusive) in the relevant financial year—a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements. <p>(2) A council must also include in a report under sub regulation (1)(b) revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.</p>	

Appendix 5. CHB Budget Management Maturity Model

(see overpage)

	Immature	Developing	Established	Advanced
Strategic Alignment				
Alignment with Strategic Plan / Annual Business Plan	No clear alignment between Strategic Plan / Annual Business Plan and budget.	General alignment between budget and Strategic Plan / Annual Business Plans, but not clearly demonstrated in budget documents. New initiative / budget bid submissions are not required to identify strategic plan linkages.	Clear alignment with key elements of other strategic plans / annual business plan. Most key budget lines and new initiatives are mapped to strategic plan objectives. New initiative / budget bid submissions are required to identify strategic plan linkages.	Budget directly reflects strategic plan and annual business plan objectives. All key budget lines and new initiatives are explicitly mapped to specific strategic plan objectives and annual business plan projects. Budget decisions (e.g. new capital / operating initiative, service level decisions, rating decisions) are analysed and justified in the context of alignment with Strategic Plan / Annual Business Plans.
ACTUAL				
AUDIT TARGET LEVEL				
Consistency with Asset Management Plan/s (AMP)	No direct link between AMP and budget. Greater than 5 years since AMPs updated.	Budgeted renewal works / maintenance costs do not directly link to the AMP, but differences can be readily reconciled. 3 - 5 years since AMPs updated.	Direct link between AMP and Budget, with some adjustments required to reflect changes in Asset Management priorities / indexation between AMP updates. AMPs updated within the last 2 years.	Direct link between AMP and LTFF for both renewal works and maintenance. AMP updated annually to ensure alignment.
ACTUAL				
AUDIT TARGET LEVEL				
Use of Long Term Financial Plan (LTFF) in budget process	LTFF not referred to during budget process. LTFF not updated annually to reflect budget.	LTFF not used during initial budget drafting process to inform baseline budget. LTFF not used as a tool to inform budget decisions. LTFF only updated following adoption of the final budget, with results loaded into 'year 1'.	LTFF not used during initial budget drafting process to inform baseline budget. Shortlisted budget scenarios entered into the LTFF for presentation to EMs / SLT to demonstrate long term implications of budget decisions. LTFF updated following adoption of the final budget, with results loaded into 'year 1' and allowances included in later years for multi-year capital projects.	Established LTFF estimates used to guide development of initial draft budgets (e.g. to inform expected baseline for budget managers). LTFF used as a key decision making tool in analysis and review of the budget, including real-time changes modelled during workshop discussions. Shortlisted budget scenarios entered into the LTFF for presentation to EMs / SLT to demonstrate long term implications of budget decisions. LTFF is updated to reflect all budget implications, including approved multi-year capital and operating projects linked to detailed multi-year forward estimates of whole of life costs, supported by reference to strategic planning documents and/or other forward plans / feasibility studies.
ACTUAL				
AUDIT TARGET LEVEL				
Budget Preparation and Approval				
Collaboration / Internal consultation during Budget preparation	Budget Managers prepare budget in isolation.	Minimal collaboration between budget manager and some other departmental staff. Minimal liaison with Finance Department.	Good level of collaboration between budget manager and other departmental staff. Regular liaison with Finance Department on a needs basis, but no formal requirement to liaise with Finance Department.	Strong, regular collaboration between Budget Manager, General Manager and other departmental staff. Finance heavily involved in supporting budget manager in preparation of budget, including both planned and adhoc meetings.
ACTUAL				
AUDIT TARGET LEVEL				
Tools provided to budget preparers	No budget policy / procedures exist. Budget preparer given no guidance / templates / data / supporting documents ('blank slate').	Basic budget policy exists. Budget preparer given basic financial information only e.g. prior year results.	Budget policy and procedure exist, detailing high-level principals and process to be undertaken. Budget preparer provided with a suite of relevant budget tools / guidance, such as: > Prior year actual results > Key pre-set values e.g. salaries & wages budget for their area > High level guidance re methodology for key revenue / expense items (e.g. description, list of available non-financial data).	Comprehensive budget policy and procedure exist. Comprehensive budget pack provided to budget preparers, including: > Multi-year prior year actual results / trends > Key pre-set values e.g. salaries & wages budget for their area > Details of applicable Council motions impacting Manager's budget > Applicable non-financial data > Methodology guidance for key income / expense items (including example calculations) > Forward estimates (per corporate plans) e.g. 4 year plan.
ACTUAL				
AUDIT TARGET LEVEL				
Budget inputs	Basic financial data (prior year results) used, with generic growth factors applied (e.g. CPI / LGPI). Growth factors not referenced to reliable third-party data sources (e.g. LGPI, Deloitte Access Economics, ABS). Documentation supporting budget calculations maintained inconsistently (e.g. paper file, spreadsheet on local drive) and accessible to budget manager only.	Financial data (multi-year prior results) used, with generic growth factors applied (e.g. CPI / LGPI). Growth factors are obtained (where possible) from publicly available third party data sources. Documentation supporting budget calculations maintained inconsistently (e.g. paper file, spreadsheet), but accessible to budget manager and other relevant staff (e.g. Finance, SLT).	Financial data (multi-year prior results) used, with generic growth factors applied (e.g. CPI / LGPI). Growth factors are obtained from both publicly available third party data sources, and from independent experts procured by council. Documentation supporting budget calculations maintained inconsistently (e.g. paper file, spreadsheet), but accessible to budget manager and other relevant staff (e.g. Finance, SLT).	Financial data (multi-year prior results) used, with appropriate growth factors determined on a line-by-line basis to reflect (as closely as possible) conditions specific to council (e.g. inflation factors built into contracts, trends in relevant non-financial activity data). Growth factors are obtained from both publicly available third party data sources, internal documents (e.g. contracts) and from independent experts procured by council. Documentation supporting budget calculations is consistently maintained and directly accessible to all relevant relevant staff (e.g. budget manager, Finance, SLT) via hyperlink in applicable line of budget report.
ACTUAL				
AUDIT TARGET LEVEL				

	Immature	Developing	Established	Advanced
Treatment of depreciation	Budgeted depreciation = prior period actual	Budgeted depreciation = prior period actual, adjusted for estimated depreciation on expected major capital additions / disposals. No indexation applied between revaluation years.	Budgeted depreciation = prior period actual x indexation factor (e.g. LGPI), adjusted for estimated depreciation on expected major capital additions / disposals.	Budgeted depreciation = Asset system generated estimate using indexed / revalued asset values, adjusted for estimated depreciation on all expected capital additions / disposals.
Treatment of multi-year projects	No formal framework for consideration of multi-year projects. Budgets generally based on assumption that approved projects will be completed within the financial year. No medium term plans / forecasts are prepared.	Informal medium term plans / forecasts are prepared by some departments, at the discretion of the Manager. Some consideration is given to the implications for the budget of multi-year projects, but no formal framework applied. Multi-year projects not identified in prioritisation criteria for subsequent budgets. Risks for non-approval of subsequent years budgets (e.g. loss/return of grant funding, incomplete projects, failure to achieve strategy, etc) are not identified / reported to decision makers when approving budgets.	Multi-year projects are built into internal medium-term (e.g. 4 year) plans which are required to be prepared by Managers, but are not formally approved by Council. In-principal support is given for multi-year projects via EM approval of LTTP, which includes allowance for new multi-year capital projects (and associated whole of life costs / depreciation). Multi-year projects are identified as one of the criteria for inclusion in subsequent budgets, but not specifically given additional priority. Approval is not assumed, and must be re-justified year-by-year. Risks for non-approval of subsequent years budgets are identified, but not consistently reported to decision makers when approving budgets.	Multi-year projects are built into formal medium-term (e.g. 4 year) plans. LTTP is updated to include multi-year projects per medium-term plans. In-principal support is given for multi-year projects via EM approval of 4-yr plan forecasts and LTTP. Multi-year projects are given additional priority in the selection criteria for inclusion in subsequent budgets (assumed to be approved, with Council retaining discretion to remove). Risks for non-approval of subsequent years budgets are clearly articulated and reported to decision makers when approving budgets.
Presentation of Budget for review / approval by Senior Leadership Team (SLT) and Elected Members (EMs)	Financial budget reports are too detailed / not detailed enough. No supporting commentary / details of methodology provided to explain budget assumptions. No commentary regarding risks underpinning budget.	Financial budget reports are in a reasonable format, but not tailored to requirements of users. Minimal supporting commentary / methodology overview provided to explain budget assumptions. Brief written commentary describing risks underpinning the budget, but no quantification.	Financial budget reports are in a good format showing both summary level and detail, refined over time based on user feedback but not personalisable for different users. Reasonable supporting commentary / methodology overview provided to explain budget assumptions. Written commentary accompanying budget includes both a description of risks, and some quantified insight into sensitivity to risks.	Financial budget reports provided in user friendly format at various levels of details, from summary to detailed drill-down to suit all users. LTTP budget scenarios are presented to SLT and EM workshops to demonstrate long term implications of budget decisions. Key risks underpinning the budget are clearly articulated, including quantification and sensitivity analysis where appropriate.
New Initiatives / Budget Bids				
New Initiatives / budget bid process	Informal budget bid / new initiative process, driven by EMs / managers making submissions. No set format, required information or pre-approvals for budget bid submissions. Budgets accompanying submission exclude whole of life costs.	Budget bid / new initiative Policy exists detailing high level process, but not consistently applied. Basic guidelines exist for required information for budget bid submissions, but no set format or pre-approvals required prior to submission. Basic whole of life costings accompanying some submissions.	Budget bid / new initiative Policy and procedures exist establishing required workflows and approvals. Templates exist to ensure consistency in format and information in submissions. Pre-approvals are required prior to submission, but no automated controls in place to prevent submission if required information is absent. High-level whole of life costings are required for all submissions.	Well established workflows for submission of budget bids / new initiatives are documented in a policy and procedure. Budget bids / New Initiatives are submitted using a consistent on-line format, with required information fields and pre-approval process for budget bid submissions built in to automated workflows. Criteria include explicit link to annual business plan / strategic plans objectives. Budgets include detailed whole of life costings for at least the period of the Long Term Financial Plan.
Prioritisation of new initiatives / budget bids	No prioritisation framework established for selecting successful bids.	Prioritisation criteria for selecting successful bids are discussed in decision making, but are not formally documented.	Simple prioritisation framework established and approved for selecting successful bids. Some stakeholders consulted during framework development, but not all.	Formal, comprehensive prioritisation framework has been established and approved for selecting successful bids. Prioritisation framework developed in consultation with Budget Managers, EMs and SLT.
Post-adoption Budget Management				
Budget review - EMs	Quarterly budget reviews not consistently completed, in breach of LG Act / Regulations. Inadequate / incomplete explanations provided for material variances. Little to no discussion regarding budget variances. Results not presented to Audit Committee.	Quarterly budget reviews completed, but not as per all LG Act / Regulation requirements (e.g. incorrect format used, ratios not presented). Explanations for budget variances lack detail, or are incomplete (e.g. not all material variances addressed). Some discussion regarding budget variances. Results not presented to Audit Committee.	Quarterly budget reviews completed per all LG Act requirements. Results of budget reviews presented to Council. Satisfactory explanations provided by Administration for all material variances. Good level of discussion regarding budget variances. Results presented to Audit Committee either after presentation to Council, or not at all.	Quarterly budget reviews completed per all LG Act requirements. Appropriately detailed explanations provided by Administration for all material variances. Robust discussion regarding budget variances, with records of discussion minuted. Results of budget reviews presented to Audit Committee prior to presentation to Council.

	Immature	Developing	Established	Advanced
Budget review - Managers	Budget Managers have no direct access to budget vs actual reports. Budget vs actual analysis performed in isolation by Finance, with some queries sent to Budget Manager.	Budget Managers provided quarterly reports of budget vs actual results for analysis. Finance available on request to assist Budget Managers in analysis.	Budget Managers provided monthly reports of budget vs actual results for analysis. Finance staff have planned meetings with budget managers at least quarterly to discuss variances.	Budget Managers can access real time budget vs actual reports online. Finance staff have planned meetings with budget managers at least monthly to discuss variances, in addition to being available on request.
ACTUAL AUDIT TARGET LEVEL				
Management of Budget variations / reallocations between budget lines	Budget variations are not approved by Council, in breach of the LG Act. No policy / procedure exists regarding budget variations / reallocations. Reallocations between budget lines are entered by Budget Managers, without controls requiring independent review / approval.	Budget variations are approved by Council in accordance with local government Act requirements. Basic budget variation / reallocation policy or procedure exists, but makes no distinction in treatment between operating / capital items, and does not consider the implications of program / project scope changes. Reallocations between budget lines require approval by delegate from within the Department to which the budget relates, with no independent scrutiny (outside of quarterly budget reviews).	Budget variations are approved by Council in accordance with local government Act requirements. Budget variation / reallocation policy and procedure exist, detailing high-level principals, authorisations and process to be undertaken. Policy / procedure provides some guidance for the treatment of operating vs capital budget changes, and budget changes with implications for program / project scopes. Reallocations between budget lines require approval by delegate from within the Department to which the budget relates, and are reviewed in aggregate by external staff (e.g. SLT / Finance Department).	Budget variations are approved by Council in accordance with local government Act requirements. Comprehensive budget variation / reallocation policy and procedure exist. Policy / procedure details specific treatments for operating budget and capital budget changes separately, and for budget changes with implications for program / project scopes vs budget changes with no scope implications. Reallocations between budget lines require approval by delegate from within the Department to which the budget relates, and an external delegate (e.g. from SLT / Finance Department).
ACTUAL AUDIT TARGET LEVEL				
Other Considerations				
Budget Management Software	Budget prepared and managed using basic, self-constructed spreadsheet/s.	Budget prepared and managed using comprehensive third party spreadsheet/s.	Simple online software used, including key features but lacking some desirable features. Budget managers cannot access real-time reporting. Report formats are fixed, and not readily tailorable for different users. Some lack of integration between budget software and other systems (e.g. finance, new initiatives software).	Comprehensive, fit-for-purpose online software used. Budget managers can access real time budget reports online, including budget vs actual and KPI reporting. Report detail is readily tailorable, cascading from high level summary to detail. All budget-related system modules are fully integrated, including financial data and new Initiative data.
ACTUAL AUDIT TARGET LEVEL				
Post-budget evaluation / lessons learnt	No post-budget evaluation performed	Ad-hoc post-budget evaluation conducted at the discretion of budget managers.	Formal expectation that budget managers perform post-budget evaluations as part of continuous improvement of budget methodologies, but some lack of consistency in how this is conducted / limited accountability framework to ensure it occurs.	Formal 'lessons learnt' process implemented, involving budget managers and SLT, supporting continuous improvement of budget and underlying methodologies. Centralised coordination of process to provide guidance and/or facilitate, ensure consistency and provide accountability.
ACTUAL AUDIT TARGET LEVEL				
Timing of budget process	Timing of budget preparation and monitoring is left to the discretion of Budget managers, who are aware of deadlines.	A broad workplan of budget activities are determined centrally (e.g. by Finance), with Budget managers provided deadlines for key budget stages. Minimal formal monitoring of progress. Timing of budget established by simply working backwards from Council approval deadline, and setting starting point to achieve without consideration of individual staff capacity.	Timing of budget activities are coordinated centrally (e.g. by Finance), with Budget managers provided deadlines for key budget stages. Progress is centrally monitored and enforced. Timing of budget established by working backwards from EM approval deadline, and setting timeline with consideration given to staff capacity and sufficiency of time to achieve deadline.	Timing of budget established to ensure EM approval deadline is met, but also considering staff capacity and optimal timing to ensure good process.
ACTUAL AUDIT TARGET LEVEL				
Allocation of responsibilities	No formal allocation of responsibility for steps in the budget cycle (e.g. preparation, review, approval for presentation to EMs, budget review)	Formal allocation of responsibility / accountability for some key steps of the budget cycle.	Clear allocation of responsibility / accountability for most steps of the budget cycle.	Clear, comprehensive allocation of responsibility / accountability for all steps of the budget cycle.
ACTUAL AUDIT TARGET LEVEL				
Staff training	Staff receive no training in budget management.	Basic induction training provided.	Periodic refresher training provided in addition to induction training. Training materials are of a good standard, but are generic for all staff.	Comprehensive budget management training program, tailored to Council's circumstances. Training content is tailored to different staff roles and responsibilities in the budget process, mapped to employee training needs analysis.
ACTUAL AUDIT TARGET LEVEL				

Appendix 6. Documents reviewed

- City of Holdfast Bay Our Place 2030 Strategic Plan
- City of Holdfast Bay Long term financial plan 2017-18
- City of Holdfast Bay 2021-22 Annual business plan summary
- City of Holdfast Bay 2021-22 Annual business plan
- City of Holdfast Bay Building asset management plan 2020
- City of Holdfast Bay Stormwater asset management plan 2020
- City of Holdfast Bay Open space & coastal asset management plan 2020
- City of Holdfast Bay Transport asset management plan 2020
- City of Holdfast Bay Plant & equipment asset management plan 2020
- City of Holdfast Bay Council Agenda 22 June 2021
- City of Holdfast Bay Council Minutes 22 June 2021
- Item 7.2 Long Term financial plan review 10 February 2021
- City of Holdfast Bay Council Agenda 28 September 2021
- City of Holdfast Bay Council Minutes 28 September 2021
- City of Holdfast Bay Council Agenda 26 October 2021
- City of Holdfast Bay Council Minutes 26 October 2021
- City of Holdfast Bay Council Minutes 27 April 2021
- 2021-22 New Initiatives spreadsheet updated on 11 March 2021
- Environment Strategy Carbon Neutral Plan Business Case 2021-22
- City of Holdfast Bay online news You are invited to share your view on our draft 2021-22 Annual Business Plan dated 30 April 2021
- City of Holdfast Bay Our Holdfast 2050+ strategic plan

Appendix 7. Staff members interviewed

- General Manager Assets & Delivery
- General Manager Strategy & Corporate
- Manager Community Safety
- Manager Innovation and Technology
- Manager Development Services
- Manager Financial Services
- Manager Strategy & Governance
- Management Accountant
- Corporate Planning Officer

Disclaimers

Inherent limitations

This report has been prepared for the information and internal use of the City of Holdfast Bay in accordance with the scope and objectives outlined in the Executive Summary of this report. The services provided in connection with this engagement comprise an advisory engagement which is not subject to the Australian Auditing Standards or the Australian Standards on Review and Assurance Engagements. Consequently, no express opinions or conclusions have been drawn or intended to convey assurance. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected.

Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures were on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Third party reliance

This report is solely for the purpose set out in the Executive Summary of this report and for the City of Holdfast Bay's information, and is not to be used for any other purpose or distributed to any other party without Galpins' prior written consent. This internal audit report has been prepared at the request of the City of Holdfast Bay or its delegate in connection with our engagement to perform internal audit services. Other than our responsibility to City of Holdfast Bay, neither Galpins nor any member or employee of Galpins undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the City of Holdfast Bay's external auditor, on this internal audit report. Any reliance placed is that party's sole responsibility.

Attachment 4





Galpins

Accountants, Auditors & Business Consultants

City of Holdfast Bay

Internal Audit Report – Environment Strategy

December 2021



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Document Control

Date	Revision Number	Revision Details	Author	Reviewer
23.12.21	v1.0	Draft report	Dharshini Devasagayam	Janna Burnham / Tim Muhlhausler
19.01.22	v2.0	Revised draft post exit interview	Dharshini Devasagayam	Janna Burnham
8.03.22	v1.0	Final report	Dharshini Devasagayam	Janna Burnham

Entry meeting	16.11.2021
Fieldwork completed	09.12.2021
Draft report issued	23.12.2021
Exit meeting	18.01.2022
Revised draft report issued	21.01.2022
Final report issued	8.03.22

1. Executive Summary

1.1 Background

The 2021-22 Internal Audit Plan provides for a review of the City of Holdfast Bay's (CHB's) Environment Strategy. This was not a reflection of perceived shortfalls, but rather due to the importance of the Strategy.

The Environment Strategy (the Strategy) was finalised in late 2020 and is seen as a path to a shared vision for the City of Holdfast Bay *Environment and Community Thriving Together*. It outlines five environmental action themes around 'Our Climate', 'Our Coast', 'Our Nature', 'Sustainable Resources' and 'Working Together'.

The Strategy details each action theme, and outlines priority actions against these, with attached benefit rankings, details of CHB's role and identification of partners and stakeholders.

This early review of the status of the Strategy aims to provide valuable insight into progress in planning for and implementing items, and to identify opportunities to influence the successful achievement of the Strategy.

1.2 Objectives

The objective of this audit was to assess the status of implementation of the Strategy against the implementation plan(s), and to provide more detailed insight around progress towards implementing select 'high benefit' ranking priority actions as outlined in the Strategy.

The 'high benefit' priority actions reviewed included:

- tree-related action items
- the Coastal Adaptation Plan
- the strategy for urgent carbon neutrality.

Full details of the audit scope are included in **Appendix 1**.

1.3 Relevant Strategic Risks

This audit aimed to provide assurance around CHB's strategic risk:

- poor or ineffective management of the impacts of climate change.

1.4 Good Practices Observed

The following good practices were observed throughout the audit:

- ✓ Environment Strategy objectives are documented, aligned to CHB's *Our Place 2030* strategic vision five pillars¹ and all priority actions are assigned a benefit ranking. The benefit ranking assists in understanding the relative priority.
- ✓ Positive culture observed (all interviewees demonstrated an understanding of the importance of the Environment Strategy and action towards achieving the Strategy objectives) and responded to Audit queries in a timely manner.
- ✓ In the 12 months since the Strategy was endorsed, CHB has completed six priority actions and commenced (acted on) 38 of the 50 (76%) priority actions that have a benefit ranking² of 5 and 4, and 24 of 41 (59%) of priority actions with a benefit ranking of 3 or 2.

¹ The Environment Strategy was developed in 2020 to align with CHB's *'Our Place 2030'* strategic vision for the City. In 2021, CHB's strategic vision was revised following community consultation and the *'Our Holdfast 2050+'* strategic plan was endorsed by the Elected Body to commence from 1 January 2022.

Whilst the Environment Strategy was assessed for alignment against the *'Our Place 2030'* strategic vision, the Strategy also supports all three focus areas in the *'Our Holdfast 2050+'* strategic plan.

² A ranking of '5' indicates the highest benefit ranking, with '1' being the lowest. Council has assigned a benefit ranking of 2 or higher for all priority actions in the Strategy.

1.5 Key Findings and Recommendations

This internal audit project aimed to assess the controls established to address CHB’s progress towards implementing the Environment Strategy. Based on the work undertaken, and when considering the progress made in the 12 months since the Strategy was endorsed, we conclude that the control environment is **Majority Effective**.³

CHB has made strong progress towards implementing the Strategy, with six priority actions completed and 38 of the remaining 50 (76%) priority actions with have the highest ‘benefit’ rankings of 5 and 4 being commenced. In addition, work has begun on 24 of 41 (59%) of actions with a benefit ranking of 3 or 2.

The Strategy aligns with CHB’s strategic pillars and all staff interviewed demonstrated both an understanding of the importance of the Strategy and their commitment towards the Strategy. There is an opportunity for CHB to strengthen governance over the Strategy to enable clearer tracking, measurement and evaluation of success. In addition, providing greater funding certainty for priority actions will ensure the Strategy objectives are achieved without delays.

Audit also observed risks relating to the ability to meet the Strategy’s action item of ‘Continue to increase net tree numbers and improve tree health’.

Audit findings and recommendations are summarised below⁴.

Finding	Recommendation	Audit Risk Rating	CHB Risk Rating	Expected Completion Date
2.1 CHB has made strong progress towards implementation of the Environment Strategy	There are no recommendations in this overview section of the report.	n/a	n/a	n/a
2.2 Opportunities to strengthen Environment Strategy governance	<p>Recommendation 1: Consider strengthening the governance over implementation of the Environment Strategy by developing:</p> <ul style="list-style-type: none"> an implementation plan that summarises the approach, roles and responsibilities, estimated whole of project costs and how 	Better practice	Better Practice	R1: 30/12/2022

³ Appendix 2 includes an overview/definition of control environment ratings.

⁴ A better practice finding is where no inherent risks were identified. There are however opportunities for continuous improvement.

Finding	Recommendation	Audit Risk Rating	CHB Risk Rating	Expected Completion Date
	<p>success can be measured and tracked for priorities ranked 4 and 5; and</p> <ul style="list-style-type: none"> a reporting framework to inform management, the Senior Leadership Team (SLT) and potentially Council of progress towards implementation. <p><i>Note – Internal Audit do not consider that all items should be reported to SLT/Council, however they should be trackable by operational management, with pragmatic and select agreed indicators reported to higher levels.</i></p> <p><i>The intent is that progress for each action item is reported at summary level.</i></p> <p>Recommendation 2: To complete CHB’s climate governance risk assessment and adopt relevant recommendations to strengthen CHBs climate risk governance.</p>			R2: 30/12/2022
2.3 Funding uncertainty for Strategy implementation	<p>Recommendation 3: <i>The issue of funding approval for multi-year projects is being considered as part of a separate internal audit of budget management.</i></p> <p><i>Please refer to this separate Internal Audit Report for recommendations.</i></p>	Better Practice	Moderate	N/A
2.4 Detailed assessment of select ‘high benefit’ priority actions	<p>Recommendation 4: Review the adequacy of operational capacity to meet the Strategy’s action item of ‘<i>Continue to increase net tree numbers and improve tree health</i>’. In particular, review whether there is sufficient capacity to:</p> <ul style="list-style-type: none"> water and maintain new tree plantings 	High	High	R4: 30/06/2023

Finding	Recommendation	Audit Risk Rating	CHB Risk Rating	Expected Completion Date
	<ul style="list-style-type: none"> ▪ proactively conduct works to improve tree health across the council area. <p>If a lack of capacity is identified:</p> <ul style="list-style-type: none"> ▪ consider whether additional resourcing (as opposed to reallocation of budget lines) is required, and/or ▪ consider whether the current planned tree targets should be revised. <p>Recommendation 5: Consider providing costings for all stages of multi-year/multi-stage action plans/projects with a 4 or 5 priority ranking, and high-level scoping for priorities 2 and 3, where possible, to assist CHB to develop robust medium- and long-term financial plans. This should include costing of the operational impact of new initiatives.</p> <p><i>Note – This recommendation is intended to provide, where possible, costings to inform the funding approvals for multi-year/multi-stage plans/projects as discussed in 2.3, and support the implementation of Recommendation 3.</i></p>			R5: 30/06/2022
2.5 Industry trends	Error! Reference source not found.: Formalise a governance structure to oversee delivery of the Environment Strategy.	Better practice	Better Practice	30/12/2022

2. Detailed Findings and Recommendations

2.1 CHB has made strong progress towards implementation of the Environment Strategy

Audit Risk Rating	CHB Risk Rating
n/a	n/a

Key Findings

- In the 12 months since the Strategy was endorsed, CHB has completed six priority actions and commenced (acted on) 38 of the remaining 50 (76%) priority actions that have a benefit ranking of 5 and 4, and 24 of 41 (59%) of priority actions with a benefit ranking of 3 or 2.

Discussion

The Strategy itself outlines priority actions that are linked to CHB's five pillars⁵. The priority actions include business as usual activities, new initiatives, and opportunities for CHB to work with partner and stakeholder groups.

Each priority action is assigned a benefit ranking on scale of 1 to 5, with five indicating the highest benefit. They also outline CHB's role, partners, and stakeholders for each priority action. This provides a framework for CHB to prioritise actions and guide staff on the key stakeholders to consult/work with.

In the 12 months since the Strategy was approved, Audit noted that CHB has made progress towards implementing the Strategy. The table below provides a high-level summary of status of the priority actions^{6,7}:

Benefit Ranking	Status of priority actions as assessed by Audit						Total
	Completed	In progress	BAU	Ad-hoc	Not started	Lacks clarity	
★★★★★ (5)	1	10	1	-	1	-	13
★★★★ (4)	5	19	6	2	10	1	43
★★★ (3)	-	12	10	1	10	4	37
★★ (2)	-	1	-	-	2	1	4
Total	6	42	17	3	23	6	97

Audit noted that CHB has:

- Completed 6 priority actions that have a benefit ranking of 5 or 4.
- Progressed 38 of the remaining 50 (76%) priority actions that have a benefit ranking of 5 and 4, and 24 of 41 (59%) of priority actions with a benefit ranking of 3 or 2.
- The priority 5 action not yet started is related to reducing carbon emissions attributable to the broader community. This has not commenced as it is dependent on the Carbon Neutral Plan (under development).

This indicates significant progress since commencement of the strategy. The status of priority actions for each strategy is documented in **Appendix 4**.

⁵ The five pillars identified in CHB's *Our Place 2030* are Community, Environment, Economy, Placemaking and Culture.

⁶ CHB has assigned a benefit ranking of 2 or higher for all priority actions in the Strategy.

⁷ Where the priority action is part of CHB's operational activities the status is assessed as business as usual (BAU).

Strengthening the governance structure will assist in ensuring CHB achieves its commitment towards the environment. For example, documenting timelines, benchmarks and how success will be measured, and assigning an action owner. This is discussed further in Section **2.2**.

Funding uncertainty was identified as a major factor that had, or could, impact on the implementation of priority actions in future years. An example of this is the priority action to reduce carbon emissions by developing a transition plan to non-fossil fuel for CHB's fleet vehicles. This priority action has a benefit ranking of 5 but progress is dependent on a successful new initiative budget bid for the 2022/23 budget. This is discussed in detail in Section **2.3** below.

There are no recommendations in this overview section of the report.

DRAFT

2.2 Opportunities to strengthen Environment Strategy governance

Audit Risk Rating	CHB Risk Rating
Better practice	Better practice

Key Findings

- There is an opportunity for CHB to strengthen the governance framework to support the tracking, monitoring and evaluation of initiatives as well as the successful implementation of the Strategy's priority actions.

Discussion

The audit scope called for an assessment of the status of implementation of the Strategy against implementation plan(s). To achieve this audit reviewed the Strategy, CHB's *Environment Strategy Implementation Plan 2020/21-2022/23* and interviewed key stakeholders and team members.

The Strategy pulls together all of CHB's environment strategies, priority actions, and their benefit ranking into a single document. Audit interviewed eight staff to assess their understanding of the importance of the Strategy, and all staff interviewed demonstrated an understanding of the importance of the Strategy and a commitment towards implementing priority actions.

Opportunities to support the successful implementation of strategy

CHB has developed a high level 2020/21 to 2022/23 implementation plan for the Strategy. When aiming to specifically assess status against the plan, however, Audit found that:

- a framework to track priority actions that details for example the responsible officer, full project costings and timeframes has not been developed
- a reporting framework to inform CHB and the Senior Leadership Team (SLT) of progress towards implementation has not been developed.

In interviews with eight staff Audit noted that in the 12 months since the Strategy was endorsed by Council, six of the 97 priority actions have been completed.⁸ This represents **significant team effort and progress**. In assessing progress towards implementing the remaining 91 priority actions we noted:

- uncertainty for funding of project-based priority actions (see Sections 2.3 and 2.4)
- for 12 of 91 (13%) actions, there is a need to more clearly define what the action will involve
- for 10 of 91 (11%) actions, there is an opportunity to clarify ownership
- for 5 of 91 (5%) actions, the baseline/benchmarks were not defined or were unclear
- for 8 of 91 (9%) actions, the measures of success were not defined or were unclear.

There is opportunity to develop an implementation plan which includes the following to assist in tracking successful implementation of the Strategy:

- defining the approach
- defining roles and responsibilities and governance arrangements
- estimated project costs

⁸ Note, some reporting of progress was made in the 2020-21 Annual Report. This provides the community with insight about progress, however Audit found it was not easy to reconcile against the Strategy.

- detailing how success will be measured and tracked.

Periodic reporting to management, the SLT and potentially to Council will also provide stronger oversight of progress towards the Strategy implementation. See **Recommendation 1**.

Climate governance risk

Poor or ineffective management of the impacts of climate change is included in CHB's strategic risk register. CHB's climate governance risk assessment is underway. CHB is the last Resilient South council to conduct this assessment.

Prioritising the implementation of recommended actions identified will strengthen CHB's Environment Strategy governance. See **Recommendation 2**.

Risk Exposure

- If priority actions are not adequately resourced, some Environment Strategy objectives will not be achieved, and this may damage Council's relationship with the community.
- If governance structures are not in place some Environment Strategy objectives may not be achieved.

Recommendation 1	<p>Consider strengthening the governance over implementation of the Environment Strategy by developing:</p> <ul style="list-style-type: none"> ▪ an implementation plan that summarises the approach, roles and responsibilities, estimated whole of project costs and how success can be measured and tracked for priorities ranked 4 and 5; and ▪ a reporting framework to inform management, the Senior Leadership Team (SLT) and potentially Council of progress towards implementation. <p><i>Note – Audit do not consider that all items should be reported to SLT/Council, however they should be trackable by operational management, with pragmatic and select agreed indicators reported to higher levels. The intent is that progress for each action item is reported at summary level.</i></p>
Agreed Actions	<p>Develop an implementation plan that summarises the approach, roles and responsibilities, estimated whole of project costs and how success can be measured and tracked for high priority projects ranked 4 or 5.</p> <p>Implementation plan to be aligned with LTFP and subject to annual budget process.</p> <p>Reporting to be completed through the Quarterly Reporting process. To be added in 2022/23.</p>
Action Officer	Alex Gaut
Completion Date	30 December 2022

Recommendation 2	To complete CHB's climate governance risk assessment and adopt relevant recommendations to strengthen CHBs climate risk governance.
Agreed Actions	Complete the Climate Risk Governance Assessment. Review and provide a report of findings to Council with recommendations for actions and priorities to improve climate governance.
Action Officer	Alex Gaut
Completion Date	30 December 2022

DRAFT

2.3 Funding uncertainty for Strategy implementation

Audit Risk Rating	CHB Risk Rating
Better Practice	Moderate

Key Findings

- Whilst CHB's 2021/22 rates increase was publicly linked to implementation of the Strategy, funding for action priorities in future years is not committed. This is in line with CHB's overall approach but creates uncertainty around the ability to implement outstanding priority actions in the Strategy.
- Provision of funding certainty for multi-year priority actions would help to ensure the Strategy's priority actions are achieved.

Discussion

In line with the majority of other SA councils (and in keeping with the annual business plan / annual budget framework within the *Local Government Act 1999*), CHB's current budget framework does not allow for approval of funding for multi-year projects as part of a medium-term financial plan. In relation to the Strategy:

- 19 of the 42 (45%) priority actions in progress are project-based actions over multiple years and there is no guarantee that they will be funded in the future years
- Operational budget decisions may not align with resources required for the successful implementation of priority actions. For example, whilst CHB is committed to increasing its tree canopy by planting additional trees, resources to maintain CHB's tree assets have been reduced. This is discussed in detail in Section 2.4.

One of the two peer councils interviewed allows for multi-year financial commitments for actions that are linked to a plan and/or project that has been endorsed by the elected body. This provides greater funding certainty for the actions. This is discussed further under Section 2.5. See **Recommendation 3**.

Risk Exposure

- If priority actions are not adequately resourced, some Environment Strategy objectives will not be achieved, and this may damage Council's relationship with the community.
- If priority actions are not adequately resourced, CHB's collaboration with industry partners maybe limited.

Recommendation 3	<i>The issue of funding approval for multi-year projects is being considered as part of a separate internal audit of budget management (currently being finalised). Please refer to this separate Internal Audit Report for recommendations.</i>
Agreed Actions	N/A
Action Officer	N/A
Completion Date	N/A

2.4 Detailed assessment of select 'high benefit' priority actions

Audit Risk Rating	CHB Risk Rating
High	High

Key Findings

- Detailed review of select 'high benefit' priority actions identified that funding uncertainty may hinder the successful implementation of the Strategy.
- Audit observed a risk in achieving the action relating to increasing net tree numbers and improving tree health. This is due to a reported lack of capacity to conduct tree pruning, proactive tree works and timely watering of newly planted trees. Peer council survey feedback showed more proactive tree management activity when compared to CHB.

Discussion

The audit scope called for a detailed insight around progress towards implementing select 'high benefit' ranking priority actions as outlined in the Strategy.

To achieve this Audit reviewed CHB's progress towards implementing the following in detail:

- tree-related action items
- the Coastal Adaptation Plan
- the strategy for urgent carbon neutrality.

Tree related action items

Theme	Our Nature
Strategy	Protect our trees
Priority Action	Continue to increase net tree numbers and improve tree health
Linked Strategies	<ul style="list-style-type: none"> ▪ Our Climate: Continue Council's program to increase tree canopy ▪ Our Climate: Plan for an urban and natural environment that is resilient to climate change by continuing CHB's program to increase tree canopy
Observations	<ul style="list-style-type: none"> ▪ CHB has increased its street tree plantings from a historical average of 600 trees per year to: <ul style="list-style-type: none"> ○ 800 trees in 2019 ○ 980 trees in 2020 ○ 680 trees in 2021. ▪ The reported ideal maintenance for a tree in its formative years includes: <ul style="list-style-type: none"> ○ weekly watering for the first three to four years ○ formative pruning. ▪ Audit understand that funding for new tree planting does not include additional resourcing for the labour-intensive formative tree maintenance.

	<ul style="list-style-type: none"> ▪ Reported Field Services team restructures, retirements and a long-term unplanned leave of absence have reduced the skilled resources available to water and conduct formative pruning. ▪ CHB has reduced its tree watering schedule; trees are now watered every 11 days with no weekend watering (instead of the target 5 day watering). ▪ In December 2021, CHB conducted an Urban Forest Management survey of other metropolitan councils. Five councils responded. A review of survey responses identified that: <ul style="list-style-type: none"> ○ CHB has the longest newly planted tree stock watering cycle ○ CHB is one of two councils that does not have any proactive tree-related maintenance activity. The proactive tree maintenance activity reported by the other four councils surveyed ranges from 20% to 75% of total resource effort. Proactive maintenance is known to help improve tree health and reduce reactive works overtime, thus also improving council's reputation and standing in the community.
Conclusion	Operational resourcing to conduct both formative and ongoing tree maintenance and watering may impact upon CHB's priority action to increase net tree numbers and improve tree health. See Recommendation 3 and Recommendation 4 .

Coastal Adaptation Plan

Theme	Our Coast
Strategy	Manage risks and impacts of future sea level rise
Priority Action	Develop a Coastal Adaptation Plan and implement key recommendations
Observations	<ul style="list-style-type: none"> ▪ <i>Holdfast Bay Coastal Adaptation Plan Stocktake and Engagement Strategy Summary Report</i> was finalised in August 2021 ▪ the report includes a multi-stage / multi-year project plan ▪ full project costs are unknown as only the next stage ('Stage 3') is costed, Stages 4 to Stage 6 activities are not yet costed ▪ implementation of Stage 3 activities is dependent on 2022/23 new initiative funding.
Conclusion	<p>Funding uncertainty may impact upon the implementation of the Coastal Adaptation Plan's key recommendations. See Recommendation 3.</p> <p>As the Stage 4 to Stage 6 activities are not costed, the full cost of the Coastal Adaptation Plan implementation on CHB's medium term financial plan is unknown. See Recommendation 5.</p>

Carbon neutral by 2030

Theme	Our Climate
Strategy	Reduce carbon emissions from CHB operations
Priority Action	Investigate greenhouse gas reduction options (e.g. carbon offsets, increased renewable energy, etc.), then develop, implement and monitor an emissions reduction strategy for urgent carbon neutrality.
Linked Strategies	<ul style="list-style-type: none"> ▪ Our Climate: Reduce carbon emissions from council operations by using technology and carbon offsets to reduce travel carbon emissions. ▪ Our Climate: Reduce carbon emissions attributable to the broader community by <ul style="list-style-type: none"> ○ developing, implementing, and monitoring a strategy for urgent carbon neutrality ○ delivering a community education and behaviour change program to support carbon mitigation ○ encouraging major events to be carbon neutral.
Observations	<ul style="list-style-type: none"> ▪ Over the past two years, CHB has monitored its carbon footprint. ▪ CHB is committed to achieving carbon neutrality by 2030 and supporting the community in achieving carbon neutrality by 2030. ▪ CHB have engaged an external consultant to develop a Carbon Neutral Plan for the city. The plan will be presented to Council in February 2022. ▪ Current mitigations include: <ul style="list-style-type: none"> ○ funding in 2021/22 for additional 60kW solar panels on council buildings ○ purchase of a 100% electric vehicle ○ development of the Integrated Transport Strategy ○ installing additional energy efficiency measures in multiple council buildings. ▪ Most future actions towards CHB achieving carbon neutrality by 2030 will require funding via new initiative bids. ▪ CHB's budget management and new initiative model does not guarantee funding for multi-year projects in the out years. <p><i>Note: the City of Marion's Carbon Neutral Plan 2020-2030 includes estimates for all initiatives. As the plan was endorsed by the elected body, funding for all actions is built into the City of Marion's medium- and long-term financial plans.</i></p>
Conclusion	Funding uncertainty for initiatives to reduce greenhouse gas emissions may impact upon CHB's progress towards emission reduction. See Recommendation 3 .

Risk Exposure

- If priority actions are not adequately resourced, some Environment Strategy objectives will not be achieved, and this may damage Council's relationship with the community.
- Council's resource allocation decisions may be limited by incomplete action plan costings.

Recommendation 4	<p>Review the adequacy of resourcing/operational capacity to meet the Strategy's action item of '<i>Continue to increase net tree numbers and improve tree health</i>'. In particular, review whether there is sufficient capacity to:</p> <ul style="list-style-type: none"> ▪ water and maintain new tree plantings ▪ proactively conduct works to improve tree health across the council area. <p>If a lack of capacity is identified:</p> <ul style="list-style-type: none"> ▪ consider whether additional resourcing (as opposed to reallocation of budget lines) is required, and/or ▪ consider whether the current planned tree targets should be revised.
Agreed Actions	<p>Complete the street tree audit.</p> <p>Develop Urban Forest Strategy and Tree Asset Management Plan (TAMP). The TAMP will inform capacity and resourcing requirements considering all aspects of the asset (tree) lifecycle.</p> <p>*Interim increase 2022/23 tree watering budget in proportion to the additional trees planted over the last 3 years.</p>
Action Officer	Ben Hall (Urban Forest Strategy), James Mitchell (Tree AMP), Bill Blyth (Operational Resourcing)
Completion Date	30 June 2023

Recommendation 5	<p>Consider providing costings for all stages of multi-year/multi-stage action plans/projects with a 4 or 5 priority ranking, and high-level scoping for priorities 2 and 3, where possible, to assist CHB to develop robust medium- and long-term financial plans. This should include costing of the operational impact of new initiatives.</p> <p><i>Note – This recommendation is intended to provide where possible costings to inform the funding approvals for multi-year/multi-stage plans/projects as discussed in 2.3, and support the implementation of Recommendation 3.</i></p>
Agreed Actions	To be completed in conjunction with recommendation 1.

	Multi-year projects are dynamic as project extents can change following the investigation stages.
Action Officer	Alex Gaut
Completion Date	30 December 2022

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2.5 Industry trends

Audit Risk Rating	CHB Risk Rating
Better practice	Better practice

Key Findings

- There are opportunities for CHB to draw on better practice and lessons learnt via its Resilient South partners, for example around strengthened governance and funding certainty for multi-year projects.

Discussion

CHB is a member of the Resilient South partnership between the State Government and local government organisations in southern Adelaide. The other member councils are:

- City of Marion
- City of Mitcham
- City of Onkaparinga.

CHB works with its Resilient South partners to develop and implement projects and measures to mitigate climate change and adapt to impacts of the changing climate.

Audit interviewed two of three Resilient South partners to gain an insight into governance and risk management related to environmental initiatives. The results of the discussions are in **Appendix 5**. Key observations include:

- All councils are committed to climate change mitigation and adaptation.
- CHB's Strategy document provides a 'one-stop' overview of all of the council's environment strategies and priority actions. Other councils' environment related strategies and action plans are documented in numerous documents.
- CHB is the last Resilient South council not to have undertaken a climate risk assessment of governance systems. The two peer councils interviewed had their risk assessments conducted in 2019.

The two peer councils interviewed reported established committees to support governance around climate initiatives, for example:

- City of Marion - Health Safety and Environment risk/hazard framework that is reviewed by the Work Health and Safety Committee covers environment risks. This was reported to mean that environment risks have the same oversight as traditional work health and safety risks/hazards.
- City of Onkaparinga - Climate Risk Governance Working Group to specifically monitor climate actions.

There is an opportunity for CHB to strengthen the Environment Strategy governance. See **Recommendation 6**.

- The City of Marion provides funding certainty for multi-year environment plans/projects by including funding in its medium and long-term financial plans if the action plan/project is endorsed by the elected body.

There is an opportunity for CHB to strengthen its commitment to the Strategy implementation by providing funding support for multi-year environment projects at project inception. See **Recommendation 3**.

Risk Exposure

- Lack of formal governance structures may create difficulty in monitoring and tracking progress and the risk that some Environment Strategy objectives may not be achieved.

Recommendation 6	Formalise a governance structure to oversee delivery of the Environment Strategy.
Agreed Actions	Develop a Terms of Reference for an Environment Strategy governance group.
Action Officer	Alex Gaut
Completion Date	30 June 2022

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Accountants, Auditors & Business Consultants

Appendices

Appendix 1. Audit scope and methodology

Scope

The audit assessed CHB's progress in implementing the Strategy only, it did not include detailed assessment of any partner organisations that hold joint responsibilities for action items. The audit did not review activities conducted by Alwyndor.

Methodology

The audit methodology included:

- reviewed key documentation and relevant policies and procedures
- interviewed key stakeholders and team members
- high-level assessment of overall progress in implementing the Strategy's priority actions
- detailed assessment of progress in implementing select 'high benefit' priority actions, including:
 - tree-related action items
 - the Coastal Adaptation Plan
 - the strategy for urgent carbon neutrality
- consulted with peer councils to understand industry trends, as relevant
- identified potential opportunities for improvement
- drafted a report summarising findings and recommendations, and
- provided a final report for presentation to the Audit Committee.

Appendix 2. Overall Control Environment Conclusion Rating Definitions

This internal audit project aimed to assess the controls established to address a key strategic risk or risks as documented in the Executive Summary. Based on the work undertaken, and when considering the design and/or effectiveness of controls collectively, we conclude that the control environment is one of the following ratings:

Rating	Effective	Majority Effective	Partially Effective	Requires Significant Improvement	Ineffective
Definition	Controls assessed were effective in mitigating the key strategic risk or risks	Controls assessed were largely effective in mitigating the key strategic risk or risks	Controls assessed were partially effective in mitigating the key strategic risk or risks	Controls assessed require significant improvement to mitigate the key strategic risk or risks	Controls assessed were ineffective in mitigating the key strategic risk or risks

Appendix 3. Risk Framework

The method of risk assessment used in this audit is based on the Better Practice Model issued by the Local Government Financial Management Group and the Local Government Association.

It measures the likelihood of each risk occurring and the consequence of the risk event. From this analysis it is then possible to determine the level of inherent risk (risk without any controls in place) and residual risk (risks when controls are in place). This method of analysis is not an exact science and quite subjective, but it is of value as an indicator and therefore assists in assessing audit risks.

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

The following tables have been provided as a guide for risk management processes. Councils may wish to consider tailoring the parameters provided for their individual circumstances, or use their existing likelihood and consequence

Likelihood Rating	Description
E. Almost Certain	Is expected to occur in most circumstances
D. Likely	Will probably occur in most circumstances
C. Possible	Might occur at some time
B. Unlikely	Could occur at some time
A. Rare	May occur only in exceptional circumstances

Impact Scale	Socio-political & Community Issues	Business Impact	Public Safety	Environment
1. Insignificant	<ul style="list-style-type: none"> No adverse effect on public image Insignificant level of community concern Negligible adverse impact upon social health and well being of the community which has little or no impact upon established community relationships and links. 	<ul style="list-style-type: none"> Low financial loss – impact of less than \$5k Small delays in undertaking routine needs or tasks for ½ day. 	<ul style="list-style-type: none"> No injuries or no significant injuries Negligible loss or damage to property / infrastructure. 	<ul style="list-style-type: none"> “Nuisance” category under the SA Environment Protection Act (1993) met Contamination – on-site release immediately contained Slight, quickly reversible damage to few species.
2. Minor	<ul style="list-style-type: none"> Minor adverse effect on public image Minor level of community concern Minor adverse impact upon social health & well being of the community that may have a minor impact upon established community relationships & links. 	<ul style="list-style-type: none"> Medium financial loss – impact of between \$5k and \$20k Minor impact in undertaking routine needs or tasks for 1 day. 	<ul style="list-style-type: none"> First aid treatment required Minor loss or infrastructure damage. 	<ul style="list-style-type: none"> “Nuisance” category under SA Environment Protection Act (1993) met Some minor adverse effects to few species/ ecosystem parts that are short term and immediately reversible.
3. Moderate	<ul style="list-style-type: none"> Moderate adverse effect on public image Moderate level of community concern Social health and well being of the community affected by moderately reduced opportunities for participation in community life and/or decision making, moderate incidences of increased isolation etc. 	<ul style="list-style-type: none"> High financial loss – impact of between \$20k and \$50k Capability / production impaired, moderate impact on stakeholders & routine needs or tasks for 1 – 3 days. Minor legal issues, non compliances and breaches of regulation. 	<ul style="list-style-type: none"> Medical treatment required Moderate loss/or infrastructure damage. 	<ul style="list-style-type: none"> “Material” category under the SA Environment Protection Act (1993) met Contamination – on-site release contained with outside assistance Temporary, reversible damage, loss of habitat and migration of animal population, plants unable to survive, pollution requires physical removal, land contamination localised and can be quickly remedied.
4. Major	<ul style="list-style-type: none"> Major adverse effect on public image Significant level of community concern Social health and well being of the community seriously affected by major community unrest and/or significant breakdown of established community relationships and links. 	<ul style="list-style-type: none"> Major financial loss - impact of between \$50k and \$100k Loss of capability, disruption to production, major impact on stakeholders & routine needs or tasks for 3 – 5 days. Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible. 	<ul style="list-style-type: none"> Serious & extensive injuries Serious structural damage to infrastructure or serious loss of assets. 	<ul style="list-style-type: none"> “Serious” category under the SA Environment Protection Act (1993) met Contamination – off-site release with no detrimental effects Death of individual animals, large scale injury, loss of keystone species and widespread habitat destruction.
5. Catastrophic	<ul style="list-style-type: none"> Huge effect on public image Community outrage Social health & well being of the community hugely affected by major community unrest and/or significant breakdown of established community relationships & links. 	<ul style="list-style-type: none"> Huge financial loss/exposure – impact greater than \$100k Loss of production/capability, failure to meet stakeholder’s needs for more than 5 days Projects & programs failure, inability to meet minimum acceptable standards, most objectives not met Major breaches of regulation, major litigation. 	<ul style="list-style-type: none"> Fatalities Critical loss, irreversible damage property / infrastructure. 	<ul style="list-style-type: none"> “Serious” category under the SA Environment Protection Act (1993) met Toxic release off-site with detrimental effect Death of animals in large numbers, destruction of flora species, air quality requires evacuation, permanent and wide spread land contamination, irreversible soil erosion or severe compaction, widespread introduction of weeds.

Appendix 4. Environment Strategy implementation status summary

Our Climate

	Status of priority actions as assessed by Audit						Total
	Completed	In progress	BAU	Ad-hoc	Not started	Lacks clarity	
Reduce carbon emissions from Council operations							
★★★★★ (5)	-	1	-	-	-	-	1
★★★★ (4)	-	1	-	-	1	-	2
★★★ (3)	-	1	-	-	-	-	1
★★ (2)	-	-	-	-	1	-	1
Sub-total	-	3	-	-	2	-	5
Reduce carbon emissions attributable to the broader community							
★★★★★ (5)	-	1	-	-	1	-	2
★★★★ (4)	1	-	-	-	2	-	3
★★★ (3)	-	2	-	-	4	-	6
Sub-total	1	3	-	-	7	-	11
Plan for an urban and natural environment that is resilient to climate change							
★★★★★ (5)	-	1	-	-	-	-	1
★★★★ (4)	-	2	-	-	1	-	3
★★★ (3)	-	1	-	-	-	1	2
★★ (2)	-	1	-	-	-	-	1
Sub-total	-	5	-	-	1	1	7
Support community resilience to climate change							
★★★ (3)	-	-	-	-	2	1	3
★★ (2)	-	-	-	-	-	1	1
Sub-total	-	-	-	-	2	2	4

Our Coast

	Status of priority actions as assessed by Audit						Total
	Completed	In progress	BAU	Ad-hoc	Not started	Lacks clarity	
Manage risks and impacts of future sea level rise							
★★★★ (5)	1	1	-	-	-	-	2
★★★★ (4)	-	1	-	-	-	-	1
Sub-total	1	2	-	-	-	-	3
Maintain and improve beach and dune systems							
★★★★ (4)	-	-	1	-	-	-	1
★★★ (3)	-	1	1	-	1	-	3
Sub-total	-	1	2	-	1	-	4
Monitor, improve and maintain marine water quality							
★★★★ (4)	-	1	-	-	-	1	2
★★★ (3)	-	-	1	-	1	-	2
Sub-total	-	1	1	-	1	1	4
Increase support for coastal councils							
★★★★ (4)	-	-	-	1	-	-	1
★★★ (3)	-	-	2	-	-	-	2
Sub-total	-	-	2	1	-	-	3

Our Nature

	Status of priority actions as assessed by Audit						Total
	Completed	In progress	BAU	Ad-hoc	Not started	Lacks clarity	
Improve and increase biodiversity							
★★★★ (5)	-	1	-	-	-	-	1
★★★★ (4)	-	2	1	-	1	-	4
★★★ (3)	-	-	2	-	-	-	2
Sub-total	-	3	3	-	1	-	7
Improve coastal biodiversity							
★★★★ (5)	-	1	1	-	-	-	2
★★★★ (4)	-	-	2	-	-	-	2
Sub-total	-	1	3	-	-	-	4
Manage natural reserves for biodiversity							
★★★★ (4)	1	1	-	-	1	-	3
★★★ (3)	-	1	1	-	-	-	2
Sub-total	1	2	1	-	1	-	5
Protect our trees							
★★★★ (5)	-	2	-	-	-	-	2
★★★★ (4)	-	1	1	-	1	-	3
★★★ (3)	-	1	-	-	-	-	1
★★ (2)	-	-	-	-	1	-	1
Sub-total	-	4	1	-	2	-	7

Sustainable Resources

	Status of priority actions as assessed by Audit						Total
	Completed	In progress	BAU	Ad-hoc	Not started	Lacks clarity	
Reduce waste to landfill							
🌱🌱🌱🌱 (4)	2	5	-	-	-	-	7
🌱🌱🌱 (3)	-	1	-	-	-	1	2
Sub-total	2	6	-	-	-	1	9
Improve water efficiency							
🌱🌱🌱🌱🌱 (5)	-	1	-	-	-	-	1
🌱🌱🌱🌱 (4)	-	-	-	-	1	-	1
🌱🌱🌱 (3)	-	-	-	-	1	-	1
Sub-total	-	1	-	-	2	-	3
Improve stormwater quality and reuse							
🌱🌱🌱🌱 (4)	-	3	-	-	-	-	3
🌱🌱🌱 (3)	-	-	-	-	1	-	1
Sub-total	-	3	-	-	1	-	4
Keep streets, beaches and waterways clean							
🌱🌱🌱 (3)	-	1	-	-	-	1	2
Sub-total	-	1	-	-	-	1	2

Working together

	Status of priority actions as assessed by Audit						Total
	Completed	In progress	BAU	Ad-hoc	Not started	Lacks clarity	
Supporting sustainable living							
🌱🌱🌱🌱 (4)	-	1	-	-	-	-	1
🌱🌱🌱 (3)	-	-	2	-	-	-	2
Sub-total	-	1	2	-	-	-	3
Support our community to implement environmental and sustainability initiatives							
🌱🌱🌱🌱 (4)	-	-	1	-	-	-	1
🌱🌱🌱 (3)	-	1	-	1	-	-	2
Sub-total	-	1	1	1	-	-	3
Support our local businesses to implement environmental and sustainability initiatives							
🌱🌱🌱🌱 (4)	1	-	-	-	1	-	2
🌱🌱🌱 (3)	-	1	-	-	-	-	1
Sub-total	1	1	-	-	1	-	3
Connect our community with nature and cultural heritage							
🌱🌱🌱🌱🌱 (5)	-	1	-	-	-	-	1
🌱🌱🌱🌱 (4)	-	1	-	1	1	-	3
🌱🌱🌱 (3)	-	1	1	-	-	-	2
Sub-total	-	3	1	1	1	-	6

Appendix 5. Peer council environment governance and risk management

	City of Holdfast Bay	City of Marion	City of Onkaparinga
Environment strategy, objectives and action plans are documented	<p>Environment Strategy documents all CHB's strategy objectives to achieve its goals of sustainability and enshrined environmental practices. It is aligned to CHB's Our Place 2030 strategic framework pillars and all priority actions are all assigned a benefit ranking.</p> <p>It links with a number of strategies, policies and plans, including:</p> <ul style="list-style-type: none"> – Asset Management Plan – Open Space and Public Realm Strategy 2018 – Community Land Management Plans – Economic Activation Plan 2018 – Biodiversity Action Plan 2019 – Youth Action Plan 2018 – Tree Management Policy – Verge Management Policy – Procurement Policy. 	<p>Environment strategy and objectives are embedded in the City of Marion's strategic management framework which underpins the 2019-2029 Strategic Plan, and annual business plans.</p> <p>The City of Marion's Environmental Policy was finalised in 2019.</p> <p>Actions plans that address environment issues include:</p> <ul style="list-style-type: none"> – City of Marion Carbon Neutral Plan 2020-2030 – Coastal Climate Change Monitoring Plan (2019) – Remnant Native Vegetation Plan 2018-2023 – Tree Management Policy and Tree Management Framework. 	<p>Strategies that support the City of Onkaparinga's environment objectives include:</p> <ul style="list-style-type: none"> – Green City Strategic Management Plan 2017-2022 – Climate Change Action Plan (under development) <p>Focused on actions to support the environment including:</p> <ul style="list-style-type: none"> – compostable dog waste bags in parks and public spaces – first SA council to join the Climate Council's Cities Power Partnership – Green Buildings initiative to 'green' Council buildings – Climate Ready Champions program empowering communities to understand climate risk and build resilience.
Team responsible for the Environment Strategy	Environment and Coast team	Environment Sustainability team	Sustainability team
Position within the organisation	General Manager Assets & Delivery / Manager Engineering	General Manager City Services / Engineering, Assets and Environment	Director Corporate/ Manager Governance

	City of Holdfast Bay	City of Marion	City of Onkaparinga
Staff numbers⁹	5 staff (4.4 FTE) ⁹	6 staff (4.6 FTE)	4 staff
Funding for environment strategy actions/projects	New initiatives funding via annual bids	Multi-year funding is included in medium- and long-term financial plans if action plan/project is endorsed by Council	Annual budget bids
Climate governance risk assessment of council governance and infrastructure	<p>Climate governance risk assessment of CHB's governance systems is underway. Infrastructure is excluded from this review.</p> <p>Climate risk is included in the risk register.</p> <p>City of Holdfast Bay is the last Resilient South council to undertake the assessment.</p>	<p>Climate governance risk assessment was completed in 2019.</p> <p>Climate risk is included in the risk register, and the Finance and Audit Committee on climate risks.</p> <p>Health Safety and Environment (HSE) Plan 2019-2023 contains 4 commitments with success measures to increase HSE awareness and understanding of responsibilities of staff across Council. HSE Vision to underpin Council's Community Vision and Values.</p> <p>The Work Health Safety Committee has oversight for the HSE risk/hazard framework that includes the environment.</p>	<p>Climate governance risk assessment was completed in 2019.</p> <p>Climate Risk Governance Working Group established in reports to the Audit, Risk, Value and Efficiency Committee.</p> <p>Climate Change Risk Assessment focused on physical (assets and service based), economic and climate-related legality risks was undertaken in 2021.</p>

⁹ FTEs are not easily comparable across councils. In addition to implementing the Environment Strategy, CHB's Environment and Coast team is responsible for a wide range of activities. Examples include:

- the Arborist and Asset Planner Coastal roles that sit in other teams at peer councils are included in the Environment and Coast team's roles and responsibilities
- the team is responsible for waste management and biodiversity.

The two peer councils are larger, and they have separate teams with responsibility for arborist/tree management services, biodiversity and waste.

Appendix 6. Documents reviewed

- City of Holdfast Bay Environment Strategy 2020-2025
- City of Holdfast Bay Environment Strategy Implementation Plan 2020-2023
- Our Place 2030
- City of Holdfast Bay 2021-22 Annual Business Plan Summary
- City of Holdfast Bay Carbon Neutral Plan specification
- City of Holdfast Bay 2020 C59 Specification for Coastal Adaptation Plan – Phase 1 Stocktake
- City of Holdfast Bay Coastal Adaptation Plan Stocktake and Engagement Strategy Summary Report
- City of Holdfast Bay Request for quote – Street Tree Audit part 1
- City of Holdfast Bay Tree Management Policy draft
- City of Holdfast Bay Verge Management Policy draft
- City of Holdfast Bay Council Minutes 23/11/2021
- Resilient South letter to Minister for Energy and Mining and Minister for Environment re Responsibility for the approved tree species list under the *Electricity (Principles of Vegetation Clearance) Regulations 2021*
- City of Holdfast Bay Request for quote – Seawall modelling & remediation options
- Climate risk governance assessment purchase order
- Pine Gully Remediation Works technical storm water specifications
- City of Holdfast Bay Procurement Policy
- Green Infrastructure Working Group 2/11/2021 meeting notes and actions
- Green Infrastructure Working Group presentation
- Resilient South Regional Climate Action Plan Services Brief
- City of Holdfast Bay Waste and Recycling Services section D Part 5 Bulk Bin Services Specification
- City of Holdfast Bay Waste and Recycling Services section D Part 2 Kerbside Bin Services Specification
- Nature at the Bay Flyer
- City of Holdfast Bay Green Living Subsidies
- Down By the Sea connect, discover and engage with nature in Holdfast Bay
- City of Holdfast Bay Council Report 199/20 Stormwater implementation plan 2020/20 to 2023/24
- South Australian Coastal Councils Alliance presentation to LGA April 2019
- City of Holdfast Bay Dune Biodiversity Action Plan 2019-2024

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- City of Holdfast Bay Gilbertson Gully Masterplan February 2021
 - City of Holdfast Bay Pine Gully Masterplan February 2021
 - City of Holdfast Bay Barton Gully Masterplan February 2021
 - City of Holdfast Bay 2019-20 Annual Report
 - City of Holdfast Bay 2020-21 Annual Report
 - City of Holdfast Bay News 15 November 2021 Households embrace weekly green bins collections
 - City of Holdfast Bay News 5 November 2021 \$23m recycling facility officially opened
 - City of Holdfast Bay News 519 November 2021 Making the most of our recycling bins
 - www.holdfast.sa.gov.au Community Grants
 - Our Holdfast 2050+

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Appendix 7. Staff members interviewed

- General Manager Assets & Delivery
- Manager Engineering
- Manager Strategy & Governance
- Team Leader Environment and Coast
- Team Leader Governance
- Senior Urban Forest Officer
- Environmental Officer
- Strategic Planner

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Disclaimers

Inherent limitations

This report has been prepared for the information and internal use of the City of Holdfast Bay in accordance with the scope and objectives outlined in the Executive Summary of this report. The services provided in connection with this engagement comprise an advisory engagement which is not subject to the Australian Auditing Standards or the Australian Standards on Review and Assurance Engagements. Consequently, no express opinions or conclusions have been drawn or intended to convey assurance. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected.

Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures were on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Third party reliance

This report is solely for the purpose set out in the Executive Summary of this report and for the City of Holdfast Bay's information, and is not to be used for any other purpose or distributed to any other party without Galpins' prior written consent. This internal audit report has been prepared at the request of the City of Holdfast Bay or its delegate in connection with our engagement to perform internal audit services. Other than our responsibility to City of Holdfast Bay, neither Galpins nor any member or employee of Galpins undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the City of Holdfast Bay's external auditor, on this internal audit report. Any reliance placed is that party's sole responsibility.