

Audit & Risk Committee Agenda & Reports

10 February 2025

Our Vision

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

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

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au
Socials [f /cityofnpsp](https://www.facebook.com/cityofnpsp) [@cityofnpsp](https://www.instagram.com/cityofnpsp)



City of
Norwood
Payneham
& St Peters

6 February 2025

To all Members of the Audit & Risk Committee

Committee Members

- Mayor Robert Bria (Presiding Member)
- Cr Grant Piggott
- Cr Claire Clutterham
- Ms Stefanie Eldridge (Independent Member)
- Ms Sandra Di Blasio (Independent Member)

Staff

- Mario Barone (Chief Executive Officer)
- Lisa Mara (General Manager, Governance & Civic Affairs)
- Natalia Axenova (Chief Financial Officer)

NOTICE OF MEETING

I wish to advise that pursuant to Sections 87 and 88 of the *Local Government Act 1999*, the next Ordinary Meeting of the Audit & Risk Committee, will be held in the Mayors Parlour, Norwood Town Hall, 175 The Parade, Norwood, on:

Monday 10 February 2025, commencing at 7.00pm

Please advise Lisa Mara on 8366 4549 or email lmara@npsp.sa.gov.au, if you are unable to attend this meeting or will be late.

A light meal will be available from 6.30pm.

Yours faithfully



Mario Barone
CHIEF EXECUTIVE OFFICER

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au
Socials  /cityofnpsp  @cityofnpsp



City of
Norwood
Payneham
& St Peters

1.	CONFIRMATION OF MINUTES OF THE AUDIT & RISK COMMITTEE MEETING HELD ON 18 NOVEMBER 2024	1
2.	PRESIDING MEMBER'S COMMUNICATION	1
3.	QUESTIONS WITHOUT NOTICE	1
4.	QUESTIONS WITH NOTICE	1
5.	WRITTEN NOTICES OF MOTION.....	1
6.	STAFF REPORTS.....	1
6.1	2025-2026 ANNUAL BUSINESS PLAN AND BUDGET OBJECTIVES & PARAMETERS ...	2
6.2	INTERNAL AUDIT REPORT	10
7.	CONFIDENTIAL REPORTS.....	14
8.	OTHER BUSINESS.....	14
9.	NEXT MEETING.....	14
10.	CLOSURE	14

6.1 2025-2026 ANNUAL BUSINESS PLAN AND BUDGET OBJECTIVES & PARAMETERS

REPORT AUTHOR: Chief Finance Officer
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4548
FILE REFERENCE:
ATTACHMENTS: Nil

PURPOSE OF REPORT

The purpose of this report is to advise the Audit & Risk Committee of the process which has been endorsed by the Council regarding the objectives and parameters, which will apply in the development of the draft 2025-2026 Annual Business Plan and Annual Budget.

BACKGROUND

Legislative Requirements

Pursuant to Section 123 of the *Local Government Act 1999* (the Act), each financial year the Council is required to prepare an Annual Business Plan and Annual Budget. The Annual Business Plan and Annual Budget are required to be adopted by the Council after 31 May for the ensuing financial year and except in a case involving extraordinary administrative difficulty, before 31 August for the financial year.

Pursuant to Section 123(2) of the Act and in Regulation 6 of the *Local Government (Financial Management) Regulations 2011* (the Regulations), each Annual Business Plan of a Council must-

- (a) *include a summary of the Council's long-term objectives (as set out in its strategic management plans); and*
- (b) *include an outline of—*
 - (i) *the Council's objectives for the financial year; and*
 - (ii) *the activities that the Council intends to undertake to achieve those objectives; and*
 - (iii) *the measures (financial and non-financial) that the Council intends to use to assess the performance of the Council against its objectives over the financial year; and*
- (c) *assess the financial requirements of the Council for the financial year and, taking those requirements into account, set out a summary of its proposed operating expenditure, capital expenditure and sources of revenue; and*
- (d) *set out the rates structure and policies for the financial year; and*
- (e) *assess the impact of the rates structure and policies on the community based on modelling that has been undertaken or obtained by the Council; and*
- (f) *take into account the Council's Long-Term Financial Plan and relevant issues relating to the management and development of infrastructure and major assets by the Council; and*
- (g) *address or include any other matter prescribed by the Regulations.*

At its meeting held on 20 January 2025, the Council endorsed the objectives and parameters which will apply in the development of the draft 2025-2026 Annual Business Plan and Annual Budget.

This report is to advise the Audit & Risk Committee of the process which has been endorsed by the Council.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council's Strategic Management Plan, *CityPlan 2030: Shaping Our Future*, the Long-term Financial Plan and Whole-of-Life Asset and Infrastructure Management Plans, provide the basis and framework upon which the Council's Annual Business Plan and Budget is based.

FINANCIAL AND BUDGET IMPLICATIONS

The Council's Long-Term Financial Plan, sets out the Council's financial goal as, "A City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner", in short to be financially sustainable.

The Local Government Association of South Australia defines financial sustainability as:

- "A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services."
- The key elements to the definition are
 - ensuring the maintenance of a Council's high priority expenditure programs, both operating and capital;
 - ensuring a reasonable degree of stability and predictability in the overall rate burden; and,
 - promoting a fair sharing in the distribution of Council resources and the attendant taxation between current and future ratepayers.

In simple terms, financial sustainability means positioning the Council so that it can continue to provide quality services, programs and facilities and maintain the Council's infrastructure to a defined service standard, with stable rate increases (removal of sudden increases) and ensuring inter-generational equity.

For the 2025-2026 Financial year, the Council's 2024-2034 Long-Term Financial Plan, projects an Operating Surplus of \$1,647,355 based on a Rate Revenue increase of 8%.

It should be noted that the target Operating Surplus includes Grant Income of \$1,275,294 which is expected to be received in the 2025-2026 Financial Year under the Roads-to-Recovery to be spent on a Capital Road Project(s).

EXTERNAL ECONOMIC IMPLICATIONS

The Annual Business Plan and Budget will have an economic impact on property owners and suppliers of goods and services to the Council, the level of which will be dependent on the final decisions taken in respect to the level of income, and subsequently the Rate increase required to meet proposed expenditure.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Nil.

RISK MANAGEMENT

Financial Management and Annual Business Plan preparation processes are governed by the *Local Government Act 1999* and Regulation 6 of the *Local Government (Financial Management) Regulations 2011*. All budget documentation will need to be prepared in accordance with the relevant statutory requirements.

CONSULTATION

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

DISCUSSION

2025-2026 Annual Business Plan

The Annual Business Plan is the Council's statement of the intended services, programs, facilities and objectives set by the Council for a given financial year. It is based upon the objectives and strategies set out in the Council's Strategic Plan *CityPlan 2030: Shaping Our Future*, the *2024-2034 Long-term Financial Plan* and the *Whole-of-Life Infrastructure and Asset Management Plans*.

The Council's Strategic Plan, *CityPlan 2030: Shaping Our Future*, sets out the Council's Outcomes in respect to Social Equity, Cultural Vitality, Economic Prosperity and Environmental Sustainability, together with objectives and strategies for each Outcome.

Pursuant to Section 123(2) (b) (i), the Annual Business Plan must contain a series of objectives for the financial year. To be effective the annual objectives should be in line with the outcomes contained in the *City Plan 2030: Shaping Our Future* and assist the Council in delivering on the financial outcomes set out in the *Long-Term Financial Plan*.

The following objectives are proposed to be incorporated into the 2025-2026 Annual Business Plan.

Social Equity

An inclusive, connected, accessible and friendly community

- Our cost-effective services are welcoming, inclusive, and socially connected all ages and abilities.
- Our infrastructure assets are maintained and renewed in line with the Council's Whole of Life Infrastructure framework.
- Deliver programs and activities which result in an engaged and participating community.
- Engage disabled, aged, youth and varied cultures in the life of the City through a variety of events and programs.
- Rates are fair and equitable for our residents and ratepayers.

Cultural Vitality

A culturally rich and diverse City, with a strong identity, history and 'sense of place'

- Promote a healthy cultural life and creative expression through the use of public art and events that complement the City's cultural heritage.
- Provide opportunities for the community to contribute to the social and creative life of the City through events, activities, arts and cultural initiatives.

Economic Prosperity

A dynamic and thriving centre for business and services

- Support the development of a prosperous local economy.

Environmental Sustainability

A leader in environmental sustainability

- Ensure urban development undertaken enhances the environmental, social and cultural character of our City.
- Maximise the use of the City's open space by providing a range of active and passive open space recreation opportunities.
- Promote recycling and environmentally sustainable practices throughout the City.
- Consider innovative infrastructure solutions which minimise the impact on the environment.

Organisational Excellence

- Ensure best use of Council resources by innovative, efficient and effective service provision.
- Demonstrate Business Excellence Principles.
- Financially sound organisation.

The assessment of new projects, services, programs and activities will be assessed against both the Annual Business Plan objectives and *City Plan 2030* objectives and strategies.

The 2025-2026 Annual Budget

To ensure that the Council delivers its financial objectives and in accordance with the Council's standard practice, the draft 2025-2026 Annual Budget should be developed with reference to and within the framework of the Long-Term Financial Plan, which, based on the components of the rate revenue increase set out in the Budget and Financial Implications above, sets out a target Operating Surplus of \$1,647,355 for the 2025-2026 Financial Year.

To ensure the Council's financial targets are achieved, the Annual Budget must be set with reference to similar key influences and assumptions. The influences and assumptions relating to external economic conditions and internal policy decisions are set out below.

Key Influences

- maintenance and renewal program for existing infrastructure assets, including roads, footpaths, Council owned properties and open spaces, are consistent with the *Whole-of Life Infrastructure and Asset Management Plans*;
- commitment to major projects which span more than one (1) financial year;
- initiatives and major projects which are undertaken need to contribute to the Vision, strategic direction and the wellbeing of our City as set out in the *CityPlan 2030: Shaping Our Future*;
- previously recognised ongoing operational savings are to be maintained;
- to continue to implement the principles and practices of the Business Excellence Framework (i.e. Continuous Improvement of the organisations procedures and process to ensure the "best value" is achieved);
- prudent financial management to ensure ongoing financial sustainability; and
- decisions will be informed and based on the best available evidence and information at the time.

Key Assumptions

The Annual Budget incorporates three (3) components of the Council Operations, these being:

- Recurrent Income and Expenditure (Recurrent Budget)
- Operating Projects (Operating Projects Budget); and
- Capital Projects (Capital Budget).

Rate Revenue Increases

For the initial review of the draft Recurrent Budget, at this stage, no increase in rate revenue will be taken into account in the analysis. Notwithstanding this, it should be noted, that the financial projections set out in the Council's draft *2024-2034 Long-Term Financial Plan* are based on a Rate Revenue increase of 8.0%.

Maintaining Existing Services at Current Service Standards

The draft Recurrent Budget is proposed to be based on a "*business as usual*" assumption, which means that the Council will continue to provide the existing services, programs and facilities at the current service levels, unless otherwise determined by the Council. This is not to say that the existing services, programs and facilities will be continued to be delivered in the same way. It should be noted that service levels, and the associated budget will be adjusted to reflect ongoing operating cost adjustments resulting from projects completed during the 2024-2025 Financial year.

The "*business as usual*" assumption does not take into account any change in direction or service levels in response to community expectations, legislative requirements, changing economic conditions or any changes which the Council may wish to make. Such changes will be accounted for in the Council's Operating & Capital Projects Budget.

Any costs associated with Payneham Memorial Swimming Centre will be an addition to the Existing Services at Current Service Standards following an approval by the Council.

Cost Escalation

Materials, Contracts and Other Expenses

The Adelaide CPI for the June 2024 Quarter and September 2024 Quarter, was 4.5% and 3.2% respectively. An alternative measure for cost escalation is the Local Government Price Index (LGPI). As the nature of the price movement associated with goods and services consumed by Local Government is different to the goods and services consumed by the 'average household', the LGPI is a reliable and independent measure of the inflationary effect on price changes in the South Australian Local Government sector. The LGPI is similar in nature to the CPI, however it represents the movements of prices associated with the goods and services used by Local Government in South Australia (to deliver services to its community) as opposed to the goods and services consumed by the 'average metropolitan household'. The LGPI considers both recurrent and capital expenditure. The change in the recurrent component from the previous year of the LGPI for South Australia to June 2024, is 4.2% and as at September 2024 is 3.4%.

The State Government recently released the 2024-2025 Mid-year Budget Review, which forecasts the Adelaide CPI of 3.25% for the remainder of 2024-2025, aided by Federal and State Government cost-of-living relief and slowing demand. CPI growth is expected to moderate at 3% in 2025-2026, reflecting the unwinding of the deflationary impact of the cost-of-living relief policies. CPI is then projected to ease gradually by 2026-2027.

Following consideration of both the LGPI and the community's expectation that increases should only move by the forecast CPI, it is recommended that the **maximum** expenditure increase for 2025-2026 across the Materials, Contracts and Other Expenses component of the Budget, be set at 3%, which has been determined with reference to the current movements in the Adelaide CPI and the LGPI Index for recurrent expenditure and in line with the CPI set in the *2024-2034 Long-Term Financial Plan*. It should be noted that this may change as the Budget process progresses.

It should also be noted that in some circumstances, there may be cost increases in excess of the 3% target (i.e. Solid Waste Levy, fuel charges, contractors & consultant costs and materials costs) and in other circumstances, there will be no or minimal cost increases or cost increases below 3%.

Wages and Salaries

Wages and Salaries and other associated employee on-costs will be indexed in line with the current Enterprise Agreements. The *Municipal Officers Enterprise Agreement* (staff covered by the South Australian Municipal Salaried Officers Award) which is currently under review and about to commence renegotiation of a new Agreement and is forecasted at 3.0%, while *The Local Government Workers Enterprise Agreement* (Field and Swimming Centre casual staff) is set at 3.5% from 1 November 2024 to 30 October 2025 and 3% annually thereafter. It should be noted that in-line with the *Superannuation Guarantee (Administration) Act 1992*, superannuation guarantee payments will increase to 12% of eligible earnings from 1 July 2025.

Fees and Charges

Fees and Charges which are not set by legislation, are proposed to be increased by 3.0% or market levels as determined by the review of the Fees and Charges, which will be considered at the Council meeting scheduled for 3 February 2025. The proposed increase is the weighted average of the recommended increase in Material & Contracts and the Wages and Salaries Indexation.

Capital Expenditure

Capital Expenditure relates to the purchasing, building, upgrading and renewing of the Council's assets. Capital Expenditure is funded from depreciation, borrowings and grant funding (where available). For asset renewals the main funding source is depreciation. For new assets and upgrades, the main funding source is borrowings and grant funding. The draft Annual Budget will assume that the Council will borrow to fund new assets and the upgrading of existing assets, with the renewal of assets being funded through depreciation.

The Reserve Bank of Australia retained its cash rate at 4.35% in 2024, keeping borrowing costs unchanged in line with market forecasts. The cash rate is assumed to gradually ease from mid-2025, however, this will depend on factors such as developments in the global economy and financial markets, trends in domestic demand and the outlook for inflation and the labour market. The interest rates on Cash Advance Borrowing remain at 6.15% and new borrowings are forecast to be between 5.58% per annum and 6.01% per annum, depending on the term of the borrowings. The interest rate on investment income is forecast at 4.65% per annum.

New Operating and Capital Projects

The assessment of new projects, both Operating and Capital, which are put forward for consideration, will be based on the objectives contained in *CityPlan 2030: Shaping Our Future*, the Council's Long Term Financial Plan and the Infrastructure and Asset Management Plans and the annual objectives set out above.

All new proposed Projects are to be considered and approved within the constraints of the draft *2024-2034 Long-Term Financial Plan*. New services and "one-off" Operating Projects are funded through Rate Revenue increases, grant funding or by expenditure savings. New Capital Projects will be funded via Grant Funding (if secured), borrowings or cash reserves.

Carry Forward Projects

Where Operating Projects are not completed within budgeted scheduled timeframes, future deficits can eventuate, as the Rate Revenue is raised in the year the project is initially approved. As part of the draft 2025-2026 Budget, the cost to complete the Operating Projects from prior financial years, will be carried forward to the 2025-2026 Financial Year, however the estimate of Carried Forward Projects will be excluded for rate modelling purposes. In this respect, estimates will be based on the 2024-2025 Third Quarter Budget Update, with the associated operational impacts being built into the determination of the 2024-2025 Operating Result.

The draft Recurrent Budget (prior to any increase in Rate Revenue being determined by the Council together with the Operating and Capital Projects) will be presented to Elected Members at a Workshop which is scheduled for 11 March 2025. The draft Recurrent Budget and the Capital and Operating Projects are proposed to be considered by the Council at a Special Council Meeting which is scheduled for 7 April 2025.

Budget Management Principles

As in previous years, the Council needs to exercise “*budget discipline*” if it is to achieve its financial outcomes that are set out in the Annual Business Plan and Budget and Long-Term Financial Plan and continue to achieve and maintain financial sustainability. To date, the approach which has been taken by this Council once the Annual Business Plan and Budget has been adopted, includes:

- no new recurrent operating expenditure or projects approved without being matched by an increase in operating revenue (i.e., Grants/Fee for Service) or a reduction in expenditure, elsewhere within the Council’s operations;
- expenditure over-runs are offset by deferral of discretionary expenditure or expenditure savings elsewhere within the Council’s operations;
- income shortfalls to be matched by operating expenditure savings; and
- no new capital expenditure that requires additional borrowings.

Noting that there may be some urgent issues that require urgent attention however, once the Budget is adopted, these should be the exception rather than the rule.

Budget Timetable

Pursuant to Section 123 of the Act and Regulation 6 of the Regulations, the Council is required to adopt the Annual Business Plan and Annual Budget after 31 May for the ensuing financial year and except in a case involving extraordinary administrative difficulty, before 31 August for the financial year.

As set out in Table 1 below, a proposed budget timetable has been developed to ensure that the Council is in a position to adopt the 2025-2026 Annual Business Plan and Annual Budget at the Council meeting to be held on 1 July 2025. It is important to note that these dates are subject to change if required.

TABLE 1: KEY BUDGET PROCESS ACTIVITIES 2025-2026

Key Steps	Dates
Budget process, parameters and objectives adopted	Monday 20 January 2025 (Council Meeting)
Fees and charges adopted in principle by the Council	Monday 3 February 2025 (Council Meeting)
Budget Workshop with Elected Members	Tuesday 11 March 2025
Budget Council Meeting	Monday 7 April 2024 (Council Meeting)
<ul style="list-style-type: none"> • <i>Recurrent Budget considered</i> • <i>Operating and Capital Projects considered</i> 	
Draft Annual Business Plan considered by the Audit & Risk Committee	Tuesday 14 April 2025
Draft Annual Business Plan, rating model and projects carried forward and Infrastructure Whole of Life endorsed for public consultation	Monday 5 May 2025 (Council Meeting)
Draft Annual Business Plan available for viewing by the public	Friday 9 May 2025
Meeting to receive public submissions on the Annual Business Plan	Monday 26 May 2025
Consideration of public submissions	Tuesday 10 June 2025 (Special Council Meeting)
Adoption of Annual Business Plan and Budget	Monday 7 July 2025 (Council Meeting)

In respect to the community consultation on the Annual Business Plan, a Public Meeting is proposed to be held on Monday, 26 May 2025 to allow members of the community to present their comments and feedback to the Council on the content of the Annual Business Plan and Budget.

The draft 2025-2026 Annual Business Plan and Budget will be presented to the Audit & Risk Committee on 14 April 2025 to provide the Committee with an opportunity to consider and make any recommendations regarding the draft Budget to the Council for the Council’s consideration as part of the final adoption of the Budget.

OPTIONS

Not Applicable.

This report is presented to the Audit & Risk Committee for information purposes only.

CONCLUSION

The development of the 2025-2026 Annual Business Plan and Budget, should form the platform to position the Council to achieve ongoing Financial Sustainability. Financial Sustainability is not a number on the Income Statement, it is a strategy. Therefore, strategies need to be developed that integrate into the Council's planning and are supported by longer term planning, with any future decisions made being consistent with and supporting the strategy.

COMMENTS

Nil.

RECOMMENDATION

That the report be received and noted.

6.2 INTERNAL AUDIT REPORT

REPORT AUTHOR: Manager, Governance
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 8366 4593
FILE REFERENCE: qA162025
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to provide an update on recent activities to assist the Audit & Risk Committee meets its statutory role in relation to the Council's Internal Audit function.

BACKGROUND

The *Statutes Amendment (Local Government Review) Act 2021* (Reform Act) contains the most significant reform to the legislative framework for Local Government since the commencement of the *Local Government Act 1999* (the Act).

Several amendments to the Act (and Regulations), which were contained within the Reform Act, commenced on 30 November 2023. This suite of financial and governance accountability changes to the Act, included mandatory requirements for Council Chief Executive Officers and Council Audit & Risk Committees in relation to the Internal Audit function.

One of the key process improvements which has been undertaken to ensure that these mandatory requirements can continue to be met is the review of the Council's Internal Audit function and associated Internal Audit Plan.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Supporting the Audit & Risk Committee in meeting its legislated purpose, functions and activities, will provide the required independent assurance and advice to the Council.

CONSULTATION

- **Committee Members**
Elected Members receive the Minutes from the Audit & Risk Committee Meetings and consider recommendations made by the Audit & Risk Committee to the Council.
- **Community**
Meetings of the Audit & Risk Committee are open to the public to attend in accordance with the Act. The Committee Meeting documents and Terms of Reference are publicly available on the Council's website.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

Internal Audit Function

Since May 2022, Bentleys (SA) Pty Ltd has been engaged to provide Internal Audit services for the Council. This agreement expires on 31 April 2025, with an option for a further two (2) year extension.

Section 125A(1) of the *Local Government Act 1999* (the Act) states:

The chief executive officer of a council that has an internal audit function must, before appointing a person to be primarily responsible for the internal audit function, or assigning such responsibility to an employee of the council, consult with the relevant audit and risk committee on the appointment or assignment of responsibility.

Responsibility for managing the internal audit program and liaising with Bentleys and therefore the 'person primarily responsible for the internal audit function' is the General Manager, Governance & Civic Affairs.

Primary responsibility for the Internal Audit function to Governance & Civic Affairs enables a better alignment to the role and functions of the Audit & Risk Committee and organisational structure.

Section 126(4)(g)(i) of the Act provides that if the Council has an Internal Audit function, the Committee will provide oversight of the planning and scoping of the Internal Audit Work Plan.

To this end, a copy of the *Internal Audit Plan 2025-2027* (the Internal Audit Plan) is contained in **Attachment A**.

The Internal Audit Plan is based on a Strategic Internal Audit Plan that was previously prepared by Bentleys and presented to the Audit & Risk Committee in November 2023 and is based on the risks identified through the Assurance Mapping process undertaken by Bentleys in September 2022.

As reported to the Committee at the Meeting held on 28 October 2024, the Council is currently participating in the Strategic Risk Management Services program (the Program) with Local Government Risk Services. This Program will assist with better embedding of effective and sustainable risk management principles and processes to assist with strategic and operational planning and decision making.

While the Committee will be provided with regular updates on the implementation of the Program and then quarterly reports on strategic, financial and operational risks, it is expected that the risk management profile of the Council will also be used to inform the future Internal Audit Plan.

As we are in this transition phase, the current Internal Audit Plan has been reviewed with a focus on fundamental aspects of the Council's operation and well recognised risks across Local Government (eg contractor management).

It is proposed that the Internal Audit Plan will be reviewed regularly by the Audit & Risk Committee and adjustments can be made as needed within the resourcing available.

Service Efficiency Review Framework

As part of the review of the Internal Audit Plan which was undertaken with Bentleys, the concept of a *Service Efficiency Review Framework* (SERF) was raised. This high-level assessment of existing Council services, including their purpose (ie, legislated, strategic, community benefit etc.) and resource allocation, is an ideal foundational piece of work that can be used in multiple ways across the organisation, including in the identification of Internal Audit and Service Review opportunities, as well as planning and budgeting conversations within the Council and with the community.

It is intended that the SERF will provide a robust, structured approach to optimising service delivery, ensuring accountability, and improving overall efficiency. Having a comprehensive SERF aligned with the Council's strategic goals will:

- provide a framework that underpins service delivery to assist Council apply the following key principles of Section 8 of the *Local Government Act 1999* which include:
 - to ensure that Council's resources are used fairly, effectively and efficiently and Council services, facilities and programs are provided effectively and efficiently;
 - to provide services, facilities and programs that are adequate and appropriate and seek to ensure equitable access to its services, facilities and programs;
 - to balance the provision of services, facilities and programs with the financial impact of the provision of those services, facilities and programs on ratepayers; and
 - to ensure the sustainability of the council's long-term financial performance and position;
- provide a consistent base for reviewing service efficiency to support the vast array of services provided and facilitated by the Council; and
- Assist with discussions with key stakeholders on levels of service provision and budgeting for delivery.

The Chief Executive Officer has approved undertaking the SERF with Bentleys, with the intention it will be completed by April 2025. To support the delivery of the SERF in this time, only one (1) Internal Audit has been scheduled before the completion of this financial year (ie. 30 June 2025).

Internal Audit Reports and Actions

Section 125A(2) and 126(4)(g)(i)(B) of the Act, require the Committee to review any Internal Audit Reports prepared which has been occurring to date.

While there has been no Internal Audit undertaken in this financial year to date, the last review undertaken by Bentleys in April 2024 related to the implementation of strategy. Staff are currently reviewing the draft report to determine what is required in terms of finalising the report.

Section 126(4)(c) of the Act requires the Committee to monitor the responsiveness of the Council to recommendations for improvement based on previous audits. As per the Committee's Work Plan which was adopted at the Audit & Risk Committee Meeting held on 28 October 2024, this monitoring will be facilitated through a report to the February and July meetings to show the progress of actions.

The process of compiling the Internal Audit Actions arising from the last three (3) years has commenced to enable this ongoing review and as it was not able to be presented to the February 2025 Meeting, it will be presented to the April 2025 Meeting.

OPTIONS

Not Applicable.

CONCLUSION

The recommendations made in this report assist the Committee to meet their legislative role in terms of internal audit.

COMMENTS

Nil

RECOMMENDATION

The Audit & Risk Committee notes:

1. The assignment of the primary responsibility of the Council's Internal Audit Function to the General Manager, Governance & Civic Affairs, which meets the requirement for consultation required by Section 125A of the *Local Government Act 1999*.
2. That the Audit & Risk Committee endorses the *2025-2027 Internal Audit Plan*, as contained in Attachment A.

Attachment A

Internal Audit Report



Audit project	Line ¹	High-level scope	Proposed timing	Est. hours
Business continuity management	3 rd	<p>The objective of the audit is to assess the adequacy of the Council's practices and procedures to manage business continuity in line with the relevant legislation and standards and identify opportunities for improvement.</p> <p>Specifically, the following areas are considered:</p> <ul style="list-style-type: none"> • Determination of adequacy of the overarching framework and management structure relating to the Council and application post COVID • Providing assurance that the continuity risks and recovery priorities identified for individual processes and services reflect an organisation-wide perspective and can be met • Determination of appropriate processes are in place for regular updates and testing of continuity plans and risk treatments • Determination of the effectiveness of ongoing reporting on key performance indicators that measure the success or otherwise of Council arrangements and identify areas for improvement. 	FY25	80 hours
Contractor Management	3 rd	<p>Review of contractor management to identify and assess the efficiency and effectiveness of the following and provide any recommendations for improvement:</p> <ul style="list-style-type: none"> • Induction and orientation of contractors • Work, Health and Safety certification, briefing, and monitoring • Quality and performance monitoring and actions • Management and Reporting of Contractors to project sponsors • Issues management. 	FY26 - early	70 hours
ICT Disaster Recovery Plan (DRP)	3 rd	<p>The audit will review the IT DRP documentation to assess its adequacy and effectiveness. The audit will also focus on any other gaps or lessons learnt, including further preparations that may be required relating to future waves, as well as providing recommendations for improving the IT DRP going forward.</p> <p>This is a desktop review of the IT DRP documentation. This audit will be guided by the relevant ISO 24762:2008 Guidelines for Information and Communications Technology Disaster Recovery Services.</p> <p>Our approach will involve:</p> <ul style="list-style-type: none"> • Benchmarking the Council's IT DRP documentation against the relevant International Standards to identify any gaps where relevant, with consideration given to Council's practical situation, such as size, maturity, and resources, including the following areas: <ul style="list-style-type: none"> ○ Alignment to the IT Strategy and the Organisational Strategy ○ Key roles and responsibilities of the Incident Management Team in instances of ICT disruptions ○ ICT critical asset and associate risk analysis 	FY26 - mid	50 hours

¹ Refer to Appendix 1: Three Lines Model.

Audit project	Line ¹	High-level scope	Proposed timing	Est. hours
		<ul style="list-style-type: none"> ○ Processes and procedures to protect, provide continuity and recover from ICT disruptions ○ Evaluation and testing of ICT protective, redundancy, and disaster recovery measures ○ Training and education • Review of relevant documentation and conducting interviews to identify any gaps between the IT DRP and practice in place • Making recommendations where relevant. <p><i>Out of scope:</i></p> <ul style="list-style-type: none"> • Business Continuity Plan. 		
Procurement and contract management review	2 nd	<p>The objective of this review is to consider the overall efficiency and effectiveness of the procure to pay system including technology, people, and processes implemented by the Council.</p> <p>The specific scope of the review will include the following:</p> <ul style="list-style-type: none"> • Consider whether the procurement management framework in place ensures value-for-money, transparency, and equity in relation to the procurement practices • Compare internal controls delivered and the associated risks mitigated • Use data analytics over the procurement data sets, including vendor accounts and supplier validity, authorisations within delegation limits, duplicated invoices, splitting of purchase orders, and segregation of duties • Select samples to assess the level of compliance with procurement requirements as specified in the policy and guidelines, as well as benchmark against the better industry practices • Where relevant, assess the system for its effectiveness and improvement opportunities. 	FY26 - late	70 hours
Regulatory Services	3 rd	<p>The objective of this internal audit project will be to consider the effectiveness of the function of the Regulatory Services, including the relevant systems, procedures and processes. The following will be included:</p> <ul style="list-style-type: none"> • Compliance level with the relevant legislation • Currency of the Instrument of Delegation to Authorised Person / Authorised Officer • Policies and procedures are formally documented and implemented to ensure the responsibilities are fulfilled, e.g. in expiation, on street parking, removal and impounding vehicles management • CRM is used to effectively track complaints and response • Animal management, including safe dog handling. 	FY27	70 hours

Appendix 1: Three Lines Model

Review of the assurance map in September 2022, including the development of a Strategic Internal Audit Plan, was based on the Institute of Internal Auditors’ (IIA’s) Three Lines Model presented below:

Figure 1: The IIA’s Three Lines Model

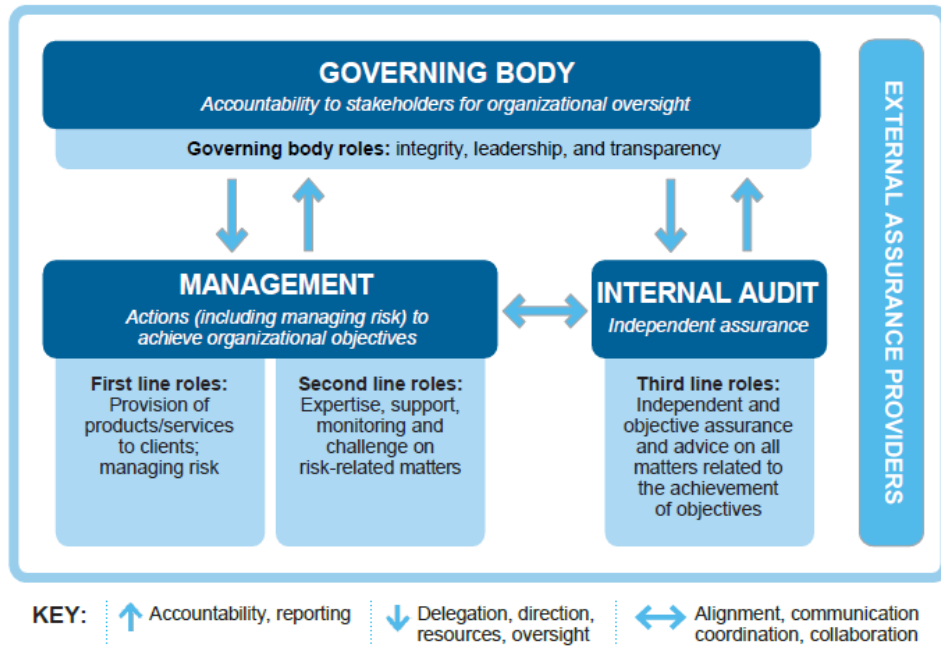


Table 1: The 3 Lines of Defence – explained

	Source	Brief descriptions	Examples
1 st Line	Direct Management	It has a real-time focus and examples include direct management (process owners) monitoring with day-to-day operational activities.	Local management controls, policies and procedures, frameworks, Council programs and plans, etc.
2 nd Line	Corporate Oversight	It centres on risk oversight and involves some degree of real-time activity, with a mandate to review First Line activities.	Committee oversight, cross-divisional review/assessment, Elected Member/Council reviews.
3 rd Line	Independent Assurance	It evaluates the adequacy and effectiveness of both First Line and Second Line risk management approaches. Typically, External Audit is not part of the Third Line; however, we will consider the work performed by the External Auditor in reviewing controls to form their control opinion when considering areas of the Council covered by the Control Track.	Internal Audit, External Audit, and External Inspectorate.

7. CONFIDENTIAL REPORTS
Nil

8. OTHER BUSINESS
(Of an urgent nature only)

9. NEXT MEETING
Monday 14 April 2025

10. CLOSURE