

Audit and Risk Committee

NOTICE OF MEETING

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

**Kingston Room, Civic Centre
24 Jetty Road, Brighton**

Wednesday 16 August 2023 at 6.00pm

**Roberto Bria
CHIEF EXECUTIVE OFFICER**

Audit and Risk Committee Agenda

1. OPENING

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

2. KAURNA ACKNOWLEDGEMENT

We acknowledge Kurna people as the traditional owners and custodians of this land.

We respect their spiritual relationship with country that has developed over thousands of years, and the cultural heritage and beliefs that remain important to Kurna People today.

3. APOLOGIES

3.1 Apologies received – Councillor Snewin

3.2 Absent

4. 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.

5. CONFIRMATION OF MINUTES

That the minutes of the Audit and Risk Committee held on 7 June 2023 be taken as read and confirmed.

6. ACTION ITEMS

7. PRESENTATIONS -Nil

8. REPORTS BY OFFICERS

8.1 Standing Items (Report No: 264/23)

8.2 Internal Audit Program Report (Report No: 261/23)

8.3 Risk Report (Report No: 262/23)

8.4 Annual Review of Investments (Report No: 265/23)

8.5 Change in Accounting Treatment – Library Materials (Report No: 266/23)

8.6 Municipal Insurance Renewal and Claims Report (Report No: 268/23)

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

10. CONFIDENTIAL ITEMS**10.1 Loan Receivables (Report No: 267/23)**

Pursuant to Section 87(10) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Audit and Risk Committee upon the basis that the Committee considers the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Audit and Risk Committee will receive, discuss or consider:

- d. pursuant to Section 90(3)(d) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, as this would prejudice the commercial position who supplied the information.

10.2 Alwyndor Investment Portfolio - Annual Review of Investment Performance (Report No: 269/23)

Pursuant to Section 87(10) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Audit and Risk Committee upon the basis that the Committee considers the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Audit and Risk Committee will receive, discuss or consider:

- d. pursuant to section 90(3)(d) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to confer a commercial advantage on a third party.

11. DATE AND TIME OF NEXT MEETING

The next meeting of the Audit and Risk Committee will be held on Wednesday 18 October 2023 in the Kingston Room, Civic Centre, 24 Jetty Road, Brighton.

12. CLOSURE

ROBERTO BRIA
CHIEF EXECUTIVE OFFICER



AUDIT COMMITTEE - ACTION ITEMS
as at 16 August 2023

Meeting	Agenda Item	Action Required	Responsibility	Estimated Completion Date	Current Status
16 December 2020	7.1 Standing Items	Develop framework for Governance relationship between Alywndor, Audit Committee and Council.	GMs Alywndor and Strategy & Corporate	December 2023	Work is currently being undertaken by Alwyndor to address new governance requirements under the Aged Care Reform, which is due to be put in place by December 2023.

Item No: 8.1

Subject: **STANDING ITEMS – AUGUST 2023**

Date: 16 August 2023

Written By: Manager Finance

A/General Manager: Strategy and Corporate, Ms S Wachtel

SUMMARY

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

RECOMMENDATION

1. **That the Audit and Risk Committee advises Council it has received and considered a Standing Items Report addressing:**
 - **Monthly Financial Statements**
 - **External Audit**
 - **Public Interest Disclosures**
 - **Economy and Efficiency Audits**
 - **Council Recommendations**
 - **Audit and Risk Committee Meeting Schedule**
-

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 and Risk 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
- Audit – External
- Public Interest Disclosures
- 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. To date no financial reports have been prepared in 2023/24.

External Audit

Council’s external auditor, Dean Newbery & Partners, have completed the interim 2022/23 transaction audit of Council and Alwyndor activities. They will attend Alwyndor in August and Council offices in September to complete the 2022/23 audit. An audit completion report will be provided to the Audit and Risk Committee in October 2023.

Public Interest Disclosures

In late May 2023, a public interest disclosure was made. The matter was also covered by reporting requirements relating to aged care. Relevant legislative and policy requirements were followed and appropriate information was provided to relevant agencies, including the Office for Public Integrity. No further action is being taken by agencies, but the opportunity is being taken to review processes internally. The matter is considered resolved.

In July 2023, the Office for Public Integrity (OPI) advised of a complaint about the conduct of City of Holdfast Bay. OPI determined that the complaint does not raise any potential issue.

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 7 June 2023.

Council Recommendations

At its meeting on 13 June 2023 Council received the minutes and endorsed the recommendations of the meeting of the Audit and Risk Committee held on 7 June 2023.

2023 Meeting Schedule

The Audit and Risk Committee's terms of reference require it to meet at least four times each year and at least once each quarter. During 2023 meetings have been set to align with the two important financial programs in which the Audit and Risk 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 the remainder of 2023:

- Wednesday 18 October 2023.

BUDGET

This report does not have any budget implications.

LIFE CYCLE COSTS

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

Item No: 8.2

Subject: **INTERNAL AUDIT PROGRAM REPORT**

Date: 16 August 2023

Written By: Risk and Improvement Officer

A/General Manager: Strategy and Corporate, Ms S Wachtel

SUMMARY

The four risk-based audits scheduled for the Internal Audit Program 2022-23 have now all been completed, with the Fraud Detection Audit and Development Assessment Review attached to this report.

With the start of the new financial year, the Internal Audit Program 2023-24 is now presented for information.

In addition, the 'Audit Recommendations Outstanding Actions Update' is attached in three parts, highlighting those actions that are either completed, in progress or not yet implemented.

RECOMMENDATION

1. That the Audit Committee notes this report.

RETAIN IN CONFIDENCE - Section 91(7) Order

2. That having considered Agenda Item 8.2 Internal Audit Program Report (Report No: 261/23) in confidence under section 90(2) and (3)(e) of the *Local Government Act 1999*, the Audit and Risk Committee, pursuant to section 91(7) of that Act orders that Attachment 4b be retained in confidence until the Chief Executive Officer is satisfied that the information no longer poses security concerns, at which point the documents can be released, and that this order be reviewed every 12 months.
-

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.

The Internal Audit Plan for the 2022-23 financial year was drafted with Galpins and endorsed by the Audit Committee (Report No 343/22) in August 2022. A copy is provided as Attachment 1 for reference.

Refer Attachment 1

REPORT

Progress on the 2022-23 Internal Audit Plan, is outlined below:

Flood Mitigation	Audit completed, reported to Audit and Risk Committee 15/03/2023
Complaints Handling	Audit completed, reported to Audit and Risk Committee 7/06/2023
Fraud Detection	Audit recently completed, Management Response collated and returned to auditors, final report issued June 2023
Development Follow Up	Audit recently completed, Management Response collated and returned to auditors, final report issued July 2023

Fraud Detection Audit

The Fraud Detection audit aligned with the strategic risk - *poor or ineffective budget development and management*.

It was a specialist audit, undertaken by employing Mindscape Ensemble AI powered data analytics and enabling the:

- identification of expected business rules and ‘red flag’ exceptions,
- application of statistical methods/machine learning to analyse transactions over 3 years,
- provision of 100% review of the organisation’s financial transactions,
- detection of human errors, intentional activities, and unintentional misstatements.

Related policy documentation was reviewed and updated, with investigations into a variety of payment entries via sample testing. No material issues were identified.

The data system set up for this specialised audit will now be in place for further Council reviews, and the success of this specialised review process has prompted a plan to undertake a similar exercise at Alwyndor during the coming year.

Refer Attachment 2

Planning Reform - Development Assessment Post Implementation Review

This post implementation review followed up on the Planning Reform audit completed in April last year and aligned with the strategic risk - *poor or ineffective planning systems and processes*.

This audit was largely prompted by the 2022 development assessment system migration onto the new Planning SA portal. This review confirmed that much of the transitional work to the planning portal has now been completed, however a few more procedural issues still need to be finally implemented.

One main element of focus remains the need for key planning information to remain available as a resource, as applications have now transferred to portal submissions. Provision of past precedent data needs to be kept available to create an ongoing knowledge base. This will then benefit staff development and support ongoing decision making, as at present this is only being achieved via cross team meetings and team discussion.

Refer Attachment 3

Audit Recommendations – Actions Update

Each of the actions resulting from the Internal Audit program are monitored and managed via a master spreadsheet. This captures all related information and tracks the progress through three stages: completed, in progress and partially implemented, and not yet implemented.

In order to provide a clear update, the data from this master spreadsheet is attached in three versions, split to show:

- all actions that have been completed

Refer Attachment 4a

- all actions that are in progress and partially implemented

Refer Attachment 4b

- all actions that are not yet implemented

Refer Attachment 4c

All actions are reviewed regularly, and revised due dates are kept to a minimum to ensure outcomes are achieved as efficiently and effectively as possible.

Internal Audit Program – 2023-24

With the commencement of the new 2023-24 financial year, the second year of the Internal Audit Plan will be rolled out. A further four audits are scheduled for completion over the next twelve months to June 2024 comprising:

- Strategic Planning
- Procurement & Contracts
- Asset Management
- Fraud Detection - Alwyndor

Refer Attachment 5

BUDGET

An appropriate budget has been allocated for the 2023-24 Internal Audit Program.

LIFE CYCLE COSTS

There are no life cycle costs associated with this report.

Attachment 1

Attachment 1

Internal Audit Program Year 1: 2022 - 23

*PIR = Post Implementation Review										
#	Year Ref:	Timing	Audit Topic	Audit Project Detail	Status	Audit Type			Risk Coverage	Project Sponsor
						System/ Process Audit	P.I.R.*	Financial Controls Review		
1	Year 1	September/ December	Floodwater/Stormwater	Coastal area/environmental impact/asset protection Risk 1 – Poor or ineffective management of the impacts of climate change	Strategic	✓			1	GM Assets & Delivery
2	Year 1	February/ April	Complaints Handling	Link to Customer Experience Strategy once rolled out. Risk 14 - Poor or ineffective customer service delivery	Blended		✓		14	GM Community & Business
3	Year 1	May / June	Fraud Detection	Undertake fraud detection across CHB Risk 16 – Poor or ineffective budget development and management	Standard			✓	16	GM Strategy & Corporate
4	Year 1	June	Development Assessment	Post implementation review. Risk 7 - Poor or ineffective planning systems and processes	Follow Up		✓		7	GM Strategy & Corporate

Attachment 2



Accountants, Auditors & Business Consultants

City of Holdfast Bay

Data Analytics Review: Fraud Detection

June 2023



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Document Control

Date	Revision Number	Revision Details	Author	Reviewer
7.6.23	1.0	Final Draft Report	Tim Muhlhausler, Partner	Janna Burnham, Partner
19.6.23	1.0	Final Report	n/a	Janna Burnham, Partner

1. Executive Summary

1.1 Background

The approved Audit Program 2022-23 provided for an artificial intelligence (AI) data analytics-based audit to be undertaken around fraud detection across the City of Holdfast Bay (CHB).

Fraud can be defined as any illegal act characterised by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Fraud is perpetrated by parties and organisations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.¹

AI powered data analysis is increasingly recognised as a key tool in identifying potential fraud risks, as it:

- is set up to understand the organisation's risk areas, expected business rules and 'red flags'
- applies statistical methods and machine learning to analyse transactions
- provides audit insights and more powerful audit review of 100% of the organisation's financial transactions
- detects human errors, intentional activities, and unintentional misstatements.

The tool applies a 'risk score' to transactions, enabling subsequent human review to be targeted. The increased scrutiny of financial transactions via AI powered data analytics may also act as a fraud deterrent. It can be included as part of Council's fraud and corruption prevention control framework.

1.2 Objectives

The objective of this audit was to conduct detailed artificial-intelligence driven data analytics of 100% of CHB's financial data (three year period), with the aim of identifying potential fraud activity.

Opportunities for improving the internal control framework were also within scope to be identified. The full audit scope is included at Appendix 1.

1.3 Methodology Overview

Galpins have performed AI-assisted data analytics to:

- analyse 100% of the transactions in the General Ledger over the period 1 July 2019–2 May 2023
- provide a summarised assessment of risk, and
- identify higher risk transactions for specific review (from within the 2022-23 financial year).

Analysis of data from 1 July 2019 to 2 May 2022 informed trend analysis and machine learning tests, resulting in a robust analysis of transactions for the current period.

¹ 2019, IIA Global, IIA Position Paper: *Fraud and Internal Audit: Assurance over fraud controls fundamental to success*

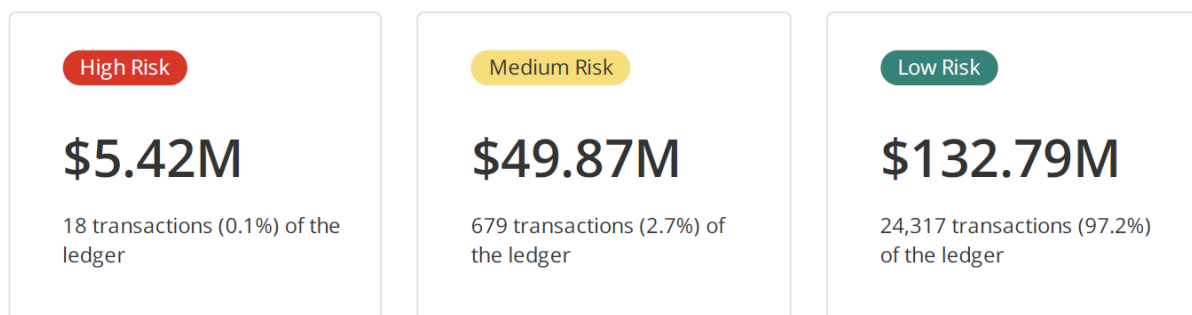
The analysis used business rules, statistical methods, and machine learning based tests to risk score each transaction to provide more visibility into unusual trends or anomalies within the ledger detail. Each of these tests are referred to as 'control points'. Examples of key control points used include:

1. Business rules:
 - a. Suspicious keywords, sequence gaps, duplicates, reversals, cash expenditures, unbalanced debits and credits, manual entry, expense flurry (i.e. unusually high volume of expense transactions at a point in time), weekend posting, material value.
2. Statistical methods:
 - a. high monetary value, Benford's Law, unusual amount, last 3 digits.
3. Machine learning:
 - a. Rare flow (inconsistent with expected accounting rules), outlier anomaly, flow analysis (i.e. unexpected workflows).

The results of our analysis are summarised below and from over page.

1.4 Executive Summary

This review found that Council's overall risk profile is considered a typical result for a lower risk council. A very small percentage of the transactions are flagged as high risk, and the vast majority of transactions are considered low risk:



Analysis identified no unusual concentration of risk across the periods reviewed, and that the transaction risk over time remained relatively steady. In addition, no individual system users were identified as high risk. Audit's detailed review of 18 higher risk transactions (journals comprising multiple entries) as identified by the AI system identified no major findings.

Potentially higher risk transactions (for example, related to social club pools, credit cards) were able to be substantiated, explained and/or had previously been identified and rectified by Council's Finance team.

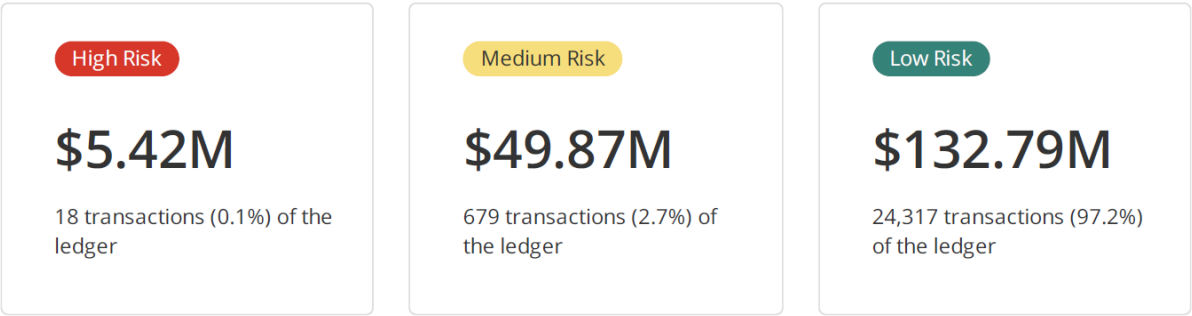
This result is positive and indicates a low risk environment for fraudulent financial transactions within the City of Holdfast Bay. There are no improvement findings made as a result of this review.

2. Summary of transactional risk results

Analysis period: Jul 1, 2022 - May 2, 2023

Overall transaction-level risk summary

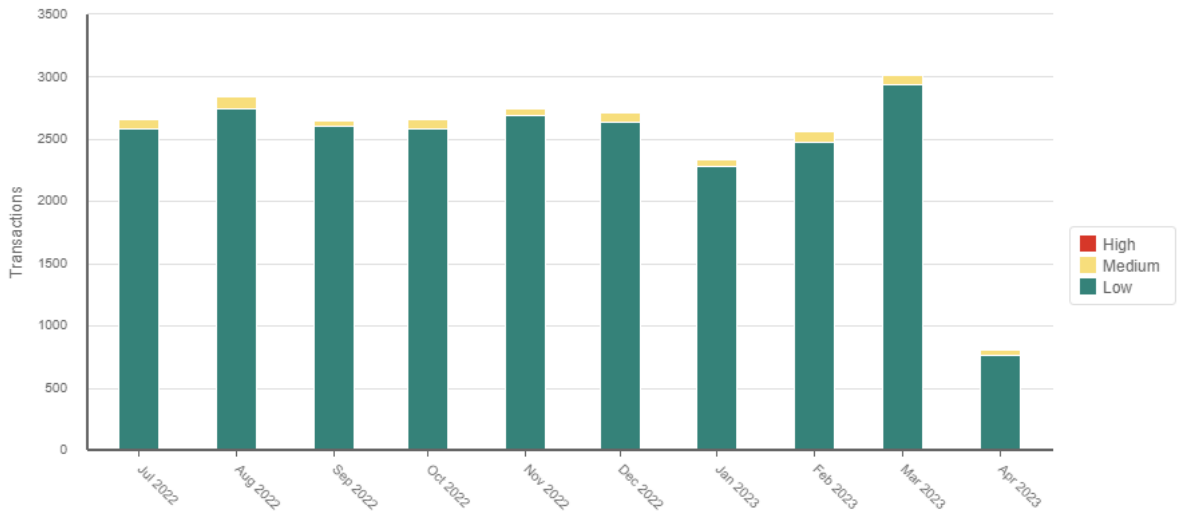
Risks are grouped into three categories: High, Medium and Low Risk



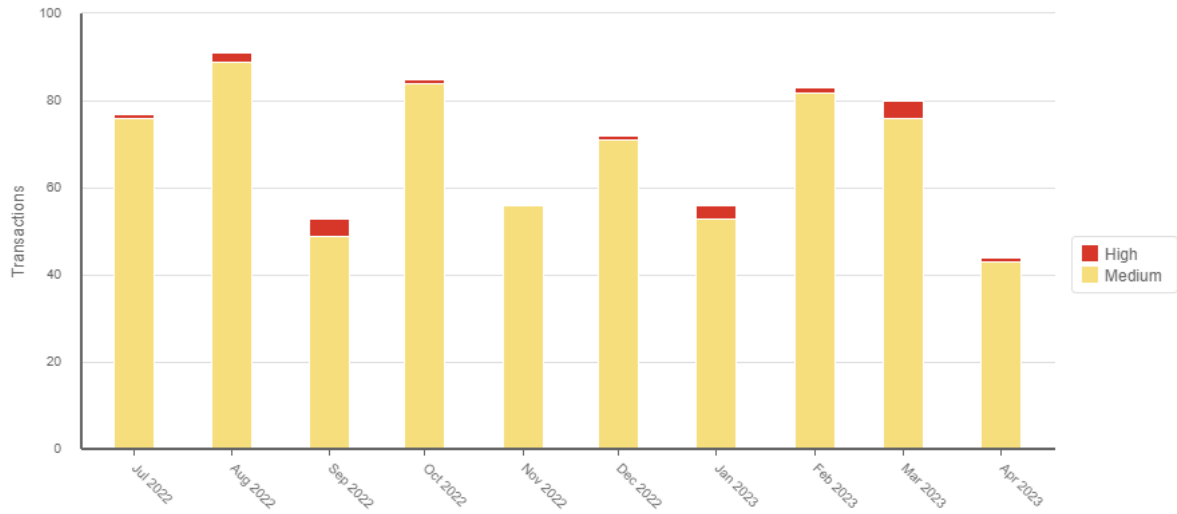
The above spread of transactions across risk categories is considered a typical result for a lower risk council. A very small percentage of the transactions are flagged as high risk, and the vast majority of transactions are considered low risk.

The graphs below do not indicate any unusual concentration of risk across the most recent period reviewed.

Transaction risk over time (high/medium/low)

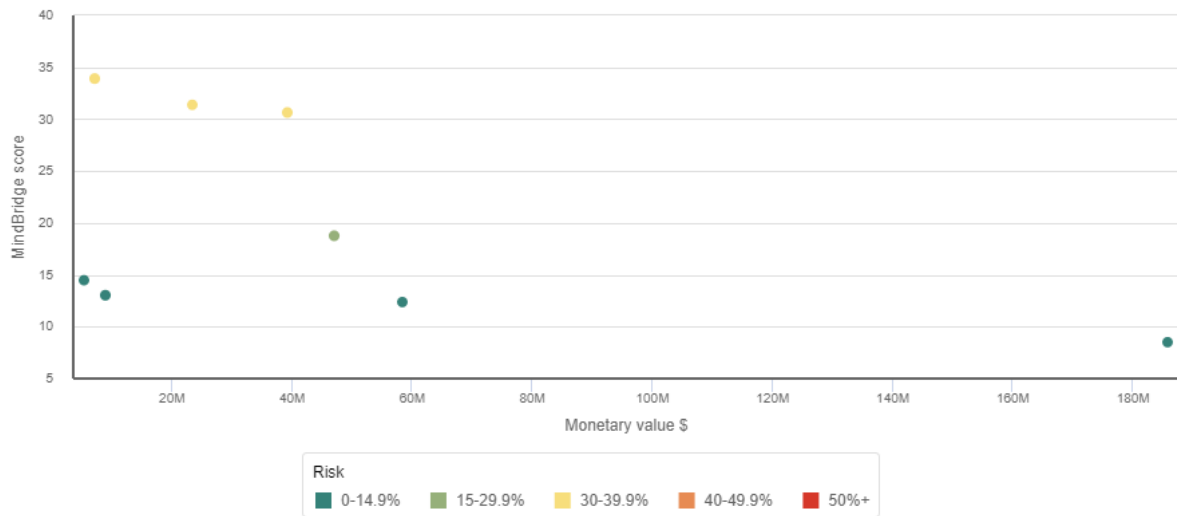


Transaction risk over time (high/medium only)



Risk by user

Each dot in the graph below represents an individual staff member who has posted transactions in the ledger. Each user is assigned a risk rating based on the cumulative risk rating of transactions posted by this user. There were no individual users who identified as high risk.



2.1 Transactions selected and results of detailed review

Galpins performed a detailed review of the following 18 transactions identified as being higher risk in the data analysis. Findings are summarised below:

Trans. ID	Effective Date	Debit	Credit	Entered Date	User Id	Source	Results	Comments (nature of journal / details of any issues identified)
081142-1	2022-07-08	603,263.37	603,263.37	2022-07-08	FULLER	\$REVRNL	✓	Year end Salaries and Wages accrual journal.
082601-2	2022-08-23	3,219,413.00	3,219,413.00	2022-08-23	FULLER	\$JOURNAL	✓	Recognition of Revenue in Advance (from prior year). Project sub-ledger disbursements get cleared through an 'Error Suspense' Account in Tech One.
082776-1	2022-08-31	82,118.18	82,118.18	2022-08-31	BLUNT	\$JOURNAL	✓	Council's share of 'winter activation program' ticket sales. Manual reallocation between cost centres (Council vs Jetty Road Mainstreet Committee), as impractical to allocate at time of ticket sales.
082958-1	2022-09-05	40,585.23	40,585.23	2022-09-05	FULLER	\$JOURNAL	✓	Reallocation between vehicle and property insurance costs.
083029-1	2022-09-07	935.09	935.09	2022-09-07	BLUNT	\$JOURNAL	✓	WIP capitalisations transferred to expense (determined to be non-capitalisable).
083206-1	2022-09-12	100,574.00	100,574.00	2022-09-12	BLUNT	\$JOURNAL	✓	Prepayment recorded for post 30 June component of Tech One support invoice.
083319-1	2022-09-14	14,076.45	14,076.45	2022-09-14	FULLER	\$JOURNAL	✓	Payment of credit card against credit card clearing account. Journal includes some errors, with transactions posted to expense rather than against the clearing account - staff had already identified and corrected these errors in a timely manner.
084079-1	2022-10-13	12,221.68	12,221.68	2022-10-13	LPERRERA	\$JOURNAL	✓	Payment of credit card against credit card clearing account.
086112-1	2022-12-20	15,350.88	15,350.88	2022-12-20	LPERRERA	\$JOURNAL	✓	Payment of credit card against credit card clearing account.
086272-1	2023-01-05	10.00	10.00	2023-01-05	FULLER	\$JOURNAL	✓	Depot staff had the option for a portion of their pay to be deducted to a social club pool. This journal is correcting an amount related to this scheme that was costed to an incorrect payroll account.

Trans. ID	Effective Date	Debit	Credit	Entered Date	User Id	Source	Results	Comments (nature of journal / details of any issues identified)
086273-1	2023-01-09	13,454.48	13,454.48	2023-01-09	LPERRERA	\$JOURNAL	✓	Payment of credit card against credit card clearing account.
087080-1	2023-01-31	37,500.00	37,500.00	2023-01-31	RCHILDS	\$JOURNAL	✓	Recording of depreciation expense for library materials. A manual journal is required, as library materials are not recorded in the TechOne asset register (for all other assets, system generated depreciation is processed).
087284-1	2023-02-08	15,791.80	15,791.80	2023-02-08	FULLER	\$JOURNAL	✓	Payment of credit card against credit card clearing account.
087946-2	2023-03-02	1,180,543.57	1,180,543.57	2023-03-02	RCHILDS	\$JOURNAL	✓	Capitalisation of WIP.
088113-1	2023-03-07	15,791.80	15,791.80	2023-03-07	LPERRERA	\$JOURNAL	✓	Payment of credit card against credit card clearing account.
088660-1	2023-03-29	15,973.29	15,973.29	2023-03-29	LPERRERA	\$JOURNAL	✓	Payment of credit card against credit card clearing account.
088806-1	2023-03-31	37,500.00	37,500.00	2023-03-31	RCHILDS	\$JOURNAL	✓	Recording of depreciation expense for library materials (as above).
088878-1	2023-04-05	18,115.90	18,115.90	2023-04-05	LPERRERA	\$JOURNAL	✓	Payment of credit card against credit card clearing account.

KEY

✗	A significant error or inappropriate transaction has been detected.
✘	A minor - moderate error has been detected, which has not been previously detected and corrected in a timely manner.
✓	<ul style="list-style-type: none"> The transaction is appropriate, but an opportunity for an improved alternative workflow has been identified, or an error has been detected in the transaction, but the error has already been identified and corrected in a timely manner.
✓	The transaction has been confirmed as appropriate.

2.2 Details of reasons for high risk transaction risk scores:

The following table summarises the control points which resulted in the above transactions being flagged as higher risk. A higher risk transaction is defined as having a risk score of 50% or higher. The risk scores for the 18 transactions identified range from 50% to 59%, indicating that all transactions are at the lower end of the high risk category.

Transaction ID	Comprehensive Transaction Analysis Dashboard																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
	Risk Score			2 Digit Benford		Complex Structure		Expense Flurry		Expert Score		Flow Analysis		Outlier Anomaly		Rare Flow		Unusual Amount		Analysis Period Adjustment		Cash Expenditure		Cash to Bad Debt Conversion		Complex Instrument		Duplicate		Empty Text Field		End of Analysis Period		End of Reporting Period		High Monetary Value		Last 3 Digits		Manual Entry		Reporting Period Adjustment		Reversal		Reversed		Sequence Gap		Start of Analysis Period		Start of Reporting Period		Suspicious Keyword		Unbalanced Debits and Credits		Weekend Post		Zero Entry																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
081142-1	54%	100%	0%	17%	100%	73%	100%	93%	1%	✓	✓	N/A	✓	✓	✓	✓	✓	X	X	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	X	✓	✓	✓	✓	X	X	X	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
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There were no additional findings identified as part of this review.



Appendices

Appendix 1: Scope of the audit engagement



Internal Audit Scope Data Analytics Review: Fraud Detection

<p>Background</p>	<p>The approved Audit Program 2022-23 provided for an audit to be undertaken around fraud detection across the City of Holdfast Bay (CHB).</p> <p><i>Fraud can be defined as any illegal act characterised by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Fraud is perpetrated by parties and organisations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.¹</i></p> <p>Artificial intelligence (AI) powered data analysis is increasingly recognised as a key tool in identifying potential fraud risks, as it:</p> <ul style="list-style-type: none"> ▪ is set up to understand the organisation's risk areas, expected business rules and 'red flags' ▪ applies statistical methods and machine learning to analyse transactions ▪ provides audit insights and more powerful audit review of 100% of the organisation's financial transactions ▪ detects human errors, intentional activities, and unintentional misstatements. <p>The tool applies a 'risk score' to transactions, enabling targeted subsequent review. The increased scrutiny of financial transactions via AI powered data analytics may also act as a fraud deterrent. It can be included as part of Council's fraud and corruption prevention control framework.</p>
<p>Audit Objective</p>	<p>The objective of this audit is to conduct detailed artificial-intelligence driven data analytics of 100% of CHB's financial data (3 year period), with the aim of identifying potential fraud activity.</p> <p>Opportunities for improving the internal control framework will also be identified.</p>
<p>Scope</p>	<p>In particular the audit will:</p> <ul style="list-style-type: none"> ▪ set up the AI product to understand CHB's risk areas, expected business rules and 'red flags' ▪ utilise the AI product to review all general ledger data from the last three financial years (inc year to date) <ul style="list-style-type: none"> ▪ this will apply statistical methods and machine learning to analyse transactions

	<ul style="list-style-type: none"> ▪ review risk-based scoring of transactions, as generated by the system, and conduct sample testing to ensure these transactions are appropriate ▪ identify potential areas for strengthening internal controls.
Methodology	<p>In conducting the engagement, the team will:</p> <ul style="list-style-type: none"> ▪ obtain extracts of CHB's current and previous three fiscal years' worth of financial information, specifically including general ledger transactions ▪ utilise MindBridge Ensemble AI to analyse 100% of CHB's financial data ▪ conduct interviews with key stakeholders and team members ▪ review key documentation and relevant policies and procedures ▪ review identified transactions that meet 'red flag' criteria for appropriateness ▪ identify potential opportunities for improvement ▪ draft a short report summarising findings and recommendations ▪ allow management responses to be considered as part of the draft report and the subsequent review process, and ▪ provide a final report for presentation to the Audit Committee.
Relevant Risks	<p>This audit aligns with CHB's strategic risks:</p> <ul style="list-style-type: none"> ▪ <i>Risk 16 – Poor or ineffective budget development and management.</i>

Attachment 3



Accountants, Auditors & Business Consultants

City of Holdfast Bay

Internal Audit Report – Planning Reform Audit: Post-Implementation Review

July 2023



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Document Control

Date	Revision Number	Revision Details	Author	Reviewer
27.06.23	1.0	Final draft report	Danika Brown	Janna Burnham
10.07.23	1.0	Final Report	Danika Brown	Janna Burnham

1. Executive Summary

1.1 Background

Internal Audit conducted a review of 'planning reform' in 2022. Specifically, the audit reviewed, and aimed to provide assurance on, the City of Holdfast Bay's (CHB's) internal controls that related to the governance of its development assessment processes and supporting frameworks. These included delegations, authorisations, procedures and plans to ensure legislative compliance.

The audit found that CHB's team had managed the transition to the new planning system without disruption to development assessment services. It also made 13 recommendations, with the aim of strengthening governance over the development application assessments in the new planning system.

Key findings covered:

- opportunities to strengthen the consistency and transparency in decision-making
- key internal and external stakeholder management and communication
- accreditation and staff training and development
- processes to capture, monitor and report on feedback and complaints including legislative compliance.

The approved Audit Program 2022-23 provides for a post implementation review of the audit, to provide assurance that the previous recommendations have been addressed.

1.2 Objectives

This audit assessed the completeness of implementation of recommendations made in the 2022 'Planning Reform' internal audit.

In particular the audit included:

- reviewing the previous 13 findings
- reviewing documentation and conducting interviews/walk throughs with stakeholders to understand whether the previous audit findings have been addressed.

The Audit also specifically considered whether clear internal processes were in place in relation to one particular application (53 Marine Parade), which had local heritage implications. The full audit scoping document is included in **Appendix 1**.

1.3 Relevant Strategic Risks

This audit aligns with CHB's strategic risks:

- poor or ineffective planning systems and processes.

1.4 Good Practices Observed

The following good practices were observed throughout this audit:

- Council has implemented 7 of 13 recommendations from the previous audit.
- Staff reported that the previous audit had a positive impact, for example with the Planning Development Team now holding weekly meetings, and reported improved communication with other internal stakeholder teams.
- Strengthened feedback and complaints monitoring was being implemented as at the time of the audit.
- All recommendations in relation to the Council Assessment Panel, for example in relation to a skills matrix, were implemented.

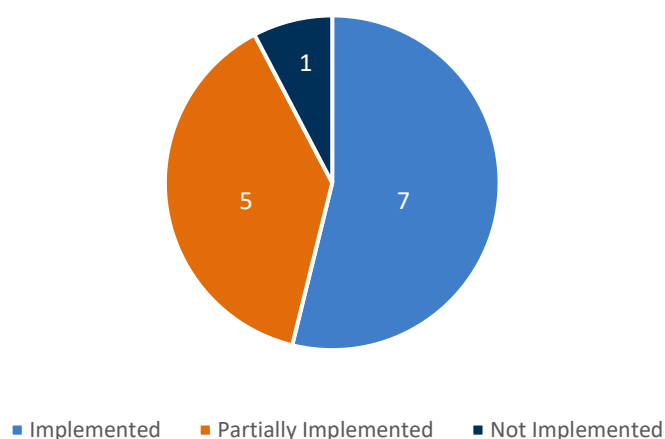
1.5 Key Findings and Recommendations

This review assessed the 13 previous recommendations made in the 'Planning Reform' internal audit to help address strategic risk '*poor or ineffective planning systems and processes*.' Recommendations are an integral element to internal audit reports; they suggest what can be done to remediate issues or to improve the way business activities are done.¹ It is important that management then implement actions to address and close-out these recommendations. Tracking the progress of these audit actions provides transparency and monitors that audit actions are implemented properly and in a timely manner.

CHB has demonstrated progress in implementing these recommendations, and key stakeholders agreed that the recommendations that have been successfully implemented have had a positive impact to the Planning and Development Team.

A summary of the status of recommendations is below. All but one of the recommendations have been implemented or are partly implemented.

Status of Recommendations



¹ Institute of Internal Auditors – Australia, 2022, 'Fact Sheet: Getting Audit Actions Implemented', URL: https://www.iaa.org.au/sf_docs/default-source/technical-resources/2018-fact-sheets/factsheet-getting-audit-actions-implemented.pdf

Audit also reviewed the status of these 13 recommendations within Council's Audit Recommendations Register and found a need to re-open the following previous recommendations, as the evidence provided shows that these are still 'in progress' or 'not implemented' rather than 'complete':

- Recommendation 1
- Recommendation 2
- Recommendation 5, and
- Recommendation 8.

Audit also found that the application for 53 Marine Parade was appropriately considered by the Council Assessment Panel (CAP). Council does not have separate internal processes around referral to the CAP, however this process is legislated. This is further discussed in **Section 2.2**.

Audit found a need to have clearer documentation of delegations, and note that sub-delegations in relation to the PDI Act could not initially be located for audit purposes, until return of a relevant manager from leave. Below is a summary of the status of all reviewed recommendations. Detail around completed recommendations is included in **Appendix 2**.

There are no new recommendations made in this report.

2022 Report Finding	Rec #	Audit Risk	Implementation Status (2023 Audit Finding)
2.1 Opportunity to strengthen decision making	1	MEDIUM	Partially implemented
	2	MEDIUM	Partially implemented
2.2 Accreditation of Team Members	3	MEDIUM	Implemented
2.3 A need to clarify delegations around Planning and strengthen segregation of duties	4	MEDIUM	Implemented
	5	MEDIUM	Not implemented
2.4 Key stakeholder relationship management and communications	6	MEDIUM	Implemented
	7	MEDIUM	Implemented
	8	MEDIUM	Partially implemented
2.5 Customer feedback and complaints monitoring	9	MEDIUM	Partially implemented
	10	MEDIUM	Partially implemented
2.6 Potential to strengthen governance of Council Assessment Panel	11	BETTER PRACTICE	Implemented
	12	BETTER PRACTICE	Implemented
2.7 Follow-up on the status of audit recommendations	13	BETTER PRACTICE	Implemented

2. Detailed Findings and Recommendations

2.1 Summary of audit recommendations assessed as partially implemented/not implemented

Key:

High	H
Medium	M
Low	L

The following table summarises the audit recommendations that were assessed as partially implemented.

Recommendation	Risk Rating	Agreed Actions	Audit Assessment (June 2023)	Rec. Register Status	Comments
Recommendation 1 Develop principles to guide CHB staff when assessing development applications. For example, this may include: <ul style="list-style-type: none"> providing principles around interpretation of the Planning and Design Code (the Code) when verifying an application Assessment Manager giving guidance to staff of suggested actions/considerations prior to assigning application, such as stormwater and tree considerations. 	M	1. Providing principles around interpretation of the Code when verifying an application. 2. Assessment Manager giving guidance to staff of suggested actions/ considerations prior to assigning application, such as stormwater and tree considerations. Estimated completion date Action 1: 30 June 2022 Action 2: 30 June 2022	Partially implemented	Complete	Action 1: The team confirmed that there is no written internal interpretation of the Code. They advised that it is difficult to develop a "Holdfast Way" to interpret Code, because the Code is specific and detailed (over 700 pages). Planners are required to understand the Code as part of their jobs. Action 2: The team have implemented weekly meetings to discuss more complex development applications, IA sighted evidence that these occur. These are a way to guide staff around actions around applications. IA considers that this recommendation should be re-opened in Council's Audit Recommendations Register and that there is a need to remind staff to more clearly report back to the Audit and Risk Committee (Committee) when agreed actions are no longer considered feasible.

Recommendation	Risk Rating	Agreed Actions	Audit Assessment (June 2023)	Rec. Register Status	Comments
Recommendation 2 Consider internal processes to optimise transparency in decision-making records kept in the e-Planning system utilising the file notes functionality. This can include Council's approach to best capture reason for determinations of assessment categories in development applications. Examples include: <ul style="list-style-type: none"> records of assessment decisions made at weekly team meetings reference documents containing precedent cases to encourage a consistent approach. <i>Note: Audit consider that the use of the e-Planning systems File Notes to capture decision making records is better practice. In review of workflows at other councils, Audit have however noted that uploading documents into the File Notes can be time consuming. When implementing this recommendation there is an opportunity for CHB to liaise with peer councils and consider their lessons learnt.</i>	M	1. TL Development Administration to attend all weekly team meetings to record assessment decisions, and create an action list accordingly for review at subsequent meetings. 2. TL Development Administration to reference documents containing precedent cases to encourage a consistent approach. 3. Liaise with the City of Unley and City of Marion to consider any lessons in achieving efficiencies in the capture of decision making records and uploading file notes to the e-Planning system. Estimated completion date Action 1: 11 May 2022 Action 2: 11 May 2022 Action 3: 1 June 2022	Partially implemented	Complete	Action 1: Complete Action 2: Audit was advised that the Team 'don't have a list of precedent cases as each site and development is unique...' One key stakeholder reported that the team review AustLii case law as required. This database reportedly is a useful resource. IA considers that this recommendation should be re-opened in Council's Audit Recommendations Register and that there is a need to transparently report to the Audit Committee when an agreed action is not achievable, or when a team has decided not to implement an action. Action 3: Complete
Recommendation 5 Consider establishing an internal process whereby the officer listed as Decision Authority is not the same officer determining the planning consent, to ensure segregation of duties and the appearance of transparency that can help to support the rigour of CHB's decision making.	M	1. Establishing an internal process whereby the officer listed as Decision Authority is not the same officer determining the planning consent, to ensure segregation of duties and the appearance of transparency that can help to support the rigour of CHB's decision making.	Not implemented	Complete	Audit found that the recommendation has not yet been addressed. The informal process within the team is for: <ul style="list-style-type: none"> more complex applications to be workflowed to the Assessment Manager for consent, and consent for simpler applications (for example in relation to fencing, verandahs) to be granted by a

Recommendation	Risk Rating	Agreed Actions	Audit Assessment (June 2023)	Rec. Register Status	Comments
For example, if the Assessment Report was prepared by Development Officer A with a recommendation for planning consent, the application is work flowed to another delegated staff member to action. This will help to facilitate consistency in how decisions are made by CHB.		Estimated completion date 15 June 2022			Development Officer within the system, including simpler Performance Assessed applications. See further discussion below this table.
Recommendation 8 Document/confirm policies and procedures around planning, to provide further clarity and consistency to all staff on: <ul style="list-style-type: none"> key internal stakeholders/subject matter experts decision points where it would be prudent for the officer assessing an application to consult with subject matter experts (including cross-team collaboration regarding site visits etc), and the agreed internal consultation process including roles and responsibilities of all stakeholders and internal service standards. <i>Note: When implementing this recommendation there is an opportunity for CHB to liaise with peer councils and consider their service standards.</i>	M	Review of the current procedures document to more clearly define: <ol style="list-style-type: none"> Internal stakeholders to engage with when a subject matter expert's input is required in assessing an application, for example heritage architecture, environmental considerations. Decision points where it would be prudent for the officer assessing an application to consult with subject matter experts (including collaboration regarding site visits etc), and An agreed internal consultation process including roles and responsibilities of all stakeholders. Estimated completion date 30 June 2022	Partially implemented	Complete	Agreed action 1: The documents have not yet been updated (May 23). Agreed action 2: Procedures have been informally strengthened via weekly cross-team meetings, and these were reported to be helpful by members from other teams. One senior stakeholder reported that this recommendation still stands and would be useful. In particular, there is opportunity to keep minutes of meetings with internal stakeholders/subject matter experts, so that the minutes can be stored in in the ECM system and later be searched. An administration team member may assist with taking minutes. Agreed action 3: As above – strengthened informally via weekly meetings.
Recommendation 9 Review and document CHB's complaint handling processes so that all staff are aware of and comply with the new planning system's complaint handling procedures. For example, document how complaints against the	M	1. Adopt the processes and procedures developed through the imminent Request Management System as a reliable and comprehensive means to capture and handle complaints.	Partially implemented	In Progress	1. CHB launched the RMS module (June 23) to handle complaints. This is expected to be operating fully by the end of June 2023. The Planning and Development will team use RMS to manage complaints.

Recommendation	Risk Rating	Agreed Actions	Audit Assessment (June 2023)	Rec. Register Status	Comments
Assessment Manager which are lodged with the Chief Executive Officer will be investigated.		Estimated completion date 30 June 2022.			<i>Note: There is a need to ensure that the new CHB complaints procedures also address/include reference to complaints against the Assessment Manager.</i>
Recommendation 10 CHB to determine whether monitoring of trends of community feedback/complaints around planning would assist management and, if so, develop robust feedback and complaint capture and reporting frameworks. This may include: <ul style="list-style-type: none"> capture of the details of phone call complaints clarity around the expected location of customer complaints and feedback data and naming conventions around this information. <i>Note: In reviews of peer council customer requests and complaints handling procedures Audit have noted that peer councils capture phone call complaints to ensure that all received concerns are actioned.</i>	M ²	1. Capture phone call complaints to ensure that all received concerns are actioned. 2. Develop a reporting framework for complaints registered. 3. Monitor trends of community feedback/complaints around planning to assist to inform future land use policy. Estimated completion date Action 1: 30 June 2022 Action 2: 30 June 2022 Action 3: 30 June 2022	Partially implemented	In Progress	Action 1: Process implemented Action 2: Implemented Action 3: RMS module went live in June 23; this action is in progress

² Assessed as 'low' by CHB within audit report/response.

Implementation of Recommendation 5 – Further Explanation

Internal Audit identified the following recommendation as outstanding:

Recommendation 5

Consider establishing an internal process whereby the officer listed as Decision Authority is not the same officer determining the planning consent, to ensure segregation of duties and the appearance of transparency that can help to support the rigour of CHB's decision making.

For example, if the Assessment Report was prepared by Development Officer A with a recommendation for planning consent, the application is work flowed to another delegated staff member to action. This will help to facilitate consistency in how decisions are made by CHB.

This section gives further explanation. Audit tested a random sample of four Performance Assessed applications and found:

- two were granted consent by the Assessment Manager (appropriate), and
- two applications were granted consent only by Planners within the team
 - of these, both were for smaller applications (29 Harrow Road and 58 Harrow Rd).

Audit consider that the recommendation has not been met, however CHB is legislatively compliant:

- the Assessment Manager has sub-delegated powers under the PDI Act to Planning Officers
- the PlanSA portal allows for Planners to grant consent to applications without submitting them to the Assessment Manager
 - it asks, 'does the decision require endorsement?'
 - the internal process is for Planners to grant consent for Deemed to Satisfy/uncomplicated Performance Assessed applications – for example in relation to a fence or veranda
- the Assessment Manager reportedly approves the majority of Performance Assessed applications (the majority of overall applications).³

Example extracts (viewable via team members' log-in information and not from public view of the PlanSA portal entries) are over page:

³ Some applications are also referred to the Council Assessment Panel.

Below is an example of an internal Performance Assessed consent given in relation to a front fence:

Planning Consent - 21040233: 29 Harrow Rd Somerton Park SA 5044 REQUEST EXTENSION FEE

Summary Documents Fees RFIs Public Notification Conditions and Notes Clocks **Decision** Appeals Related Actions

< Development application 21040233

Assessor	Decision	Decision Date	Endorsed?	Nominated Endorser	Responded By	Responded Date	Nominated Assessment Officer	Actions
Dean Spasic	Granted	10 Jan 2022	Not requested					Show more info

Operative Period End date : 10 Jan 2024

No nominated endorser

In the instance above, the 'nominated endorser' would normally be the Decision Authority. Another planning application is shown below, endorsed by a Planner in relation to a shed:

Planning Consent - 21018258: 58 Harrow Rd Somerton Park SA 5044 REQUEST EXTENSION FEE

Summary Documents Fees RFIs Public Notification Conditions and Notes Clocks **Decision** Appeals Related Actions

< Development application 21018258

Assessor	Decision	Decision Date	Endorsed?	Nominated Endorser	Responded By	Responded Date	Nominated Assessment Officer	Actions
Alexander Stamatopoulos	Granted	13 Jul 2021	Not requested					Show more info

Operative Period End date : 13 Jul 2023

No nominated endorser

This internal process, whereby lower-level applications are processed by team members, is a practical way of managing workflow, however this is not yet in line with the agreed actions in response to the previous Recommendation 5. There is a need to revisit this finding/reopen it in Council's Audit Recommendations Register and clarify the appropriate Agreed Action response.

2.2 Adequate transparency around one recent development application	Audit Risk Rating	CHB Risk Rating
	n/a	n/a

Key Findings

- Audit review of documentation found that appropriate processes were followed before the demolition of 53 Marine Parade, Seacliff.

Discussion

The audit scope called for a specific review of one particular recent application, in relation to the demolition of a property which had some local heritage implications (53 Marine Parade, Seacliff). The audit considered whether clear internal processes were in place around this, and whether they were adequately followed internally. This relates to the previous audit Recommendation 1, which recommended CHB develop local principles to guide staff when assessing development applications.

To achieve this, audit reviewed documentation in place, including Council Assessment Panel (CAP) documentation. In summary:

- the application was appropriately referred to the CAP, in line with legislative requirements⁴
- both the applicants and Council obtained separate heritage expert reviews
- the case was appropriately referred to the CAP for decision
- CAP considered the application and resolved to demolish the building, in line with their authority. See below:

It is recommended that the Council Assessment Panel resolve that:

1. Pursuant to Section 107(2)(c) of the Planning, Development and Infrastructure Act 2016, and having undertaken an assessment of the application against the Planning and Design Code, the application is NOT seriously at variance with the provisions of the Planning and Design Code; and

2. Development Application Number 22035973, by [name redacted] is granted Development Approval.

Moved T Sutcliffe, Seconded C Dunn (Carried)

Council's external heritage review:

- had regard to Council's concerns about potential demolition of a heritage place and, as a result, included detailed analysis of requirements in relation to the property

⁴ No internal processes are in place around referral to the CAP, however this process is legislated. Audit note that some councils, for example City of West Torrens, City of Marion, City of Burnside, have online processes for their CAPs, however these are largely a summary of legislative requirements.

-
- indicated that the property had ‘little heritage value’⁵, and
 - indicated that, under Performance Outcome 6.2 of the Local Heritage Place Overlay:
 - ‘The demolition, destruction or removal of a building, portion of a building or other feature or attribute is appropriate where it does not contribute to the heritage values of the place’
 - concluded:
 - ‘As such, the Relevant Authority may find it reasonable to consider that PO 6.2 is met on the basis the building has little heritage value and therefore does not contribute to the heritage value of the place. Ultimately, it will be up to the Relevant Authority to make such a determination’.

The proponents’ heritage review (Bruce Harry and Associates) also indicated:

- ‘Considering the building and its setting and context in the historical development of Seacliff, it does not possess any attributes that would support its heritage listing, as there is no evidence available to suggest that it was closely associated with recognised stages of local events, developments, endeavours or activities, it was simply a beach house, initially constructed as a seaside holiday home by the original owner.
- The building is no more significant than any other residences built in the locality during the 1920-30s. It is architecturally unremarkable.’ (see CAP report number 118/23).

There are no findings in relation to this application.

⁵ Practice Guideline for Local Heritage and Character Overlays: ‘Demolition of a Local Heritage Place will be considered only if the place in question has little heritage value, is structurally unsound or a public safety risk, and/or beyond repair.’ (p.39)



Accountants, Auditors & Business Consultants

Appendices

Appendix 1. Scope of the audit engagement



Internal Audit Scope

Planning Reform Audit: Post Implementation Review

<p>Background</p>	<p>Internal Audit conducted a review of 'planning reform' in 2022. Specifically, the audit reviewed, and aimed to provide assurance on, the City of Holdfast Bay's (CHB's) internal controls that related to the governance of its development assessment processes and supporting frameworks. These included delegations, authorisations, procedures and plans to ensure legislative compliance.</p> <p>The audit found that CHB's team had managed the transition to the new planning system without disruption to development assessment services. It also made 13 recommendations. Key findings covered:</p> <ul style="list-style-type: none"> opportunities to strengthen the consistency and transparency in decision-making key internal and external stakeholder management and communication accreditation and staff training and development processes to capture, monitor and report on feedback and complaints including legislative compliance. <p>The approved Audit Program 2022-23 provides for a post implementation review of the audit, to provide assurance that the previous recommendations have been addressed.</p>
<p>Audit Objective</p>	<p>This audit will assess the completeness of implementation of recommendations made in the 2022 'Planning Reform' internal audit.</p>
<p>Scope</p>	<p>In particular the audit will:</p> <ul style="list-style-type: none"> review the previous 13 findings review documentation and conduct interviews/walk throughs with stakeholders to understand whether the previous audit findings have been addressed. <p>The audit will also specifically consider one particular recent application, which had local heritage implications. The audit will consider whether clear internal processes were in place around this, and whether they were adequately followed internally. This relates to the previous Recommendation 2, which related to transparency around decision making.</p>



Methodology	<p>In conducting the engagement, the team will:</p> <ul style="list-style-type: none"> conduct interviews with key stakeholders and team members review relevant documentation draft a report summarising findings and recommendations allow management responses to be considered as part of the draft report and the subsequent review process, and provide a final report for presentation to the Audit and Risk Committee.
Relevant Risks	<p>This audit aligns with CHB's strategic risks:</p> <ul style="list-style-type: none"> poor or ineffective planning systems and processes.
General Administration	<p>Galpins will conduct the audit and will maintain regular communication with stakeholders around progress of the audit. The audit will be conducted from May- June 2023.</p>
Audit Team	<ul style="list-style-type: none"> Janna Burnham (Partner Internal Audit) Danika Brown (Analyst)

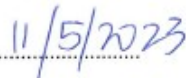
Acknowledgement and Acceptance

I have read the above engagement scope and am satisfied that objectives and scope meet the expectations for this audit.

Signed:

Signature: 

Name and Title: ..Pamela Jackson, General Manager, Strategy and Corporate

Date: 

Signed:		Date:	5/05/2023
Name:	Anthony Marroncelli	Title:	Manager Development Services

Appendix 2. Completed Audit Recommendations

The following table summarises the audit recommendations that were assessed as complete. All were marked as complete in the CHB audit recommendation register.

Key:	
Medium	M
Low	L
Better Practice	BP

Recommendation and Agreed Actions	Risk rating	Audit assessment as at June 2023
<p>Recommendation 3</p> <p>Review whether training provided to the Development Services Team is sufficient, particularly whether there are enough accredited professionals within the team. This should consider:</p> <ul style="list-style-type: none"> available budget the risks/business continuity impact of not having an accredited professional available whether alternative / contracting staff are available to fill short-term skills need whether in-house quality review can be conducted on a regular basis to support training/consistency in decision making. <p><i>Note: Audit understand that budget considerations apply to this recommendation and consider that this recommendation can promote review of a pragmatic/achievable training approach for CHB.</i></p> <p>Agreed Actions</p> <ol style="list-style-type: none"> 1. Retain mandatory Accredited Professional status for four (4) professionals (Assessment Manager, two Building Officers and Consulting Engineer). 2. Seek additional funding in the 2022/23 Annual Business Plan to enable one other Planning Officer to undertake professional development opportunities to qualify for Accredited Professional status. 3. The Manager Development Services to continue to accrue professional development points at own expense as a safeguard for immediate appointment as an Accredited Professional. 	M	Implemented
<p>Recommendation 4</p> <p>Communicate the outcomes of the current external delegations review with all staff and provide them with access to the current delegations. Ensure processes are in place to inform staff of any future delegations updates in a timely manner.</p>	M	Implemented ⁶

⁶ Appropriate delegations signed in June 2021 by CEO. As at time of Audit, these were unable to be located. This recommendation is complete, delegations were updated appropriately. When Internal Audit requested a copy of these, they were not stored centrally and initially staff were unable to locate the documents. Audit subsequently reviewed processes and confirmed that the new Governance Lead has established processes to help ensure that delegations are stored centrally. No new recommendation required.

Recommendation and Agreed Actions	Risk rating	Audit assessment as at June 2023
Agreed Actions 1. Communicate the outcomes of the current external delegations review with all staff and provide them with access to the current delegations. 2. Ensure processes are in place to inform staff of any future delegations updates in a timely manner.		
Recommendation 6 Consider how CHB could influence planning and development activity by more proactively engaging with developers at the pre-planning stage, where applicable. Solutions may include developing guidance on: <ul style="list-style-type: none"> CHB's preferred position on key elements of development plans, including explanation of requirements under the PDI Act CHB subject matter experts who could assist developers with any enquiries at the pre-planning stage. This could be achieved through collaboration between Development Services and Assets and Delivery teams and other stakeholders.	M	Implemented
Agreed Actions 1. Schedule fortnightly meetings between Development Services and Assets and Delivery teams and other stakeholders for joint review of Performance Assessed Development applications. 2. Where required, schedule follow-up meetings with proponents and developers to articulate best practice outcomes with respect to stormwater management, established tree retention, streetscape enhancement, and heritage character attention.		
Recommendation 7 Review the planning and development information available to the public under the transitional provisions from the Development Act 1993 to the PDI Act. Ensure the limited purpose and applicable timeframe of this Act's information is clearly communicated online and at front-counter.	M	Implemented
Agreed Actions 1. Review and rationalise documentation available to the public both at the front counter and online under the repealed the Development Act 1993 to ensure relevancy. 2. Update information available to the public both at the front counter and online relating to the Planning, Development and Infrastructure Act 2016 to ensure comprehensive suite of documents are available either in whole or as a link to PlanSA updated list.		

Recommendation and Agreed Actions	Risk rating	Audit assessment as at June 2023
<p>Recommendation 11</p> <p>Consider developing a skills matrix for appointment of Council Assessment Panel Members to supplement the Terms of Reference and strengthen the Panel's governance framework. A skills matrix would for example, identify the key desired skillsets relevant to CHB (architecture/heritage/ environmental skillset, accreditation/experience) and can be used to guide recruitment of new members.</p> <p>Agreed Actions</p> <p>1. Developing a skills matrix applying the criteria for selection pursuant to section 83 of the Planning, Development and Infrastructure Act 2016 and sections 9 and 10 of the Council Assessment Panel Operating Procedures for appointment of Council Assessment Panel Members to guide recruitment of new members.</p>	BP	Implemented
<p>Recommendation 12</p> <p>Liaise with the Council Assessment Panel and review whether Assessment Panel Report template could be improved by tailoring to better meet their needs. For example, by including more local context, consultation and analysis discussion, as well as training for report writers regarding the Panel's expectations.</p> <p>Agreed Actions</p> <p>1. Liaise with the Council Assessment Panel and review whether Assessment Panel Report template could be improved by tailoring to better meet their needs.</p> <p>2. Implement revised report template.</p>	BP	Implemented
<p>Recommendation 13</p> <p>Establish a process for a follow-up review in 12 to 18 months, to monitor and ensure that management actions have been effectively implemented to address audit recommendations or that CHB have accepted the risks of not taking action.</p> <p>Agreed Actions</p> <p>1. Establish a process for a follow-up review</p> <p>2. Undertake review</p>	BP	Implemented

Appendix 3. Risk Management Framework

The method of risk assessment used in this review is based on Council's Risk Management Framework.

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 review risks.

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

Risk Consequence

Level	Impact Scale
1	Insignificant
2	Minor
3	Moderate
4	Major
5	Catastrophic

Appendix 4. Documents reviewed

Below is a list of all the documents reviewed during the internal audit process. The results and recommendations within this report consider the analysis and evaluation of these documents:

City of Holdfast Bay documents

- Development Assessment Group – Meeting Notes 04.01.2023
- Development Assessment Group – Meeting Notes 15.03.2023
- Development Assessment Group – Meeting Notes 12.04.2023
- Development Assessment Group – Meeting Notes 20.04.2023
- Council Assessment Panel Report 118/23 – 27.04.2023
- Council Assessment Panel Agenda – 27.04.2023
- Council Assessment Panel Minutes – 27.04.2023
- Town Planning Advisors – Response to Council – 53 Marine Parade Seacliff – 23.01.2023
- Matrix Assessment Guide for Selection of Independent CAP Members 2023
- Instrument D – Instrument of Delegation Under The Planning, Development and Infrastructure Act 2016, Regulations, Planning and Design Code and Practice Directions of Powers of an Assessment Manager – 23.05.2023
- Instrument of Appointment – Michael Gates – Assessment Manager – 09.07.2021
- Delegations – Assessment Manager to Planning Staff – 09.07.2021
- Instrument D – Sub-delegations from Assessment Manager to Staff

Other documentation reviewed included but was not limited to:

- The PDI Act 2016 and Regulations
- Review of the PlanSA Portal
- CAP meeting procedures for the City of West Torrens, City of Marion and City of Burnside.

Appendix 5. Staff members interviewed

A list of all the staff members at CHB that were interviewed during fieldwork in preparation for this report.

Name	Title
Anthony Marroncelli	Manager Development Services
Michael Gates	Development Services Lead
James Mitchell	Manager Engineering
Alexander Stamatopoulos	Development Officer Planning
Karen Peake	Risk & Improvement 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

Audit	Date Report Finalised	Ref	Findings	Recommendation	Risk Rating	Status	Action Owner	Target Completion Date	Action Owner Comments
Budget Management	Mar-22	BM01	2.2 Budget Maturity Assessment. - 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.	We recommend that: Rec. 1 - Review the Maturity Model for Budget Management and consider implementation of improvement plans to further strengthen Council's budget management.	Better Practice	Complete	Manager Finance	30/06/2023	Comment June 2022: To be reviewed once EFOY 2021/22 is completed. <u>Comments September 2022</u> - Budget Maturity model will be reviewed - once 2021/22 is completed <u>Comments March 2023</u> - Review on track for due date <u>Comments June 2023</u> - work progressing to target due date Comments August 2023 - complete
Transport Asset Management	May-22	AM05	2.2 Methodology and mechanisms in place for managing key asset details. - There are appropriate methodologies and mechanisms in place for determining useful life estimates, valuations, condition inspections, depreciation rates and management of significant assets. - There is an opportunity to consider the merits of a 1 July valuation date for financial reporting purposes to reduce workload pressures during the end of year process.	We recommend that: Rec 5: Consider revising the 'as at' date of future revaluations from 30 June to 1 July.	Better Practice	Complete	GM Assets & Delivery	30/06/2023	<u>Comments June 2022</u> Progress in line with audit report <u>Comments September 2022</u> Will be progressed in line with Target Completion Dates <u>Comments March 2023</u> Will be progressed in line with Target Completion Dates <u>Comments June 2023</u> - work progressing to target due date Comments August 2023 - completed year on year, following the condition assessment and valuation of each asset class.

Attachment 4c Internal Audit - Recommendations - Not Yet Implemented

August 2023

Audit	Date Report Finalised	Ref	Findings	Recommendation	Risk Rating	Status	Action Owner	Target Completion Date	Action Owner Comments
Transport Asset Management	May-22	AM06	2.3 Governance and risk management frameworks. - The majority of effectiveness criteria per the IIMM standards have been met. - There is a need to develop an Asset Management Strategy to provide greater cohesiveness of asset management across asset classes, and improve transparency over the prioritisation of strategies for continuous improvement of asset management maturity at an organisational level. - Asset management risks captured within the AMPs would benefit from annual updates to implementation status of treatment plans.	We recommend that; Rec 6: Develop a costed delivery plan for asset management improvement initiatives identified within the Asset Management Plans. Note: the prioritisation of initiatives should be guided by the principals of the Asset Management Strategy.	High	Not Yet Implemented	GM Assets & Delivery	30/06/2024	<u>Comments June 2022</u> Progress in line with Target Completion Dates <u>Comments September 2022</u> Will be progressed in line with Target Completion Dates <u>Comments March 2023</u> Will be progressed in line with Target Completion Dates <u>Comments June 2023</u> - work progressing to target due date Comments August 2023 - work progressing to target due date
		AM08	2.4 Asset Management Systems. - Asset management systems used are fit for purpose. - Opportunities exist to work towards use of advanced system functionality, including thematic GIS mapping and scenario / predictive modelling to guide future decision making.	We recommend that; Rec 8: Investigate the use of thematic GIS mapping to support decision making Note: This is considered a longer-term improvement opportunity, with priority to be considered in the context of other asset management improvement initiatives determined via recommendations 1 and 7.	Better Practice	Not Yet Implemented	GM Assets & Delivery	30/06/2024	<u>Comments June 2022</u> Progress in line with Target Completion Dates <u>Comments September 2022</u> Will be progressed in line with Target Completion Dates <u>Comments March 2023</u> Will be progressed in line with Target Completion Dates <u>Comments June 2023</u> - work progressing to target due date Comments August 2023 - work progressing to target due date
		AM09		We recommend that; Rec 9: Pursue the use of Predictive / Scenario modelling to support long term strategic asset management decisions. Note: This is considered a longer-term improvement opportunity, with priority to be considered in the context of other asset management improvement initiatives determined via recommendations 1 and 7.	Better Practice	Not Yet Implemented	GM Assets & Delivery	30/11/2024	<u>Comments June 2022</u> Progress in line with Target Completion Dates <u>Comments September 2022</u> Will be progressed in line with Target Completion Dates <u>Comments March 2023</u> Will be progressed in line with Target Completion Dates <u>Comments June 2023</u> - work progressing to target due date Comments August 2023 - work progressing to target due date
2022/23 Flood Mitigation	Feb-23	FM01	2.1 Detailed Findings A framework to manage flooding is in place, there's opportunity to review Stormwater Management Plan	We recommend that: Rec. 1: - After updated flood modelling/risk data is received from the State Government, review the Stormwater Management Plan. This can include updated action items/projects for achievement, based on the latest modelling data. Note – this recommendation will be dependent on agreement with the City of Marion and the Stormwater Management Authority.	Low	Not Yet Implemented	Manager Engineering	30/06/2026	<u>Comments June 2023</u> - work not yet commenced Comments August 2023 - not yet commenced
2022/23 Flood Mitigation	Feb-23	FM02	2.2 Detailed Findings A need to stocktake progress in implementing SMP actions	We recommend that: Rec.2: - Conduct a stocktake of progress in implementing projects identified in the Stormwater Management Plan Coastal Catchments between Glenelg and Marino 2014 (SMP) and identify whether: - (i) sufficient action taken against these compared to associated risk. - (ii) whether sufficient financial resources associated to achieve CHB's expected progress in delivering the projects. - (iii) an action plan to ensure more timely progress is required, or - (iv) each project (considering updated flood risk modelling) is still required/considered a risk area. Report results to the Senior Leadership Team.	Medium	Not Yet Implemented	Manager Engineering	31/12/2023	<u>Comments June 2023</u> - work not yet commenced Comments August 2023 - not yet commenced
2022/23 Flood Mitigation	Feb-23	FM03	2.3 Detailed Findings Further encouraging rainwater tank installation/stormwater compliance measures	We recommend that: Re. 3: - Develop a strategy to ensure existing and new rainwater and stormwater detention facilities are installed and maintained correctly. This in line with the Planning, Development and Infrastructure (2016) Act's requirements (as applicable), and CHB's Stormwater Drainage Building and Construction Policy (2020). <u>This may include but is not limited to:</u> (i) - researching/understanding the extent of non-compliance with detention tank installation and risks of non-compliance on stormwater flooding (ii) - confirming that tanks that meet criteria set out in the Code are installed. (iii) - requiring builders to advise owners of their responsibility to install tanks (where applicable). (iv) - offering further incentives associated with tank installation on existing properties (v) - use of education on the importance of installing tanks. (vi) - regular inspection of tank installation and detention installation. (vii) - use of an enforcement/penalty-based approach when tanks / detention are not installed as per approved plans.	Low	Not Yet Implemented	Manager Engineering/ Manager Development Services	30/06/2024	<u>Comments June 2023</u> - work not yet commenced - to be completed in time to inform the FY26/27 budget Comments August 2023 - not yet commenced
2022/23 Flood Mitigation	Feb-23	FM04	2.4 Detailed Findings Coastal 'inundation' management is long term, some need to clarify asset ownership	We recommend that: Rec.4: - Pending confirmation of whether ownership of seawalls rests with CHB or the SA Government, review whether: (i) - seawall assets should be included in the Asset Management Plan. (ii) - ongoing monitoring and maintenance of seawall infrastructure is captured adequately in CHB's asset management system.	Low	Not Yet Implemented	Manager Engineering	30/06/2024	<u>Comments June 2023</u> - work not yet commenced - as part of the AMP update Comments August 2023 - not yet commenced
2022/23 Flood Mitigation	Feb-23	FM05	2.5 Detailed Findings Opportunity for proactive condition assessments and oversight of third parties	We recommend that: Rec.5: - Identify the stormwater drains/assets identified as being at higher risk of failure and use this to prioritise proactive condition assessment of these assets. Captured information can then be used to inform proactive maintenance of stormwater infrastructure going forward.	Medium	Not Yet Implemented	Manager Engineering	30/06/2024	<u>Comments June 2023</u> - work not yet commenced subject to budget Comments August 2023 - not yet commenced

Audit	Date Report Finalised	Ref	Findings	Recommendation	Risk Rating	Status	Action Owner	Target Completion Date	Action Owner Comments
2022/23 Flood Mitigation	Feb-23	FM05	2.5 Detailed findings Opportunity for proactive condition assessments and oversight of third parties	We recommend that: Rec. 6: - Develop an approach, for example via two-way liaison, to obtain assurance that Minda's current management of stormwater is effective. <i>Note: the intent of this recommendation is for CHB to have assurance that it will not be unexpectedly impacted by a failure in stormwater asset controls at Minda. Minda may also benefit from two-way discussion with CHB on this matter. If CHB attempt to open liaison and</i>	Medium	Not Yet Implemented	Manager Engineering/ Manager Development Services	30/06/2024	Comments June 2023 - work not yet commenced Comments August 2023 - not yet commenced
2022/23 Flood Mitigation	Feb-23	FM06	2.6 Detailed Findings Operational maintenance of infrastructure occurs, some minor improvements identified	We recommend that: Rec.7: - Define the maintenance requirements for CHB's Water Sensitive Urban Design (WSUD) assets and plan an approach to ensure these are maintained in line with industry standards.	Low	Not Yet Implemented	Manager Field Services	30/06/2024	Comments June 2023 - work not yet commenced - for implementation in FY 2024/25 budget Comments August 2023 - not yet commenced
2022/23 Flood Mitigation	Feb-23	FM07		We recommend that: Rec. 8: Review the Yarrum Grove maintenance schedule and ensure that Field Services have oversight of these requirements.	Low	Not Yet Implemented	Manager Engineering	30/06/2024	Comments June 2023 - work not yet commenced - connect to the BMS and provide alarms/training for field staff Comments August 2023 - not yet commenced
2022/23 Flood Mitigation	Feb-23	FM08		We recommend that: Rec. 9: - Work to increase clarity around cost management of Gross Pollutant Traps, in particular: (i) - ensure that ongoing maintenance costs are included as part of forward planning for new GPTs, and (ii) - work to clarify cost recovery arrangements for GPT cleaning with the City of Marion.	Low	Not Yet Implemented	Manager Field Services	30/06/2024	Comments June 2023 - work not yet commenced - noted as 'ongoing' - need to clarify Comments August 2023 - not yet commenced
2022/23 Complaints Handling	May-23	CH09	2.7 Detailed Findings Explore whether the council website/RMS portal can be used to lodge customer complaints. Explore whether the council website/RMS portal can be used to lodge customer complaints.	Recommendation 9: Review feedback from other TechOne Councils to explore whether the council website/RMS portal can be used to lodge customer complaints.	Medium	Not Yet Implemented	Manager Customer Experience & Library Services	31/12/2023	Comments August 2023 - not yet commenced

Attachment 5

Attachment 5

Internal Audit Program Year 2: 2023 - 24

*PIR = Post Implementation Review

#	Year Ref:	Timing	Audit Topic	Audit Project Detail	Status	Audit Type			Risk Coverage	Project Sponsor
						System/ Process Audit	P.I.R.*	Financial Controls Review		
1	Year 2	August/ September	Strategic Planning	Review of the organisation's planning framework and strategic planning landscape - Lack of Strategic Alignment - Inability to effectively implement strategic projects	Strategic	✓			11	GM Strategy & Corporate
2	Year 2	October/ November	Procurement And Contracting	Review to include flow/processing of documentation, CoHB & Alwyndor - Poor or ineffective budget development and management	Strategic			✓	16	GM Strategy & Corporate
3	Year 2	February/ March	Asset Management	Review Asset Management - class of assets yet to be confirmed - Insufficient or ineffective Asset Management Planning	Strategic	✓			22	GM Strategy & Corporate
4	Year 2	April/ May	Fraud Detection	Undertake Fraud Detection across Alwyndor - Poor or ineffective budget development and management	Standard			✓	16	GM Strategy & Corporate

Item No: 8.3

Subject: **RISK REPORT**

Date: 16 August 2023

Written By: Risk and Improvement Officer

A/General Manager: Strategy and Corporate, Ms S Wachtel

SUMMARY

A review of the Strategic Risk Register and high operational risks was undertaken in line with ISO31000 (2018), to ensure an accurate reflection of the current risk management position across the business, scoping both business risks and opportunities.

RECOMMENDATION

That the Audit and Risk Committee notes this report.

STRATEGIC PLAN

Statutory compliance

COUNCIL POLICY

Risk Management Policy

STATUTORY PROVISIONS

Not applicable

BACKGROUND

As per the updated ISO31000 (2018) guidelines, both risks and related opportunities were captured and reviewed by the Senior Leadership Team (SLT) whilst using *Our Holdfast 2050+* and supporting business plans for reference.

REPORT

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

A review of risk data for the July to Sept 2023 quarter has not resulted in any movement on the previous quarter.

The resulting Risk Profile Overview (Table 1) and Risk Profile Movement (Table 2) are listed below.

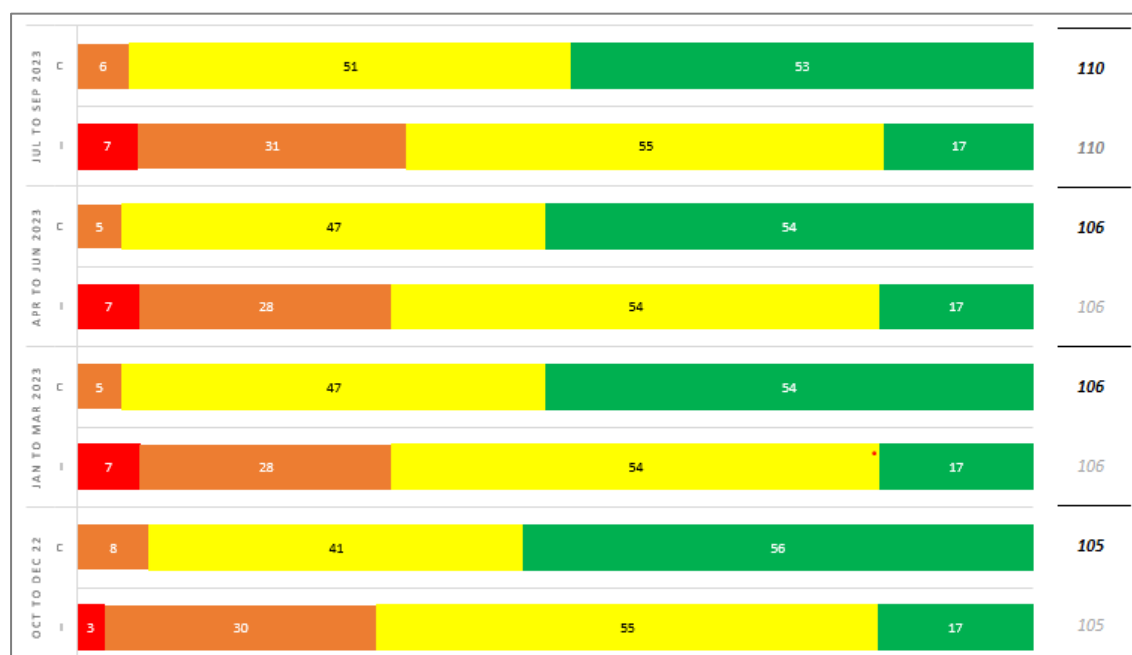
The full register detail for 'Strategic and High-Level Operational Risk' is presented for noting and is attached to this report.

Refer Attachment 1

Table 1: Risk Profile Overview - 12 Months to September 2023.

Period	Oct to Dec 22		Jan to Mar 2023		Apr to Jun 2023		Jul to Sep 2023		Risk Movement current quarter
Risk	I	C	I	C	I	C	I	C	
Extreme	3	0	7	0	7	0	7	0	-
High	30	8	28	5	28	5	31	6	↑
Medium	55	41	54	47	54	47	55	51	↑
Low	17	56	17	54	17	54	17	53	↓
Total	105	105	106	106	106	106	110	110	

Table 2: Risk Profile Movement - 12 Months to September 2023.



Strategic and 'Extreme/High' Rated Operational Risk Reviews

The risks currently rated as high from the strategic and operational risk registers have been reviewed for 2023-24 - Quarter 1 and are summarised in Table 3.

Table 3 – Risks with Current Rating of HIGH – July to September 2023

	I	C	R
Strategic Risk SC01 Inability to respond and recover effectively from disruptive events. <i>Increased national cyber incidents and Councils being perceived as 'soft targets'</i>	E	H	M
Strategic Risk SC07 Inability to effectively implement strategic projects. <i>Continued impact from scarcity factor/escalating prices/contractors/raw materials</i>	E	H	M
Strategic Risk SC09 Ineffective management of legislative/regulatory obligations & ongoing changes <i>Raised uncertainties of new Elected Member body & first year in role</i>	E	H	M
Strategic Risk AD01 Poor or ineffective management of the impacts of climate change <i>Addressed actively at local and metropolitan level - a long-term high risk issue</i>	E	H	M
Operational Risk: AM02 - CONSOLIDATED risks covering 1,2 & 4 years into one Asset Management Plans with high-risk actions to be completed within 1 - 4 years <i>Addressed by Asset Management audit, with AMP actions rounded into one</i>	H	H	M
Operational Risk: MA03 - NEW Failure of work scheduling processes (<i>Field Services</i>) <i>Raised as result of increasing workload, expectation, and service delivery pressures – this will be addressed via a managerial risk review – 2023/24 Q1</i>	H	H	M

New/Emerging Risks

The quarterly review of new and/or emerging risks highlighted the same issues as identified in earlier quarters, with a continued reference to the ongoing hardship faced by staff and community alike. With the current financial uncertainty and sustained period of interest rate increases, there is noted pressure on both individuals and businesses.

The main new/emerging risk areas for the remainder of 2023 include:

- community financial hardship;
- individuals' wellbeing/mental health threats;
- recognised need for community/open spaces and wellbeing services.

Revenue impacts were a hard focus in the budget setting process for 2023-24 and there continues to be consideration for rates relief and businesses impacted by the downturn in the economy and/or supply chain issues.

During the pandemic, managing workforce needs required a range of flexible options, including working from home. This continues to be regularly evaluated as a risk area, with a preference for a flexible and supportive approach, being mindful of the potential for related wellbeing and/or mental health impacts. Definitions of 'normal' in relation to workplaces do look different after the pandemic and the organisation will need to consider this when planning staff accommodation for the future.

It is hoped that with the new financial year and the oncoming summer events season there will be opportunity to create and innovate, resulting in connections with a wider section of our community, and invigorating engagement whilst continuing to deliver routine services.

Through the quarterly review of the operational risk register, amendments were made, including the addition new risks, as follows:

- MA01 - Failure of maintenance planning
- MA02 - Failure of drainage system maintenance
- MA03 - Failure of work scheduling processes (per Table 3)

2023/24

Further maturing of risk management across all areas of service delivery will be undertaken during 2023/24 with the following included on the risk workplan:

- annual review with managers to ensure a risk/opportunity focus on service delivery;
- workshops to review corporate risks and set the risk appetite;
- rollout of the RelianSys risk portal, providing all managers with access to their risk;
- review of the corporate reporting format, to provide a link to strategic risk;
- inclusion of sub registers into the corporate risk management profile, detailing;
 - project management
 - emergency management
 - asset management.

In addition to the above, regular discussions with SLT will continue in order to maintain the register of new and emerging risks and potential opportunities.

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

City of Holdfast & Alwyndor Risk Register - Strategic & High Risk Level													August 2023						
Review Date	Risk ID	Strategic/Operational	Risk Type	Risk Category	Risk Description	Consequences	Risk Manager	Causes	Inherent Risk			Controls	Current Risk			Residual Risk			Additional controls
									Consequence	Likelihood	Risk Rating		Description	Consequence	Likelihood	Risk Rating	Consequence	Likelihood	
March 2023	CE01	Governance, Legal & Compliance	Strategic	Effective Governance	Inability to implement appropriate controls to manage changes to Local Government reform	Legal/ Regulatory/ Policy, People, Financial/ Infrastructure, Reputation	Chief Executive Officer	1. Significant LG changes are ongoing 2. General rate/revenue pressures from State Govt. 3. Dissatisfaction with Boundary Reform process	Major	Possible	High	1.Membership of Local Government Association 2.Qualified /Specialised support staff for CEO office 3.LGRS suite of LG insurances /PSSI 4.Localised partnerships across various levels with neighbouring councils 5.Relevant suite of policies and procedures	Major	Unlikely	Medium	Major	Unlikely	Medium	1.Implement caretaker process during pre-election period 2. Schedule mandatory training for Elected Members post election 3. Review skills/provide training for newly appointed Elected Members.
March 2023	CB01	Poor or ineffective Community Service delivery	Strategic	Community Service	Poor or ineffective Community Service delivery	Service Delivery Financial/ Infrastructure Environmental/Cultural	General Manager Community and Business	1. Significant range of services and increasing demand 2. Decreasing State and Federal services/funding 3. COVID pandemic impacts	Major	Possible	High	1.Policy, procedure & processes 2.Qualified/specialist staff 3.Community Engagement strategies 4.Play Space action plan 5.Website events/activities calendar	Major	Unlikely	Medium	Major	Unlikely	Medium	1.Measure engagement participants per year 2.Monitor no. of new/existing mixed use developments 3.Scope current/potential CHB building usage stats
March 2023	CB02	External Communications	Strategic	Growth and Prosperity	Failure to appropriately engage the broader community and stakeholders	Service Delivery Environmental/Cultural Reputation	General Manager Community and Business	1.Lack of appropriate engagement /informing community 2.Disproportionate vocal minority 3.Inconsistent approach to stakeholder management	Moderate	Possible	Medium	1.Communications Strategy 2030 2.Qualified/specialised staff 3.Policy & procedures for Communications & Engagement 4.Website training programs 5.Regular 1:1 support for project managers	Moderate	Unlikely	Low	Moderate	Rare	Low	1.Implement actions from Stakeholder Management audit 2.Review project management communications/external engagement 3.Review engagement documentation. - with Strategy & Governance
March 2023	CB03	Service Delivery	Strategic	Customer Service	Poor or ineffective customer service delivery	Service Delivery, Reputation, Environmental/Cultural	General Manager Community and Business	1.Lack of customer-centric design 2.Lack of customer focus, especially post COVID 3.Inadequate IT support systems/processes for efficient/effective customer service	Moderate	Likely	High	1.Experienced /qualified customer service staff 2.Cross Council service standards for customer experience 3.Policy & procedures for Communications & Engagement 4.Customer experience strategy 5.Service level performance key measures	Moderate	Unlikely	Medium	Minor	Unlikely	Low	1.Develop a Customer Service Charter/Service Statement. 2.Undertake Customer Experience surveys to reconnect post COVID 3.Review and implement findings as illustrated by survey results
March 2023	CB05	Economic Development	Strategic	Service Delivery	Poor or inadequate Economic Development and Tourism Management	Financial/ Infrastructure, Service Delivery, Environmental/Cultural, Reputation	General Manager Community and Business	1.Outdated Tourism Policy/Plan 2.Lack of Social Inclusion/Access and Inclusion Plan 3.Lack of effective traffic mgt. strategies /transport issues	Major	Possible	High	1.Membership of Regional Tourism Boards 2.Networking with tourism organisations 3.Qualified/experienced staff 4.Tourism Destination Action Plan 5.Regional Destination Action Plan	Major	Unlikely	Medium	Major	Unlikely	Medium	1.Ensure LTFP is updated with economic dev.funding detail 2.Factfind from tourism group activity levels for coming Summer 3.Draft tourism events calendar with COVID 'Plan B' capabilities
March 2023	AL01	Aged Care	Strategic	Community Health and Wellbeing	Inability to sustainably provide aged care services to the community consistent with the requirements of the ACQS.	Legal/ Regulatory/ Policy Service Delivery Financial/ Infrastructure Reputation	General Manager Alwyndor	1.Significant operation with \$20m turnover/250 staff 2.Operates with multiple other Allied Health services 3.Lack of defined/inadequate policies and procedures	Major	Possible	High	1.Onsite management and support from Alwyndor Mgt Board 2.Specialised/trained staff 3.Additional staffing available via contracted services 4.Policies, procedures and processes 5.Aged Care Service standards	Major	Unlikely	Medium	Major	Unlikely	Medium	1.Support services staff review 2.Staff skills audit 3.Benchmark services against lead aged care industry providers
March 2023	SC01	Community Safety	Strategic	Disruptive Events	Inability to respond and recover effectively from disruptive events	Reputation Legal/ Regulatory/ Policy Service Delivery	General Manager Strategy and Governance	1.Cyber Security/hacking 2.Disruptive events 3.Climate change/Environmental factors	Major	Almost Certain	Extreme	1.Crisis and Incident Management Plan 2.Business Continuity Plan 3.Incident Management training 4.Southern Region IM Partnership (CoMa/CoMi/CoO)	Major	Possible	High	Major	Unlikely	Medium	1.Consider feedback/input as part of consultation of new DPTI system 2.Identify member to attend Resilient South Emergency Mgt meetings 3.Review website to ensure Community infopages are updated
March 2023	SC02	Place Making	Strategic	Growth and Prosperity	Poor or ineffective planning systems and processes	Legal/ Regulatory/ Policy Service Delivery Reputation	General Manager Strategy and Governance	1. Planning reform impacts reducing Council's influence 2. Priorities/targets to increase tree coverage impacting on Council planning 3. Loss of knowledge	Major	Likely	Extreme	1.Planning legislation and guidelines 2. Qualified/Specialist staff 3.Effective Planning and Development application process 4.Regulated policies and procedures 5.Assessments sampled/reviewed by supervisor	Moderate	Possible	Medium	Moderate	Unlikely	Medium	1. Implementation of 2021/22 audit recommendations 2. Internal Audit to review Planning reform implementation 3. Review training requirements of team members
March 2023	SC03	Workplace Culture	Strategic	People & Culture (incl. WHS)	Staff, contractor or volunteer death or serious injury OR subject to physical, sexual, emotional or psychological abuse	People Reputation Legal/ Regulatory/ Policy	General Manager Strategy and Governance	1.Physical, sexual, emotional or psychological abuse 2. Unqualified staff 3.Lack of appropriate training	Catastrophic	Possible	High	1.WHS Strategic Plan and Programs 2.Qualified/Specialised staff 3.Regular appraisal systems 4.Skills audits/Training Needs Analysis (TNA) 5.Published training program	Catastrophic	Rare	Medium	Catastrophic	Rare	Medium	1.Support finalisation of 2021/22 EA renewal process 2.Update policy documentation as required 3.Rollout new Fair Treatment procedures at Depot
March 2023	SC04	Governance, Legal & Compliance	Strategic	Innovation and Business Support	Inadequate utilisation of information technology to support service delivery	Service Delivery, Environmental/Cultural, Project, Legal/ Regulatory/ Policy , People	General Manager Strategy and Governance	1.Inadequate approach to data governance/security 2.Failure of significant/SMART city concepts/opportunities 3.Council's needs fail to align with vendor functionality	Major	Likely	Extreme	1.Information Management Governance Committee 2.Secure working practices in line with ISO 27001 Info Security Mgt Systems 3.Networking partnerships with neighbouring/metro Council areas 4.Qualified / Specialised staff 5.Vendor agreements/ preferred contractors for third party services	Moderate	Possible	Medium	Moderate	Possible	Medium	1. Implement 2021/22 Cyber Security audit actions 2. Implement identified user security inc MFA at Council & Alwyndor 3. Review feasibility of resources/deliverables & advise IT Mgt Grp.
March 2023	SC05	Governance, Legal & Compliance	Strategic	Effective Governance	Lack of strategic alignment	Service Delivery, Financial/ Infrastructure, Reputation, Environmental/Cultural	General Manager Strategy and Governance	1.Increased service demands/delivery; need to be agile 2.Low risk appetite for alternative service options 3.Hard to measure performance outcomes vs outputs	Major	Possible	High	1.Experienced/qualified staff overseeing strategy/governance process 2.Membership on LG related Strategic and Governance networks 3.Related policies, procedures and processes 4.Strategic Plan review working group 5.Benchmarking groups - access to key governance data	Moderate	Unlikely	Medium	Moderate	Unlikely	Medium	1. Present strategic overview ('Our Holdfast 2050+etc...') to new EMs 2. Draft and finalise CHB Corporate Plan 3. Review Business Plans to ensure alignment to Corporate Plan
March 2023	SC06	People & Culture (incl. WHS)	Strategic	Workforce Planning	Poor or ineffective workforce planning, including recruitment and retention.	People Legal/ Regulatory/ Policy Reputation Financial/ Infrastructure	General Manager Strategy and Governance	1.Inadequate workforce planning inc post COVID pressures 2.Lack of effective position management 3.Poor and ineffective recruitment decisions	Catastrophic	Possible	High	1.Organisational Development Policy 2.Recruitment and Selection Procedures 3.Background Screening & Reporting Procedures, 4.People & Culture Service Standards, 5.Quality Working Culture Policy,	Major	Rare	Medium	Major	Rare	Medium	1.Support finalisation of 2021/22 EA renewal process 2.Update policy documentation as required 3. Undertake gap analysis across current skills audit data
March 2023	SC07	Service Delivery	Strategic	Project Delivery	Inability to effectively implement strategic projects	Financial/ Infrastructure, Service Delivery, Reputation, Environmental/Cultural	General Manager Strategy and Governance	1.Increased volume and complexity of projects 2. Iguised stakeholder interest in major project outcomes 3.Decentralised approach to project management	Major	Likely	High	1.Project Management Board meetings and oversight 2.Project Management Framework and templates 3.Qualified /specialised staff managing project progress 4.Annual budget management process 5.Grant funding reporting and verification process	Major	Possible	High	Moderate	Unlikely	Medium	1.Enhance project management reporting templates 2.Scope/design group training or online training module 3.Devise training module and/or online module to deliver required detail
March 2023	SC08	Financial	Strategic	Effective Governance	Poor or ineffective budget development and management	Financial/ Infrastructure, Service Delivery, Legal/Regulatory/Policy, Reputation	General Manager Strategy and Governance	1.Lack of zero based budgeting aligned with strategy 2.Insufficient budget for development of new assets 3. Difficult to understand full cost of individual services	Major	Possible	High	1.Qualified/experienced/ specialised staff 2.Financial regulations/ Accounting standards 3.Internal policies, procedures, processes 4.Regular external and internal system audits 5.Budget Setting, Management & Reporting	Major	Unlikely	Medium	Major	Unlikely	Medium	1. Scope & mplement zero based budgetting as required 2. Ensure capital accounting adequately allocated for new assets 3.Ensure inclusion of strategic option/variations in LTFP process
March 2023	SC09	Governance, Legal & Compliance	Strategic	Effective Governance	Poor or ineffective management of legislative and regulatory obligations and ongoing changes	Legal/ Regulatory/ Policy, Service Delivery, Financial/Infrastructure, Reputation	General Manager Strategy and Governance	1.Poor comms. re. legislative/regulatory change 2.Poor comms. re. Aged Care legislative/regulatory change 3.Lack of compliance framework/understanding for risks	Major	Almost Certain	Extreme	1.Reference to LGA 1999 Act & regulations 2.LGA Governance networking group 3.Qualified / experienced staff 4.Compliance Register - Council 5.Governance policy, procedure and processes	Major	Possible	High	Major	Rare	Medium	1. Review and update Compliance Register 2. Draft a Compliance Policy & Framework 3. Provide Compliance training for staff as relevant
March 2023	SC10	Workforce Planning	Strategic	People & Culture (incl. WHS)	Inability of current staff profile to transform the organisation	People, Service Delivery, Legal/ Regulatory/ Policy, Reputation	General Manager Strategy and Governance	1.Lack of innovative/dynamic organisational direction 2.Poor capability/capacity for organisational transformation 3.Lack of skills/training to support staff to build change/agile skills	Major	Possible	High	1.HR policy and procedures 2.Training Needs Analysis (TNA) & corporate training program 3.Organisational structures and skills audits 4.Vacancy Management 5.Succession Planning	Major	Unlikely	Medium	Major	Unlikely	Medium	1.Align strategic plans to organisation structure to ensure capacity 2.Benchmark similar Councils re their strategic planning process 3. Ensure 'key worker' risk/succession planning is updated & mapped.
March 2023	SC11	Workforce Planning	Strategic	People & Culture (incl. WHS)	Prevention of risk or harm to children, young and vulnerable people	People, Service Delivery, Reputation, Environmental/Cultural	General Manager Strategy and Governance	1.'Poor recruitment 2.'Failure to adequately undertake staff checks/ screening. 3. Inadequate level of training	Catastrophic	Likely	Extreme	1.Background Screening & Reporting Procedures 2.Training Needs Analysis (TNA) details training per position. 3.Required training undertaken for existing related postions. 4.Appropriate screening checks undertaken as part of recruitment process.	Major	Rare	Medium	Major	Rare	Medium	1.Undertake TNA reconciliation to skills source docs. 2.Identified staff to acknowledge 'Children & Vulnerable People' req'mts. 3.Ensure required screening checks are undertaken as relevant
March 2023	AD01	Environmental & Coast	Strategic	Environment	Poor or ineffective management of the impacts of climate change	Environmental/Cultural Reputation Financial/ Infrastructure	General Manager Assets and Delivery	1. Lack of focus for environmental/climate change 2. Lack of budget capacity for environmental issues 3. Poor Community engagement on environmental issues	Catastrophic	Likely	Extreme	1.Resilient South Regional Climate Partnership 2.Environment Strategy & Implementation Plan 3.Waste Management Policy inc diversion to recycling & organics 4.Tree Management Policy and Street tree audit 5.Specialist trained staff/externally funded Urban Greening Officer	Catastrophic	Possible	High	Major	Unlikely	Medium	1.Implement Resilient South Local Action Plan 2.Develop Regional Climate Action Plan 3.Develop a carbon neutral plan/strategy to achieve 2030 target
March 2023	AD02	Place Making	Strategic	Growth and Prosperity	Insufficient or ineffective Asset Management Planning	Service Delivery Environmental/Cultural Financial/ Infrastructure Reputation	General Manager Assets and Delivery	1.Insufficient resources/skills/accurate data & cost information, 2.Inadequate level of correct data analysis 3.Lack of commitment by SLT and EMs to drive asset management	Major	Likely	High	1.Place making Strategies guiding future asset investment/design 2. Asset management policy, AMPs and related procedures 3. Capital accounting & Project management programs 4. Specialist/trained staff 5. Regular training to align with legislation	Major	Unlikely	Medium	Major	Unlikely	Medium	1.Asset Management Audit actions 2.Recruit staff to team vacancies 3.Update asset related policies and procedures for 2022/23
March 2023	AD03	Community Safety	Strategic	Emergency Management	Failure to adequately consider Emergency Management planning, preparation, response and recovery	Reputation Legal/ Regulatory/ Policy Service Delivery	General Manager Strategy and Governance	1.Disruptive events 2.Flooding/Heat related emergencies 3.Climate change/Environmental factors	Major	Almost Certain	Extreme	1.Crisis and Incident Management Plan 2.Business Continuity Plan 3.Incident Management training 4.Southern Region Zone Partnership (CoMa/CoMi/CoO)	Major	Unlikely	Medium	Major	Unlikely	Medium	1. Emergency sand bags/flood signage/disaster mgt kits @ depot 2.Member attends Resilient South Emergency Mgt meetings 3.Review website to ensure Community infopages are updated
July 2023	74	Business Impact	Operational CONSOLIDATED	Asset Management	Asset Management Plans with high and very high risk actions with actions to be completed in within 1 year	Service Delivery, Financial/Infrastructure, Reputation, Environmental/Cultural	General Manager Assets and Delivery	1.Inadequate priority planning currently in place 2.Insufficient resources/skills/accurate data & cost information, 3.Inadequate level of correct data analysis	Major	Likely	High	1.Trained teams/specialist staff 2.Adequate vehicles, tools & skills in place 3.Training Needs Analysis (TNA) data base 4.Established maintenance schedule data 5. SOPs/SSAPs/User Reference Documentation	Major	Possible	High	Major	Unlikely	Medium	1. Develop an Internal AMS to inform AMPs. 2. Review survey to inform community LOS as required to inform next AMP. 3. Introduce review timetable via annual updates to the AMP development.
July 2023	109	Field Services	Operational NEW	Service Delivery	Failure of field service teams work scheduling processes	Service Delivery, Environmental/Cultural, Financial/ Infrastructure, Reputation,	General Manager Assets and Delivery	1. High volume of work - job tickets/events 2. Key worker risk re job scheduling system 3. Raised community expectation	Moderate	Almost Certain	High	1.Qualified/specialised staff member 2.Established scheduling tools & communications 3.Established and skilled work teams	Moderate	Likely	High	Moderate	Unlikely	Medium	1.Review skills within Field Services admin team 2.Identify gaps and address them through the TNA and training budget(s) 3.Draft system documentation, noting procedure/process(es)

Item No: 8.4

Subject: **2022/23 ANNUAL REVIEW OF INVESTMENTS**

Date: 16 August 2023

Written By: Manager Finance

A/General Manager: Strategy and Corporate, Ms S Wachtel

SUMMARY

Section 140 of the *Local Government Act 1999* (the Act) requires Council to review the performance of its investments on an annual basis. This report explains the process for investing funds, amount of funds invested during 2022/23 and investment performance against budget for Council's municipal activities.

RECOMMENDATION

That Council receives and notes this report comprising a performance review of 2022/23 municipal investments, as required under Section 140 of the *Local Government Act 1999*.

STRATEGIC PLAN

Not applicable

COUNCIL POLICY

Treasury Management Policy

STATUTORY PROVISIONS

Local Government Act 1999, Sections 139 and 140

BACKGROUND

The Act requires Councils to review the performance of its investments annually. Council invests its funds in accordance with its Treasury Management Policy ensuring funds are preserved and invested within legislative and sound prudential requirements.

Section 139 of the Act details the investment powers of a Council. It requires a Council to exercise care, diligence, and skill in placing and managing investments, while avoiding speculative or hazardous investments. It also stipulates matters to be considered when placing investments including the nature of risk, likely income return, effect of inflation, the costs of making the investment and any anticipated community benefit.

Council's Treasury Management Policy requires all surplus municipal funds to be invested with secure financial institutions with the Local Government Finance Authority (LGFA) being the preferred institution.

REPORT

This report deals with cash investments resulting from the investing of day-to-day surplus funds (operating funds) and specific purpose cash backed reserves.

Investment Policy Framework

Council's investment policy states that the LGFA is the preferred financial institution for municipal cash investments. It is guaranteed by the State and is managed and administered by a Board of Trustees, working for the benefit of councils and other local government bodies within South Australia.

The LGFA offers a special distribution payment which enables it to share its financial success with member councils. It is calculated in relation to the average deposit and loan levels held by the LGFA during the financial year.

Other approved municipal investment types include SA or Commonwealth Government Bonds and interest-bearing deposits or bank bills with a credit rating from Standard & Poor's of not less than A1 for investments up to 12 months and not less than AA- for longer investments.

2022/23 Investment Placement

All of Council municipal cash investments were placed with the LGFA. Due to cash flow requirements and the utilisation of cash advance debentures, no new major fixed-term investment opportunities arose during the financial year. All short-term investments were held with the LGFA due to non-quantifiable factors including transaction processing efficiency and the level of service provision.

LGFA Special Distribution Payments

The Board of Trustees of the LGFA annually determines that a bonus payment be made from surplus funds to councils and prescribed authorities who used the LGFA services. The allocation and amounts are calculated in relation to individual council deposit and debenture loan levels maintained with the LGFA over the financial year. The bonus payments equate to approximately 0.22% per annum on average deposits and loans. Council received a \$37,909.19 bonus payment for Municipal funds in 2022/23.

Cash Backed Reserve Fund Investments

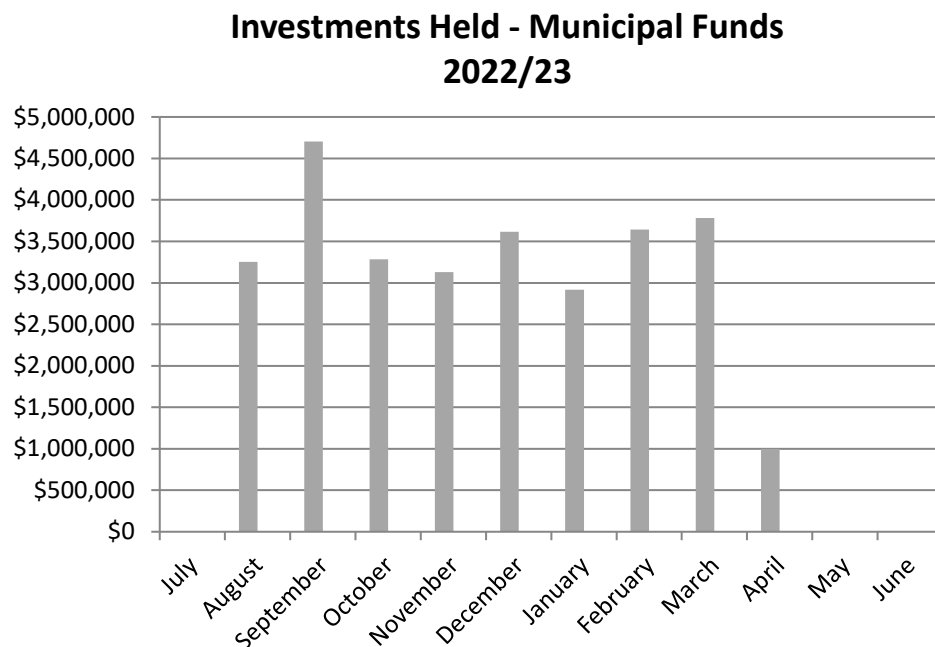
Council's Treasury Management Policy states that cash-backed Municipal reserves will not be maintained unless required by legislation or agreed to with third parties. The reserves that are legally required to be maintained include developer contributions.

2022/23 Overall Budget Result

The original total forecast for investment income was \$20,000 for Municipal operations. The Municipal budget forecasts were increased to \$112,000 due to significantly higher interest rates than anticipated and the impact on cash flow due to the timing of major capital expenditure. The final 2022/23 actual result was \$139,270 for Municipal operations.

Levels of Investment

There were no Municipal invested funds held as at 30 June 2023 compared with \$650,000 as at 30 June 2022. The following chart highlights the level of investments held for Municipal funds during 2022-23. The amounts invested peak when quarterly rates notices are due and upon receipt of significant grants.



Municipal Funds Investment Performance

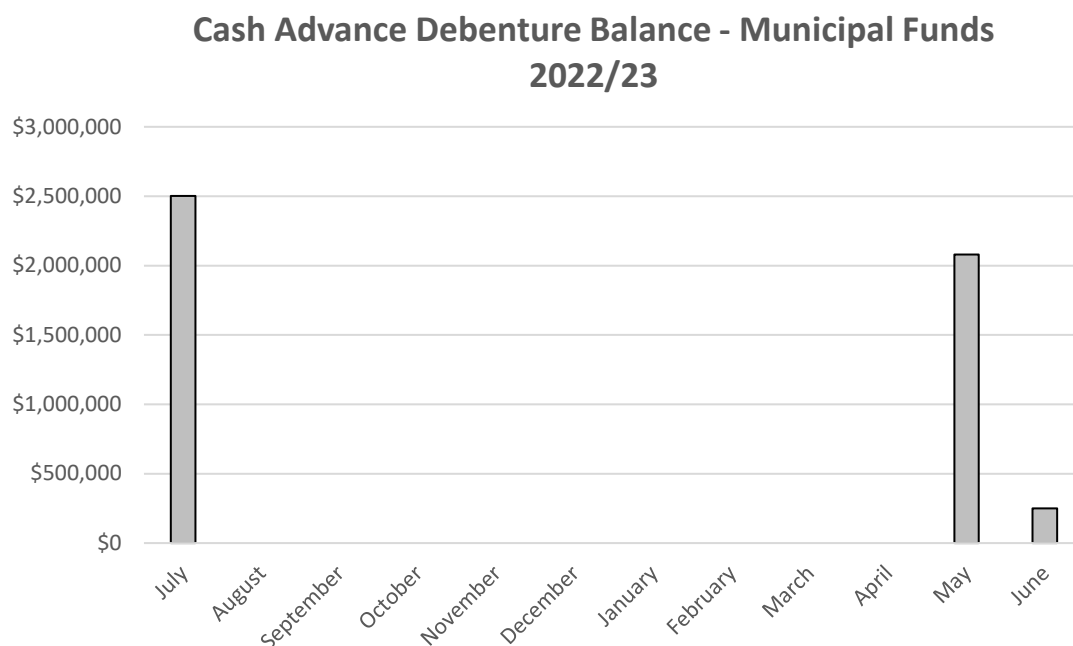
2022/23 Interest rate movements

During 2022/23 official interest rates were significantly increased by the Reserve Bank of Australia (RBA). Over that twelve-month period interest rates were increased on ten occasions from a low of 0.5% in July 2022 to a high of 4.1% in June 2023.

As part of the RBA's strategy to combat high inflation they have increased rates by four percentage points since May 2022. Their aim is to establish a more sustainable balance between supply and demand in the economy but have not yet determined whether this has been achieved, leaving the option open for further increases if deemed necessary.

Cash Advance Debenture movement during 2022/23

During 2022/23 available cash was utilised to meet regular operational cash flow requirements and capital expenditure. The Treasury Management Policy for Municipal funds states that available funds are to be first used to repay debt and to avoid raising new debt. During 2022/23 short-term cash advance debenture (CAD) borrowings were used when temporary cashflows were required, however, there was no funding requirement for new fixed-term borrowings. The CAD draw-down timings reflect these cash flow requirements.



During 2022/23 a total loan principal amount of \$1,073,330 was repaid on fixed term loan borrowings. The total fixed term principal outstanding as at 30 June 2023 is \$13.4m with a weighted average interest rate of 4.06%.

BUDGET

The 2023/24 Municipal investments budget has been set after taking into consideration the Treasury Management Policy, interest rate environment, and surplus operational funds. The original municipal budget has been set at \$72,000.

LIFE CYCLE COSTS

This report deals with 2022/23 investment performance it does not have any full life cycle cost implications.

Item No: 8.5

Subject: **CHANGE IN ACCOUNTING TREATMENT – LIBRARY MATERIALS**

Date: 16 August 2023

Written By: Management Accountant Lead

A/General Manager: Strategy and Corporate, Ms S Wachtel

SUMMARY

This report provides recommendations for changing the Council's accounting treatment for Library materials.

RECOMMENDATION

That the Audit and Risk Committee:

- 1. advises Council it has considered the change in the accounting treatment for Library materials effective 1 July 2022; and**
 - 2. recommends Council endorses the Asset Accounting Policy being updated to exclude library materials.**
-

STRATEGIC PLAN

Statutory compliance

COUNCIL POLICY

Asset Accounting Policy

STATUTORY PROVISIONS

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
AASB 116 Property, Plant and Equipment
Local Government Act 1999

BACKGROUND

In accordance with Council's Asset Accounting Policy and the LGA South Australia Model Financial Statements, Library Materials have been treated as a Collection Asset. The Model Financial Statements defines a Collection Asset as:

‘Certain assets, or components of assets, are made up of collections of many individual items, each of which is individually below any reasonable capitalisation threshold. Examples of such assets are road guideposts and signs, library books and garbage bins.’

With the introduction of the One Card Network system across South Australian libraries, members now have the ability to borrow and return books from any library in the State. This has effectively removed Council’s ability to control the asset as the Library Materials are shared across numerous council libraries. In addition, the composition of this collection of assets has changed over recent years with many more items now provided electronically as e-books, rather than physical copies held in library buildings.

REPORT

As these changes effect both the control and nature of Library Materials, Administration is proposing to change the Asset Accounting Policy and expense all Library materials purchased rather than capitalise. In accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*, the change in accounting policy would need to be applied retrospectively.

The change in accounting policy will be included in Note 1 of the Annual Financial Statements for the year ended 30 June 2023, with retrospective changes also applied to the opening balances for the 2021/22 financial year.

The impact of this change on Council’s General Purpose Financial Statements and approved budget are as follows:

2021/22 restatement

Opening balances

- Carrying amount of Library materials (\$833,000) will be transferred to Accumulated Surplus.
- Opening balance in the Asset Revaluation Reserve for Library materials (\$375,000) will be transferred to Accumulated Surplus.

2021/22 transactions

- Library material capital purchases (\$165,000) will be expensed.
- Depreciation expense for Library materials will be reversed (\$150,000).
- The fair value decrease for Library materials will be reversed (\$21,000).

2022/23 forecasted impact

- Library materials purchased will be expensed and any depreciation posted will be reversed.
- The forecasted impact on the budgeted surplus is a net increase of \$65,000; comprised of savings in depreciation expense (\$150,000) and an increase in Library materials expensed (\$85,000).

2023/24 budget impact

- There will be a net increase in the adopted budget surplus of \$60,000; comprised of savings in depreciation expense (\$150,000) and an increase in Library materials expensed (\$90,000). The change in accounting treatment will be recognised in the first 2023/24 budget review.

Asset Accounting Policy

The scope of the Asset Accounting Policy will be updated to exclude Library materials as these will now be treated as an operating expense. No other changes are required to this Policy at this time and will be reviewed in full in the future.

Accounting Treatment by other Local Councils

As the Model Financial Statements and Australian Accounting Standards allow councils to treat Library materials as Collection Assets the accounting treatment varies from council to council. For information purposes only, below is a summary of the accounting treatment by surrounding councils.

Council	Treatment in 2021/22 Annual Report
City of Charles Sturt	Expensed
City of Marion	Expensed
City of Mitcham	Expensed
City of Onkaparinga	Capitalised
City of West Torrens	Expensed
City of Unley	Expensed

BUDGET

As detailed in this report the change in accounting treatment will be recognised in the 2023/24 budget at the first budget review.

LIFE CYCLE COSTS

The nature and content of this report is such that life cycle costs are not applicable.

Item No: 8.6

Subject: **MUNICIPAL INSURANCE RENEWAL AND CLAIMS REPORT**

Date: 16 August 2023

Written By: Financial Accountant Lead

A/General Manager: Strategy and Corporate, Ms S Wachtel

SUMMARY

This report provides the Audit and Risk Committee with an overview of the annual insurance renewal for 2023/24 and the public liability and asset claims for 2022/23.

City of Holdfast Bay self-insures by contributing to the Local Government Risk Services (LGRS) scheme for coverage of Motor Vehicle and Property Assets as well as Public Liability/Professional Indemnity.

The Finance team has worked with LGRS to review Council's Asset Schedule for 2023/24 insurance renewal. This year saw a rise of 40% in insured infrastructure asset replacement values due mainly to an increase in construction costs which has contributed to an overall rise of 21% in insurance contributions for 2023/24.

An overview of claims lodged in the last 12 months is provided in the report. The Scheme has been supportive in managing the claims and assisting Council with any incidents as they arise.

RECOMMENDATION

That the Audit and Risk Committee notes this report.

STRATEGIC PLAN

Not applicable

COUNCIL POLICY

Risk Management Policy

STATUTORY PROVISIONS

Not applicable

BACKGROUND

Local Government Risk Services (LGRS) have been the specialist risk and insurance providers to Local Government in South Australia since 1989.

Under the banner of the LGRS, the City of Holdfast Bay is provided with a comprehensive range of insurance products including asset protection, civil liability cover, workers compensation, journey insurance, personal accident insurance (for officers and volunteers) as well as income protection (provided to and paid for by Depot employees).

This report focuses on two products:

1. asset cover (property, machinery breakdown, motor vehicle, cyber security and data protection, computer and electronic equipment, crime protection) provided by Local Government Association Asset Mutual Fund (LGAAMF); and
2. public liability cover provided by the Local Government Association Mutual Liability Scheme (LGAMLS) for all sums which the Member shall be legally liable to pay to third parties by reason of civil liabilities arising from and in connection with the Local Government business. Protection is unlimited (subject to the terms of the SA Government Treasurer's Indemnity).

Claims for workers compensation is reported through Work Health and Safety (WHS) reporting and claims submitted under the remaining insurance products are more of a personal nature and not necessarily related to the operations of Council and are therefore not included in this report.

REPORT

Contributions

The Local Government Asset Mutual Liability Scheme (LGAMLS) member questionnaire for the 2023-24 financial year had a focus on the impacts of building prices by factoring in higher costs and demand for materials and labour, and professional services when valuing assets.

Council building assets were recently revalued, however, when reviewing our insurance with a representative of LGAMLS, it was suggested we should also apply a 12.5% increase to other infrastructure assets to ensure these were adequately covered as well.

The revaluation of Council-owned buildings, the addition of newly identified assets, and the 12.5% rise in value of other infrastructure assets has resulted in a 40% increase in the total value of insured infrastructure assets - \$ 187 to \$261 million. Additionally, there has been a recent upsurge in the cost to replace vehicles. As a result, the overall cost for asset protection insurance has increased by 35%, from \$307,149 to \$415,755. However, an amount of approximately \$60,000 will be on-charged to lessees as part of their lease agreements with Council.

The Local Government Association Mutual Liability Scheme (LGAMLS) contributions have increased by 5% from \$358,577 to \$376,506.

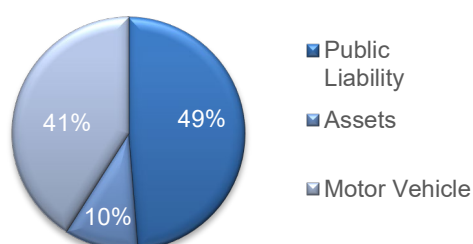
Claims

During 2022/23 there were 55 claims. The majority of these related to public liability, which, except for one claim, were all denied. The Scheme manages and provides legal support for claims, including responding to claimants.

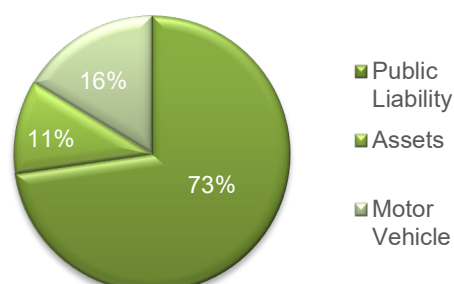
Below is a summary of claims by type over the past two financial years.

Claim Type	2021/2022				2022/2023				Claims Numbers Increase
	No of Claims		Claims Value	Total Cost to CHB	No of Claims		Claims Value	Total Cost to CHB	
Public Liability	19	49%	\$ -	\$ -	40	73%	\$ 3,816	\$ 872	111%
Assets	4	10%	\$ 14,309	\$ 10,000	6	11%	\$ 20,169	\$ 10,000	50%
Motor Vehicle	16	41%	\$ 36,799	\$ 6,500	9	16%	\$ 14,030	\$ 4,397	-44%
TOTAL	39		\$ 51,108	\$ 16,500	55		\$ 38,015	\$ 15,269	41%

2021/2022 Total Claims



2022/2023 Total Claims



BUDGET

A budget of \$655,800 was allocated in 2023/24 for the insurance of Council-owned assets and public liability cover. This is a shortfall of \$76,000 on actual costs so will be amended as part of Council's first budget update in September 2023.

LIFE CYCLE COSTS

There are no life cycle costs associated with this report.