

MUNICIPAL COUNCIL OF ROXBY DOWNS

Richardson Place
PO Box 124
Roxby Downs SA 5725

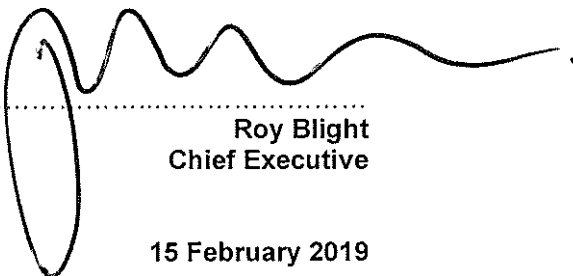
Phone 08 8671 0010
Email: roxby@roxbycouncil.com.au
Web: www.roxbydowns.sa.gov.au

ABN: 68 284 130 046

NOTICE OF AUDIT COMMITTEE MEETING

Notice is hereby given that our **AUDIT COMMITTEE MEETING** will be held in the Boardroom, LGFA Suite 1205, 147 Pirie Street, Adelaide on **FRIDAY 22 FEBRUARY 2019** commencing at **12:30 PM**.

A copy of the Agenda for the above meeting is attached to this notice.



.....
Roy Blight
Chief Executive
15 February 2019

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AGENDA

	MUNICIPAL COUNCIL OF ROXBY DOWNS
Meeting	Audit Committee Meeting
Meeting Date & Time	Friday 22 February 2019 at 12.30pm
Location	Boardroom, LGFA Suite 1205, 147 Pirie Street, Adelaide

1. Opening Statement

I wish to acknowledge the Kaurna peoples, the traditional owners of the land on which we meet today and pay my respect to their Elders past and present and extend that respect to other Aboriginal and Torres Strait Islander people who are present today.

2. In Attendance

3. Conflict of Interest

Any declarations

4. Confirmation of Minutes of the Previous Meeting

That the Minutes of the Audit Committee Meeting held on 7 December 2018 be confirmed as a true and accurate record of proceedings. Page 3

5. Chief Executive's Report

6. Written Reports

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7. Next Meeting

The next Audit Committee Meeting is scheduled for 17 May 2019 at 10.0am – Boardroom, Municipal Council of Roxby Downs, 6-10 Richardson Place Roxby Downs SA 5725, (unless advertised otherwise, by notice on the Council's website).

8. Closure

MUNICIPAL COUNCIL OF ROXBY DOWNS

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MINUTES

	MUNICIPAL COUNCIL OF ROXBY DOWNS
Meeting	Audit Committee Meeting
Meeting Date & Time	Friday 7 December 2018 at 2:00pm
Location	Boardroom, Local Government Finance Authority, Suite 1205, 147 Pirie Street, Adelaide SA 5000
Present	David Powell (Chair), Trevor Starr, Rosina Hislop
In Attendance	Geoff Whitbread (Administrator), Drew Ellis (Group Manager Corporate Services) Roy Blight (Chief Executive), Saying Toh (Financial Accountant) by phone linkup
Apologies	Nil

1. Opening Statement

The meeting commenced at 2:00pm.

Mr Powell acknowledged the Kaurna peoples, the traditional owners of the land on which we meet today and paid respect to their Elders past and present and extended that respect to other Aboriginal and Torres Strait Islander people who may be present today.

2. In Attendance

David Powell (Chair), Trevor Starr, Rosina Hislop
Geoff Whitbread (Administrator), Drew Ellis (Group Manager Corporate Services)
Roy Blight (Chief Executive), Saying Toh (Financial Accountant) by phone linkup

3. Conflict of Interest

No member declared a conflict of interest.

4. Confirmation of Minutes of the Previous Meeting

Moved: R. Hislop

That the Minutes of the Audit Committee Meeting held on 9 November 2018 be confirmed as a true and accurate record of proceedings.

Seconded: T. Starr

Carried

5. Chief Executive Report

Moved: R. Hislop

That the report by the Chief Executive be received and noted.

Seconded: T. Starr

Carried

6. Written Reports

6.1 Financial Results 2017-2018

Moved: R. Hislop

That the Audit Committee receive the report and recommends the Council consider the report for adoption.

Seconded: T. Starr

Carried

6.2 Review of Procurement Policy

Moved: R. Hislop

The Audit Committee refer the policy back to the Council with comments around:

- 1. Probity Officer*
- 2. Preferred Supplier*
- 3. Unsolicited Bids*

Seconded: T. Starr

Carried

7. Next Meeting

The next Audit Committee Meeting is scheduled for 22 February 2019 at 12:30pm - Boardroom, Local Government Finance Authority, Suite 1205, 147 Pirie Street Adelaide SA 5000, (unless advised otherwise, by notice on the Council's website).

8. Closure

The meeting closed at 3.05 pm.

.....
David Powell
Chairperson
22 February 2019

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REPORT FOR AUDIT COMMITTEE MEETING

Meeting Date	22 February 2019
Title of Report	Second Quarter Budget Review

1. Purpose

To consider a review of Council's 2018/2019 budget performance and associated matters.

2. Recommendation

That the Audit Committee receives and notes the report.

3. Background

Council is required by legislation to review its budget on four occasions each financial year.

4. Discussion

A review of the budget against 31 December 2018 actuals was undertaken. The financial statements attached to this report show the adopted budget, the budget inclusive of the recommended changes (Review 2) and the actuals as at 31 December 2018.

The overall picture (ie total budget vs total actuals YTD) shows that operations are generally found to be well within budget parameters.

The impact of the recommended changes on the budget can be summarised as follow:

Operating budget:

	After 2 nd Qtr Review	After 1 st Qtr Review	Movement
Total Income	17,402K	\$17,229K	Increased by \$173K
Total Expenses	(\$17,078K)	(\$17,103K)	Reduced by \$25K
Operating Surplus	\$324K	\$126K	Increased by \$198K

Capital budget:

	After 2 nd Qtr Review	After 1 st Qtr Review	Movement
Total Income	\$1,665K	\$1,760K	Reduced by \$95K
Total Expenditure	(\$4,198K)	(\$4,071K)	Increased by \$127K
Surplus/ (Deficit)	(\$2,533K)	(\$2,311K)	Reduced by \$222K

How is budget tracking after second quarter?

The review looked at how various income sources were looking against budget after the second quarter. The main comments/observations are:

Rates

There was a net reduction in Rates income of \$100K. One of the adjustments was related to valuation appeals of \$57K. This was a retrospective adjustment impacting 2018/19 and 2017/18 by \$28K each year.

The budget was also adjusted by \$43K to reflect claimable rebates for capital value increases above 5%. This rebate was approved and finalised in the Rate Modelling process but was not reflected in the budget due to timing issue.

Statutory charges

This income is mainly made up of dogs and cats registration, which year to date actuals are in line with budget.

User charges – power, water and sewerage charges

Second quarter results indicated that income from power and water sales are on track to achieve their budgeted income for the full year. These charges are subject to seasonal demand patterns (ie charges peak in third quarter) and will therefore be reviewed in the next quarter to ensure budgeted amount reflects the actuals.

User charges - Links

Café Income has been stronger than expected for year to date. Although the Café Income had already been adjusted up as part of the first quarter budget review (\$500K to \$550K), it has been adjusted up again as part of the second quarter review (\$550K to \$592K).

Functions Income has also been stronger than expected, principally due to BHP-related functions. The budget has been adjusted (\$66K to \$175K) to better reflect actuals.

Grants, subsidies and contributions

Net increment in budget of \$20K was primarily contributed by the recognition of Roads to Recovery grant of \$57K and additional sports grant of \$10k. This is offset against lower than budgeted Financial Assistant Grant of \$50K (\$137K to \$87K).

Investment income

The higher than expected investment income (interest earned on deposits) has been reflected in an adjustment to the budget (\$40K to \$122K). The increase was related to an active investment in term deposits of excess cash throughout the year.

Other income

Within this category, income related to the Services SA contract is exceeding budget expectations resulting in \$20K increase in budget. The main factor is the new fee structure introduced in late 2018.

Employee cost

Employee related expenses, on an overall basis, was in line with budget. Adjustment on this balance was related to fringe benefit tax which was reduced by \$53K (\$72K to \$20K) to more accurately reflect the year to date expense.

Materials, contracts & other expenses

There has been an adjustment to the operating expense accounts related to Functions (by \$30K) and Café (by \$28K) at Roxbylink. The increases in the budget were commensurate with the adjustments to the income related to those activities. There was also an underspent on the Links building maintenance which led to budget reduction of \$32K.

Purchase of power & water (within materials, contracts & other expenses)

YTD actuals were in line with budget, however were distorted somewhat by the timing of purchase invoices for both power and water purchases. A more 'indicative' picture should emerge after the third quarter.

Asset disposal and fair value adjustments

An \$8K loss on disposal of assets has arisen from the sale of Council's bobcat and tipper truck which was unbudgeted.

Capital projects

Capital expenditure adjustment was mainly related to stadium roof project which was budgeted for in 2017/18 but incurred in 2018/19. The budget was therefore increased by \$127K to show the overspend in this financial year.

The following table summarises the adjustments that are now sought as a result of this review:

Item	Account	Account Type <i>Income (I)</i> <i>Expenditure (E)</i> <i>Capital (C)</i>	Comments	Impact on Surplus \$'000
Operating				
10110010	Municipal General Rates	I	Revaluation resulting from valuation appeals.	(57)
10110020	General Rates Rebates	I	Rates rebate approved and finalised in the Rate Modelling process but was not reflected in the budget due to timing.	(43)
14111010	Grants Commission Road Grants	I	Recognition of Roads to Recovery grant (\$58K) and Regional Transport Relief Funds (\$3K).	60
10111010	Grants Commission General	I	Adjustment to reflect actual amount to be received for 2018/19 of \$87K.	(50)
10112070	Service SA Income	I	Higher than budgeted due to new fee structure.	20
11110095	Sports Income	I	Adjustment to reflect actual amount received of \$35K.	10
10113010	Investment Income	I	Higher use of term deposit.	82
12110020	Functions Income	I	Reflect higher than expected sales.	109
12210020	Functions Operating	E	Additional expenditure in line with higher sales achieved.	(30)
12110040	Café Income	I	Reflect higher than expected sales.	42
12210040	Café Operating	E	Additional expenditure in line with higher sales achieved.	(28)
13211015	Leisure Centre Building Operating	E	Planned projects on leisure building no longer going ahead.	32
10222140	Fringe Benefits Tax	E	Lower than budgeted due to FY18 refund.	53
10210040	Office Furniture Maintenance	E	Maintenance contract not budgeted for.	(2)
Net Change in Operating Surplus				198
Capital				
10112080	Loss on Disposal of Assets	E	Loss on sale of vehicle which was unbudgeted for.	(8)
10311100	Footpath Capital Grants	C	Emu Walk grant of \$201K was removed as it was incorrectly reflected in the budget when the amount has been received in 2016/17. This is offset against grant received on Kokatha signage (\$95K).	(106)
10311110	Parks & Gardens Capital Grants	C	\$50k asset received at no cost reflects donation of Kalta sculpture to commemorate 30 years anniversary.	50
10311140	Roads & Streets Capital Grants	C	Budgeted Supplementary Local Road Funding was reallocated to grants income.	(39)

10410060	Off Furniture & Equip Renewal	C	Purchase of equipment folder unbudgeted for.	(10)
10410010	Off Building Capital	C	Relates to reception upgrade budgeted in 2017/18 but incurred in 2018/19.	(21)
13410010	Leisure Centre Building Capital	C	Relates to stadium roof project budgeted in 2017/18 but incurred in 2018/19.	(127)
13410030	Leisure Centre Parks & Gardens Capital	C	Recognise Kalta sculpture (\$50K) as an asset, offset by planned air-conditioner replacement not going ahead (\$30K).	(20)
13415020	Recreation Capital New	C	Budgeted lawn mower acquisition occurred in 2017/18.	59
Net change in net Capital				(222)

Impact on cashflow of above budget changes

In terms of cashflow over the full year, the above budget changes should lead to a reduction in the year end cash balance of \$16K compared to the first quarter budget. The loss on sale of vehicle of \$8K had no cash flow impact.

5. Policy Implications

5.1 Financial/Budget

As detailed above.

5.2 Resources

Nil

5.3 Legal and Risk Management

Nil

6. Report Consultation

Chief Executive
Financial Accountant

7. Attachments

Second Quarter Budget Review

8. Report Authorisers

Drew Ellis
Group Manager Corporate Services

COUNCIL - CONSOLIDATED	2018/2019 Adopted Budget \$'000	2018/2019 Review 1 Budget \$'000	2018/2019 Review 2 Budget \$'000	2018/2019 YTD Actuals December \$'000
Statement of Comprehensive Income				
Income				
Rates	5,473	5,473	5,373	5,368
Statutory charges	44	44	44	28
User charges	10,652	10,702	10,853	5,676
Grants subsidies and contributions	191	223	243	135
Municipal deficit funding	600	600	600	300
Investment income	40	40	122	50
Reimbursements	0	0	0	0
Other income	165	147	167	51
Total Income	17,165	17,229	17,402	11,608
Expenses				
Employee costs	-4,695	-4,633	-4,580	-2,233
Materials contracts & other expenses	-9,181	-9,285	-9,313	-3,996
Finance Costs	-14	-14	-14	-1
Depreciation amortisation & impairment	-3,171	-3,171	-3,171	-1,592
Share of profit - equity accounted Council businesses	0	0	0	0
Total Expenses	-17,061	-17,103	-17,078	-7,822
OPERATING SURPLUS / (DEFICIT)	104	126	324	3,786
Municipal Distribution	0	0	0	0
Adjusted Net Surplus / (Deficit)	104	126	324	3,786
Asset disposal and fair value adjustments	0	0	-8	-8
Physical Resources Received Free of Charge	0	0	50	50
Amounts specifically for new or upgraded assets	1,760	1,760	1,615	95
NET SURPLUS / (DEFICIT)	1,864	1,886	1,981	3,923
transferred to Equity Statement				
Other Comprehensive Income				
Transfer Between Reserves	0	0	0	0
TOTAL COMPREHENSIVE INCOME	1,864	1,886	1,981	3,923

COUNCIL - CONSOLIDATED	2018/2019 Adopted Budget \$'000	2018/2019 Review 1 Budget \$'000	2018/2019 Review 2 Budget \$'000	2018/2019 YTD Actuals December \$'000
Statement of Financial Position				
ASSETS				
Current Assets				
Cash & cash equivalents	4,810	4,649	8,154	9,682
Trade & other receivables	3,336	3,336	3,336	5,640
Inventories	21	21	21	30
Total Current Assets	8,167	8,006	11,511	15,352
Non-Current Assets				
Infrastructure, property, plant & equipment	119,779	119,962	120,801	119,007
Total Non-Current Assets	119,779	119,962	120,801	119,007
Total Assets	127,946	127,968	132,312	134,359
LIABILITIES				
Current Liabilities				
Trades & other payables	-1,325	-1,325	-1,325	-1,214
Provisions	-259	-259	-259	-527
Total Current Liabilities	-1,584	-1,584	-1,584	-1,741
Non-Current Liabilities				
Non-current provisions	0	0	0	-56
Other non-current liabilities	-1,230	-1,230	-1,230	-1,122
Total Non-Current Liabilities	-1,230	-1,230	-1,230	-1,178
Total Liabilities	-2,814	-2,814	-2,814	-2,919
NET ASSETS	125,132	125,154	129,498	131,440
EQUITY				
Accumulated Surplus	25,683	25,705	28,213	30,155
Asset Revaluation Reserve	99,449	99,449	101,285	101,285
TOTAL EQUITY	125,132	125,154	129,498	131,440

COUNCIL - CONSOLIDATED	2018/2019 Adopted Budget \$'000	2018/2019 Review 1 Budget \$'000	2018/2019 Review 2 Budget \$'000	2018/2019 YTD Actuals December \$'000
Statement of Changes in Equity				
ACCUMULATED SURPLUS				
Balance at end of previous reporting period - AS	23,819	23,819	26,232	26,232
Net result for year	1,864	1,886	1,981	3,923
Balance at end of period	25,683	25,705	28,213	30,155
ASSET REVALUATION RESERVE				
Balance at end of previous reporting period - ARR	99,449	99,449	101,285	101,285
Gain on revaluation of infrastructure, property plant & equipment	0	0	0	0
Transfer to accumulated surplus on sale of infrastructure, property, plant & equipment	0	0	0	0
Balance at end of period	99,449	99,449	101,285	101,285
TOTAL EQUITY AT END OF REPORTING PERIOD	125,132	125,154	129,498	131,440

COUNCIL - CONSOLIDATED	2018/2019 Adopted Budget \$'000	2018/2019 Review 1 Budget \$'000	2018/2019 Review 2 Budget \$'000	2018/2019 YTD Actuals December \$'000
Statement of Cash Flows				
CASH FLOWS FROM OPERATING ACTIVITIES				
<u>Receipts</u>				
Rates - general and other	5,473	5,473	5,373	5,368
Fees and other charges	44	44	44	28
User charges receipts	10,652	10,702	10,853	5,676
Grants utilised for operating purposes	191	223	243	135
Municipal deficit funding receipts	600	600	600	300
Investment receipts	40	40	122	50
Reimbursement receipts	0	0	0	0
Other revenues receipts	165	147	167	51
Changes in Net Assets	0	0	0	-2,361
<u>Payments</u>				
Employee costs payments	-4,695	-4,633	-4,580	-2,233
Materials, contracts & other payments	-9,181	-9,285	-9,313	-3,996
Finance payments	-14	-14	-14	-1
Net Cash provided by (or used in) Operating Activities	3,275	3,297	3,495	3,017
CASH FLOWS FROM INVESTING ACTIVITIES				
<u>Receipts</u>				
Amounts specifically for new or upgraded assets	1,760	1,760	1,665	95
<u>Payments</u>				
Expenditure on renewal/replacement of assets	-2,666	-2,849	-3,027	-499
Expenditure on new/upgraded assets	-1,222	-1,222	-1,163	-115
Net Cash provided (or used in) Investing Activities	-2,128	-2,311	-2,525	-519
CASH FLOWS FROM FINANCING ACTIVITIES				
<u>Receipts</u>				
<u>Payments</u>				
Net Cash provided by (or used in) Financing Activities	0	0	0	0
Net Increase / (Decrease) in cash	1,147	986	970	2,498
Cash & equivalents at beginning of period	3,663	3,663	7,184	7,184
Cash & equivalents at end of period	4,810	4,649	8,154	9,682

COUNCIL - CONSOLIDATED	2018/2019 Adopted Budget \$'000	2018/2019 Review 1 Budget \$'000	2018/2019 Review 2 Budget \$'000	2018/2019 YTD Actuals December \$'000
Uniform Presentation of Finances				
Income	17,165	17,229	17,402	11,608
<i>less Expenses</i>	-17,061	-17,103	-17,078	-7,822
Operating Surplus / (Deficit)	104	126	324	3,786
<i>less Net Outlays on Existing Assets</i>				
Capital Expenditure on renewal & replacement of existing assets	2,666	2,849	3,027	499
<i>less Depreciation amortisation & impairment</i>	-3,171	-3,171	-3,171	-1,592
<i>less Proceeds from sale of replaced assets</i>	0	0	0	0
	-505	-322	-144	-1,093
<i>less Net outlays on New and Upgraded Assets</i>				
Capital Expenditure on new or upgraded assets	1,222	1,222	1,163	115
<i>less Amounts received specifically for new & upgraded</i>	-1,760	-1,760	-1,665	-95
<i>less Proceeds from sale of surplus assets</i>	0	0	0	0
	-538	-538	-502	20
Net Lending / (Borrowing) for Financial Year	1,147	986	970	4,859
Statutory Financial Indicators				
Operating Surplus Ratio	0.6%	0.7%	1.9%	32.6%
<i>Being the operating surplus (deficit) as a percentage of</i>				
Net Financial Liabilities Ratio	-31%	-30%	-50%	-107%
<i>Being the net financial liabilities / total operating revenue</i>				
Asset Sustainability Ratio	100%	100%	100%	18%
<i>Capital expenses on renewal/ replacement assets less sale of replaced assets divided by Infrastructure Asset Management Plan required expenditure</i>				

MUNICIPAL (COMBINED MUNICIPAL & ROXBYPOLICE)	2018/2019 Adopted Budget \$'000	2018/2019 Review 1 Budget \$'000	2018/2019 Review 2 Budget \$'000	2018/2019 YTD Actuals December \$'000
Statement of Comprehensive Income				
Income				
Rates	5,473	5,473	5,373	5,368
Statutory charges	44	44	44	28
User charges	1,546	1,596	1,747	999
Grants subsidies and contributions	192	224	244	136
Municipal deficit funding	600	600	600	300
Investment income	40	40	122	50
Reimbursements	0	0	0	0
Other income	165	147	167	51
Share of loss - equity accounted Council businesses	0	0	0	0
Total Income	8,060	8,124	8,297	6,932
Expenses				
Employee costs	-4,354	-4,291	-4,239	-2,011
Materials contracts & other expenses	-5,028	-5,022	-5,050	-2,592
Finance Costs	0	0	0	0
Depreciation amortisation & impairment	-1,726	-1,726	-1,726	-917
Total Expenses	-11,108	-11,039	-11,015	-5,520
OPERATING SURPLUS / (DEFICIT)	-3,048	-2,915	-2,718	1,412
Municipal Distribution	1,050	1,050	1,050	0
Adjusted Net Surplus / (Deficit)	-1,998	-1,865	-1,668	1,412
Asset disposal and fair value adjustments	0	0	-8	-8
Physical Resources Received Free of Charge	0	0	0	50
Amounts specifically for new or upgraded assets	1,760	1,760	1,665	95
NET SURPLUS / (DEFICIT)	-238	-105	-11	1,549
transferred to Equity Statement				
Other Comprehensive Income				
Transfer Between Reserves	0	0	0	0
TOTAL COMPREHENSIVE INCOME	-238	-105	-11	1,549
Uniform Presentation of Finances				
Income	8,060	8,124	8,297	6,932
plus Municipal Distribution	1,050	1,050	1,050	0
less Expenses	-11,108	-11,039	-11,015	-5,520
Operating Surplus / (Deficit)	-1,998	-1,865	-1,668	1,412
less Net Outlays on Existing Assets				
Capital Expenditure on renewal & replacement of existing assets	2,666	2,805	2,983	499
less Depreciation amortisation & impairment	-1,726	-1,726	-1,726	-917
less Proceeds from sale of replaced assets	0	0	0	-8
	940	1,079	1,257	-426
less Net outlays on New and Upgraded Assets				
Capital Expenditure on new or upgraded assets	888	888	829	100
less Amounts received specifically for new & upgraded assets	-1,760	-1,760	-1,665	-95
less Proceeds from sale of surplus assets	0	0	0	0
	-872	-872	-836	5

ROXBY POWER	2018/2019 Adopted Budget \$'000	2018/2019 Review 1 Budget \$'000	2018/2019 Review 2 Budget \$'000	2018/2019 YTD Actuals December \$'000
Statement of Comprehensive Income				
Income				
Rates	0	0	0	0
Statutory charges	0	0	0	0
User charges	4,431	4,431	4,431	2,205
Grants subsidies and contributions	0	0	0	0
Municipal deficit funding	0	0	0	0
Investment income	0	0	0	0
Reimbursements	0	0	0	0
Other income	0	0	0	0
Total Income	4,431	4,431	4,431	2,205
Expenses				
Employee costs	-174	-174	-174	-116
Materials contracts & other expenses	-2,361	-2,441	-2,441	-819
Finance Costs	-14	-14	-14	-1
Depreciation amortisation & impairment	-815	-815	-815	-385
Total Expenses	-3,364	-3,444	-3,444	-1,321
OPERATING SURPLUS / (DEFICIT)	1,067	987	987	884
Municipal Distribution	0	0	0	0
Adjusted Net Surplus / (Deficit)	1,067	987	987	884
Asset disposal and fair value adjustments	0	0	0	0
Physical Resources Received Free of Charge	0	0	0	0
Amounts specifically for new or upgraded assets	0	0	0	0
NET SURPLUS / (DEFICIT)	1,067	987	987	884
transferred to Equity Statement				
Other Comprehensive Income				
Transfer Between Reserves	0	0	0	0
TOTAL COMPREHENSIVE INCOME	1,067	987	987	884
Uniform Presentation of Finances				
Income	4,431	4,431	4,431	2,205
plus Municipal Distribution	0	0	0	0
less Expenses	-3,364	-3,444	-3,444	-1,321
Operating Surplus / (Deficit)	1,067	987	987	884
less Net Outlays on Existing Assets				
Capital Expenditure on renewal & replacement of existing assets	0	44	44	0
less Depreciation amortisation & impairment	-815	-815	-815	-385
less Proceeds from sale of replaced assets	0	0	0	0
	-815	-771	-771	-385
less Net outlays on New and Upgraded Assets				
Capital Expenditure on new or upgraded assets	66	66	66	7
less Amounts received specifically for new & upgraded assets	0	0	0	0
less Proceeds from sale of surplus assets	0	0	0	0
	66	66	66	7

ROXBY WATER & SEWERAGE

	2018/2019 Adopted Budget \$'000	2018/2019 Review 1 Budget \$'000	2018/2019 Review 2 Budget \$'000	2018/2019 YTD Actuals December \$'000
Statement of Comprehensive Income				
Income				
Rates	0	0	0	0
Statutory charges	0	0	0	0
User charges	4,675	4,675	4,675	2,472
Grants subsidies and contributions	0	0	0	0
Municipal deficit funding	0	0	0	0
Investment income	0	0	0	0
Reimbursements	0	0	0	0
Other income	0	0	0	0
Total Income	4,675	4,675	4,675	2,472
Expenses				
Employee costs	-167	-167	-167	-106
Materials contracts & other expenses	-1,791	-1,821	-1,821	-584
Finance Costs	0	0	0	0
Depreciation amortisation & impairment	-629	-629	-629	-290
Total Expenses	-2,587	-2,617	-2,617	-980
OPERATING SURPLUS / (DEFICIT)	2,088	2,058	2,058	1,492
Municipal Distribution	-1,050	-1,050	-1,050	0
Adjusted Net Surplus / (Deficit)	1,038	1,008	1,008	1,492
Asset disposal and fair value adjustments	0	0	0	0
Physical Resources Received Free of Charge	0	0	0	0
Amounts specifically for new or upgraded assets	0	0	0	0
NET SURPLUS / (DEFICIT)	1,038	1,008	1,008	1,492
transferred to Equity Statement				
Other Comprehensive Income				
Transfer Between Reserves	0	0	0	0
TOTAL COMPREHENSIVE INCOME	1,038	1,008	1,008	1,492
Uniform Presentation of Finances				
Income	4,675	4,675	4,675	2,472
plus Municipal Distribution	-1,050	-1,050	-1,050	0
less Expenses	-2,587	-2,617	-2,617	-980
Operating Surplus / (Deficit)	1,038	1,008	1,008	1,492
less Net Outlays on Existing Assets				
Capital Expenditure on renewal & replacement of existing assets	0	0	0	0
less Depreciation amortisation & impairment	-629	-629	-629	-290
less Proceeds from sale of replaced assets	0	0	0	0
	-629	-629	-629	-290
less Net outlays on New and Upgraded Assets				
Capital Expenditure on new or upgraded assets	268	268	268	8
less Amounts received specifically for new & upgraded assets	0	0	0	0
less Proceeds from sale of surplus assets	0	0	0	0
	268	268	268	8

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Richardson Place
PO Box 124
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REPORT FOR AUDIT COMMITTEE MEETING

Meeting Date 22 February 2019

Title of Report Financial Performance ending December 2018

1. Purpose

To consider a review of Council's Financial Performance ending December 2018, including a review of the power and water aged debtors.

2. Recommendation

That the Audit Committee notes the Report on Financial Performance ending December 2018.

3. Background

A review was undertaken on Council financial performance for the period ending December 2018, including a review of the power and water aged debtors.

4. Discussion

1) Council's December 2018 Financial Performance

A review was undertaken on the key accounts (based on materiality) of each business unit – Municipal, Power, Water and Links by comparing the December YTD actuals against budget review 1.

2) Aged debtors

Council's three most significant income sources (in terms of value) relate to Municipal Rates, Electricity and Water sales, with the power and water income streams being most susceptible to credit risk. This is reflected in the receivables balance as at June 2018, where power and water debtors both exceeded \$1M, compared to rates debtor of \$300K.

In order to mitigate the risk of bad debts on power and water debtors, we reviewed the aging category of power and water debtors and ensured that actions have been taken to address any long outstanding debt.

5. Policy Implications

5.1 Financial/Budget

As detailed above.

5.2 Resources

Nil

5.3 Legal and Risk Management

Effective debtor management mitigates the risk of bad debts and insufficient cashflow for operations.

6. Report Consultation

Chief Executive
Financial Accountant

7. Attachments

December 2018 Management report
December 2018 Aged Power Debtors
December 2018 Aged Water Debtors

8. Report Authorisers

Drew Ellis
Group Manager Corporate Services

December Management Report

Table below shows the December 18 YTD result for each BU (in \$'000):

	Municipal	Links	Power	Water consol
Income	5,907	1,025	2,205	2,472
Expenses	(3,608)	(1,912)	(1,321)	(980)
Dec YTD operating surplus/ (deficit)	2,299	(887)	884	1,492
Dec YTD budgeted operating surplus/ (deficit)*	1,140	(3,005)	987	1,008
Variance to budget	1,159 (102%)	2,118 (70%)	-103 (-10%)	484 (48%)

* Budgeted balance is based on budget review 1.

All +ve variances are favourable to budget, while –ve variances are unfavourable to budget.

December YTD overview:

December YTD consolidated operating surplus has outperformed budget by \$3.7M. This is predominantly driven by Link's higher level of activities across all operations, especially in café and functions. Delay in the timing of budgeted projects/ expenditures has also contributed to the positive overall result as the unspent balances are expected to be incurred in second half of FY19.

The main driver on Water outperforming budget was due to a higher than budgeted water consumption; while higher than budgeted power operating expenses has led to a slightly underperformed Power compare to budget.

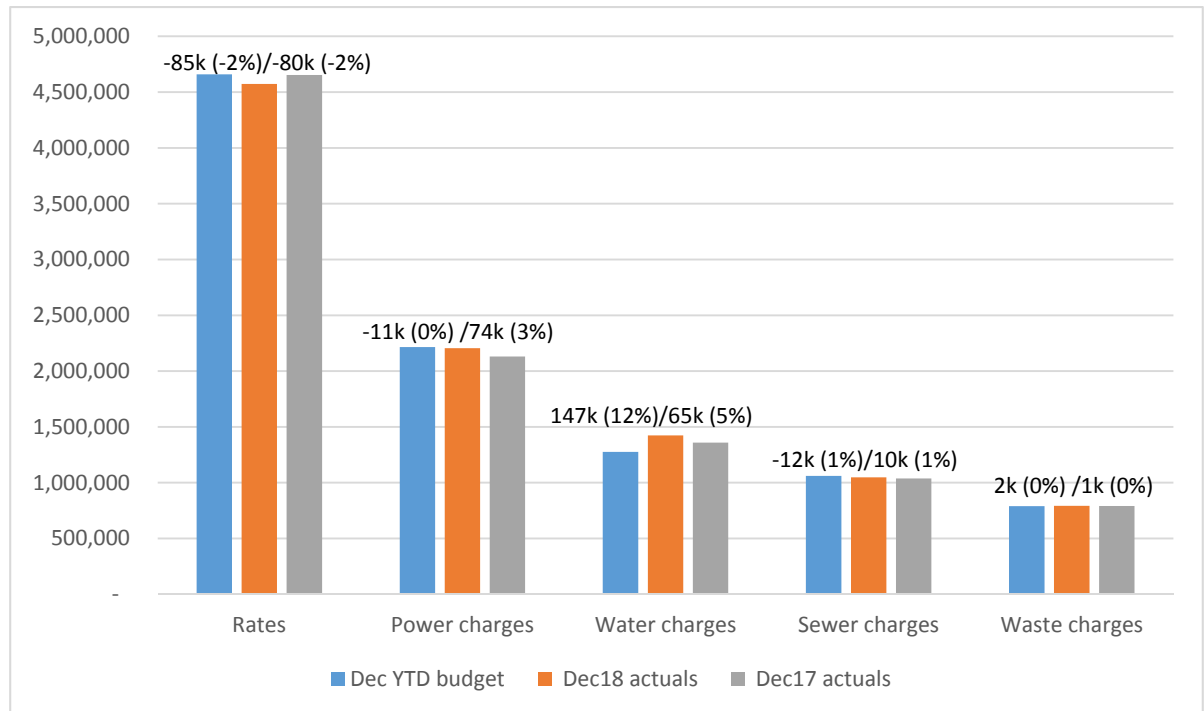
The second quarter budget review has been undertaken to more accurately reflect the forecast 2019 full year performance.

Procedure:

We review each BU in further details on its key account: rates/ user charges, grants, employee expenses and materials, contractors and other expenses. Comment is provided on significant variances, i.e. variance to budget greater than 10% **and** \$10k.

Result:**1) BU – Municipal, power and water****a. Rates and user charges – favourable to budget by \$41k (0%)**

In addition to comparison between actual and budget, we have also compare rates and user charges (power, water and sewer) to Dec 17 YTD actuals to reflect the seasonality nature of these accounts.



FY19 Dec YTD actual vs budget: Higher than budgeted water income of \$147k (due to higher than budgeted water consumption) was offset against lower rates income (due to additional 5% rate rebates unbudgeted and impact on VG revaluation on a commercial property).

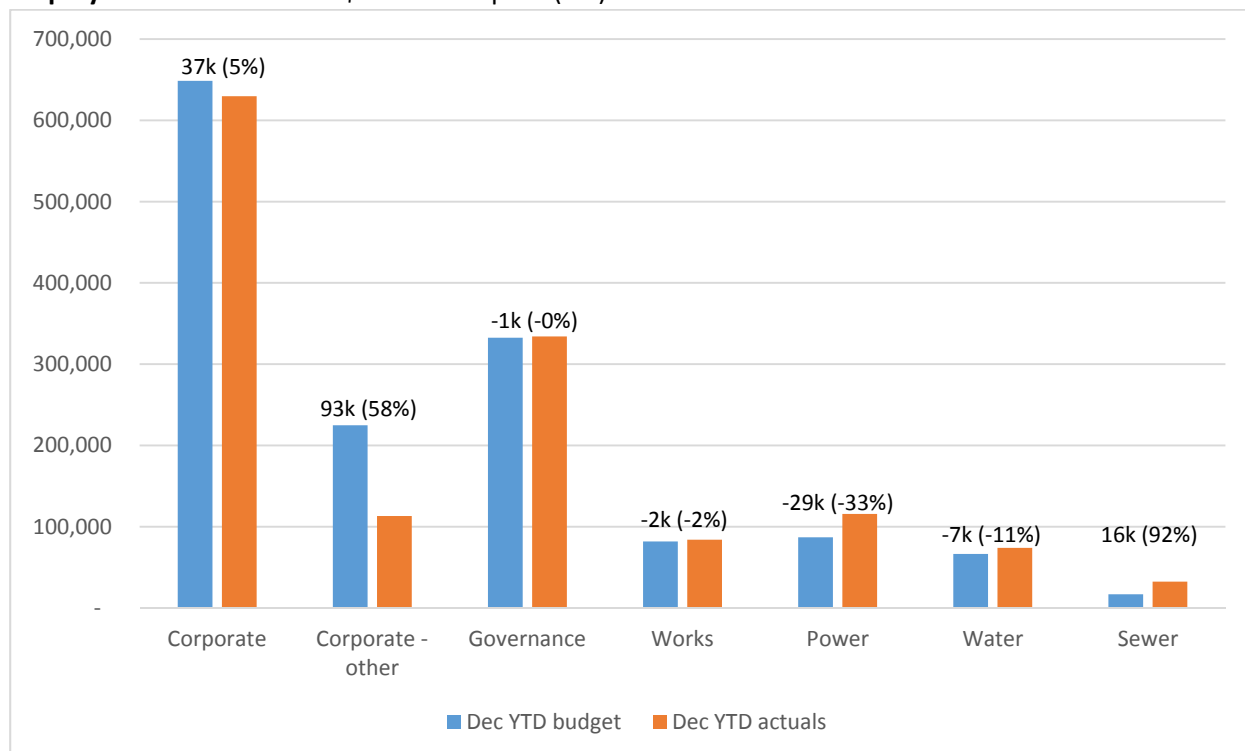
FY19 vs FY18 December YTD: As shown in the graph below, rates and user charges are generally in line with Dec17 YTD balances, with variances <5%. Rates income are lower by \$80k due to the same aforementioned reasons.

b. Grants and MDF

We reviewed each individual grants against budget:

- MDF: received \$300k to date (from State). Balance in line with budget.
- Financial assistance grant (FAG): 2nd quarter budget will be reduced by \$50k (to \$87k) to reflect actual amount to be received.
- Other grants: second quarter budget has been revised to reflect Supplementary Local Roads Program of \$32k (received), Roads to Recovery of \$57k (yet to receive) and sports income grant of \$30k (received).

c. **Employee cost - favourable \$75k underspent (5%)**



Corporate: Underspending of \$37k was mainly contributed by:

Acc no	Acc description	Variance to budget	Comments
10222060	Public holidays	63k	With public holidays coming up in the next 2 quarters, this will be reviewed as part of the third quarter budget review.
10222211 and 10223011	S&W – WHS and IT	33k	Budgeted expenditure not yet incur – delay in asset management officer (IT) who will start in Feb/Mar 2019. Also budgeted hours for staff to be involved in WHS not yet incur.
10222040	Long service leave	-30k	Driven by unbudgeted payout on leavers.
50017110	S&W – meter reading	-13k	FY19 is the first full year where Council staff undertakes meter reading – this will be reviewed as part of the third quarter budget review.

Corporate – other: This balance relates to non-salaries & wages account, such as FBT, workers compensation and staff training. Underspending of \$93k was mainly contributed by:

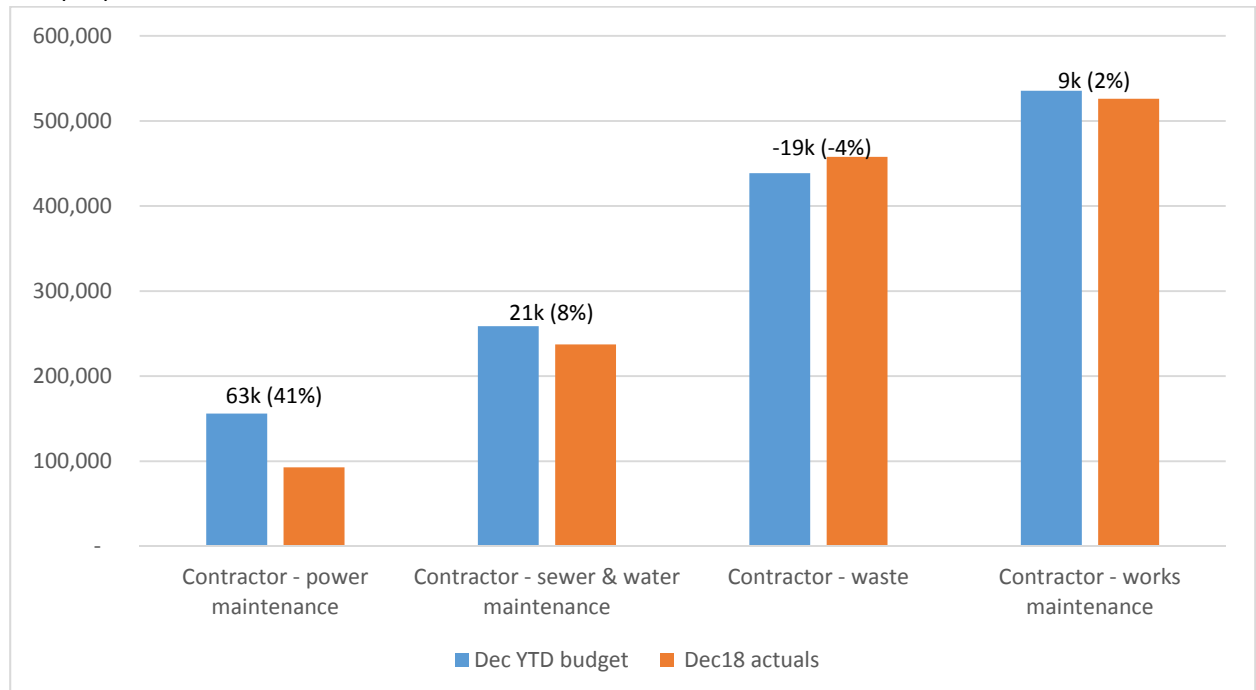
Acc no	Acc description	Variance to budget	Comments
10222140	FBT	60k	FY18 refund recognised in FY19 of \$46k.
10221010	Workers compensation	19k	Due to timing of expense (first quarter was recognised in FY18) and \$6k WC bonus from LGA.

Power – Overspending of \$28k was contributed by power outage in November 2018 resulted in additional hours worked to restore power.

Sewer – Overspending of \$29k was predominantly contributed by frequent call outs and maintenance were attended to on pump station H. This issue was resolved in Sept/Oct 18 where salaries expense was seen to reduce compared to prior months (acc 40214011).

- d. **Materials, contractors and other expenses** - favourable \$401k (11%) underspent
This analysis is split between contractor costs, operating and consultants, and power and water purchases as shown below.

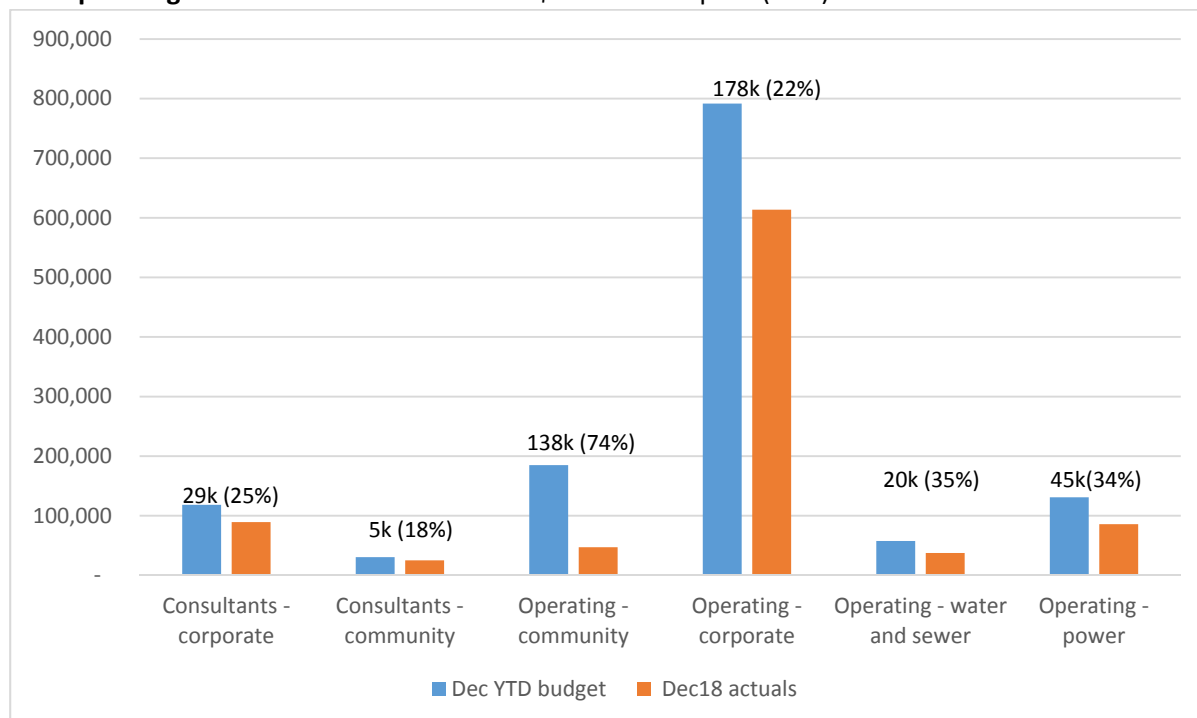
1. Contractors (relates to maintenances and waste collection) - favourable \$75k underspent (5%)



Power maintenance – Underspending of \$63k was mainly contributed by works on HV switches & transformers (acc 20213020) where works will be taking place in the next few months following identification of urgent maintenance needs in Nov18.

Sewer and water maintenance – Underspending of \$22k was mainly contributed by underspend on sewer lagoons maintenance of \$30k (acc 40212030) – these activities (dam cleaning) will be carried out over next few months in FY19.

2. Operating and consultants - favourable \$415k underspent (32%)



Consultants (corporate) – Underspending of \$29k is mainly driven by \$38k variance on accounting fee (audit) which will be incurred in second half of FY19.

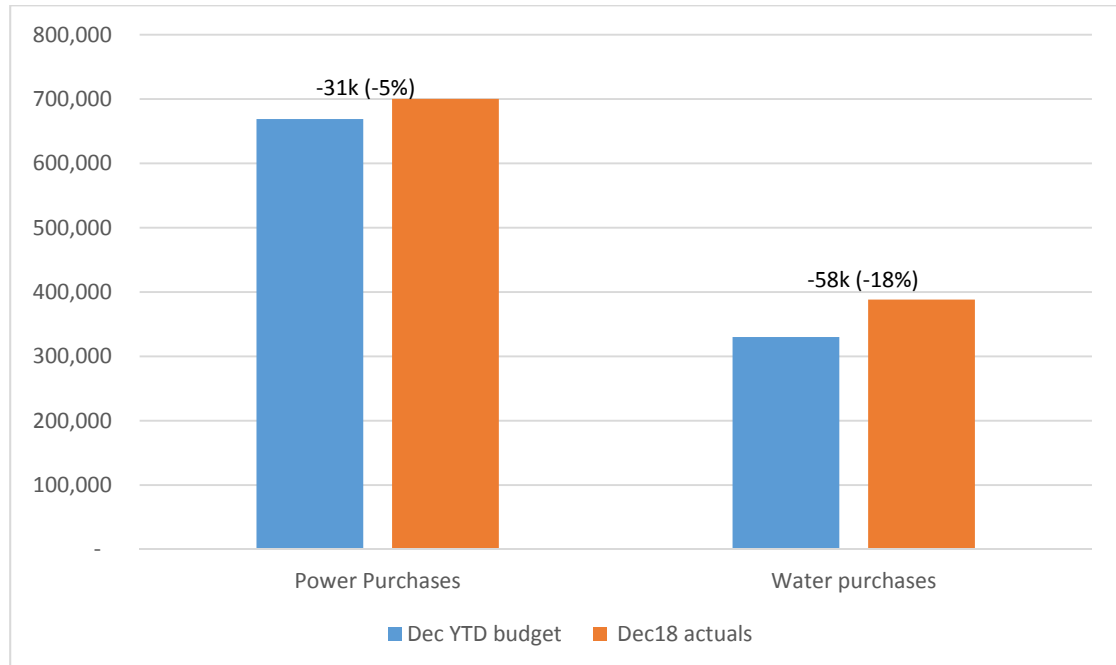
Operating (community) – Underspending of \$138k was mainly contributed by \$50k underspend on Olympic Way signage (11210360); \$30k underspend on Arts & Cultural projects (11210050) and \$30k underspend on Public Arts project (11210060). Projects expected to take place in second half of 2019.

Operating (corporate) – Underspending of \$178k was mainly contributed by:

Acc no	Acc description	Variance to budget	Comments
10219030	Advertising	24k	Budget was set higher due to the close down of the Monitor Inc, however budgeted expenses were not incurred to date.
10219075	Administrator expenses	53k	Explained by second quarter invoice (yet to received) of \$39k.
10223010	Computer maintenance	37k	Cost will be incurred later in FY19 following major IT implementations such as the new Asset Management System. Also due to timing of license fee invoice which will be received in second half of FY19.
10223020	Computer annual licence	58k	
10210015	Office building maintenance and operating	25k	Variance mainly due to deferral of office painting project to next financial year.

Operating (water, sewer and power) – Underspending on operating costs for these business units are predominantly driven by timing of utilities charges where higher utilities charges will be incurred in the 3rd quarter.

3. Power and water purchases - unfavourable \$90k overspent (-9%)



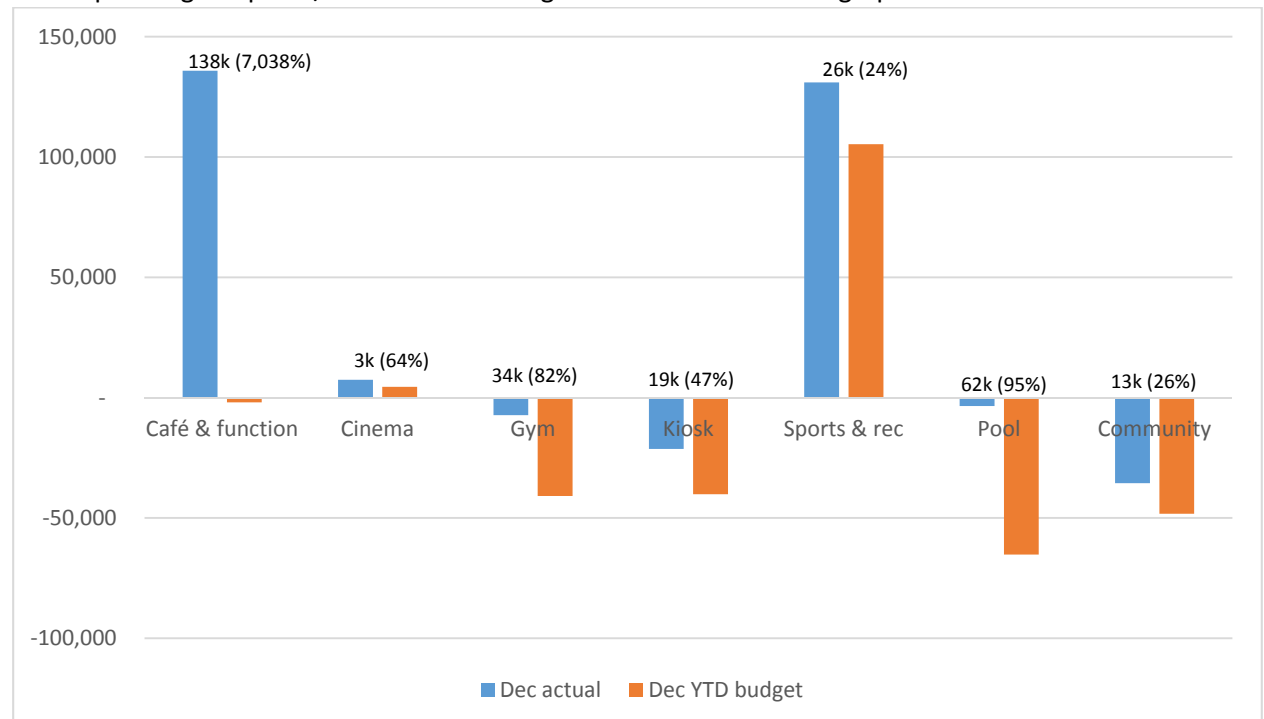
Power purchase - Variance of power purchases was 5% which is not material (power income was also in line with budget).

Water purchase – Overspending on water purchase is in line with the water income being 12% higher than budget as water consumption was higher than budgeted.

Note that the current 2018/19 YTD balances included 2017/18 power and water invoices. An accrual will be made at year end to ensure all 2018/19 invoices are accounted for.

2) BU - Links

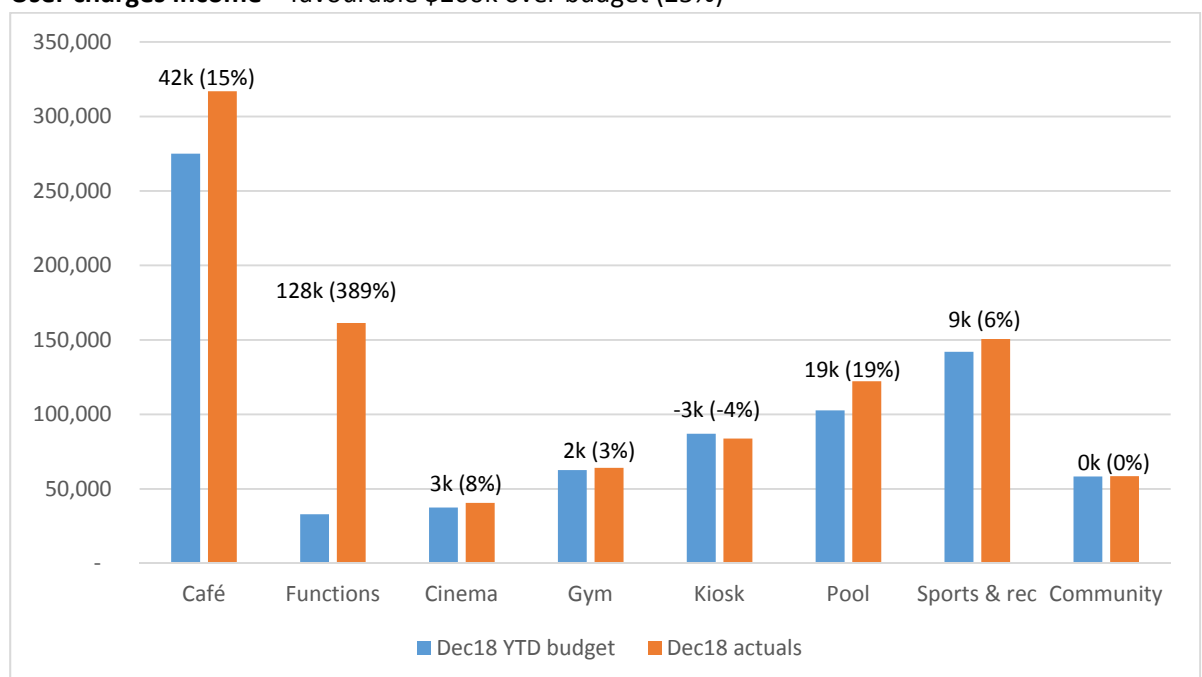
Links operating net profit/ loss actual vs budget is summarised in the graph below:



As shown in the graph above, café and function performance are the main driver for the better than budgeted performance in Links. Sports and rec also performed better than budgeted as a result of additional \$10k unbudgeted grant income received.

Key drivers for the performance of these areas (income, employee cost and operating cost) are further discussed below.

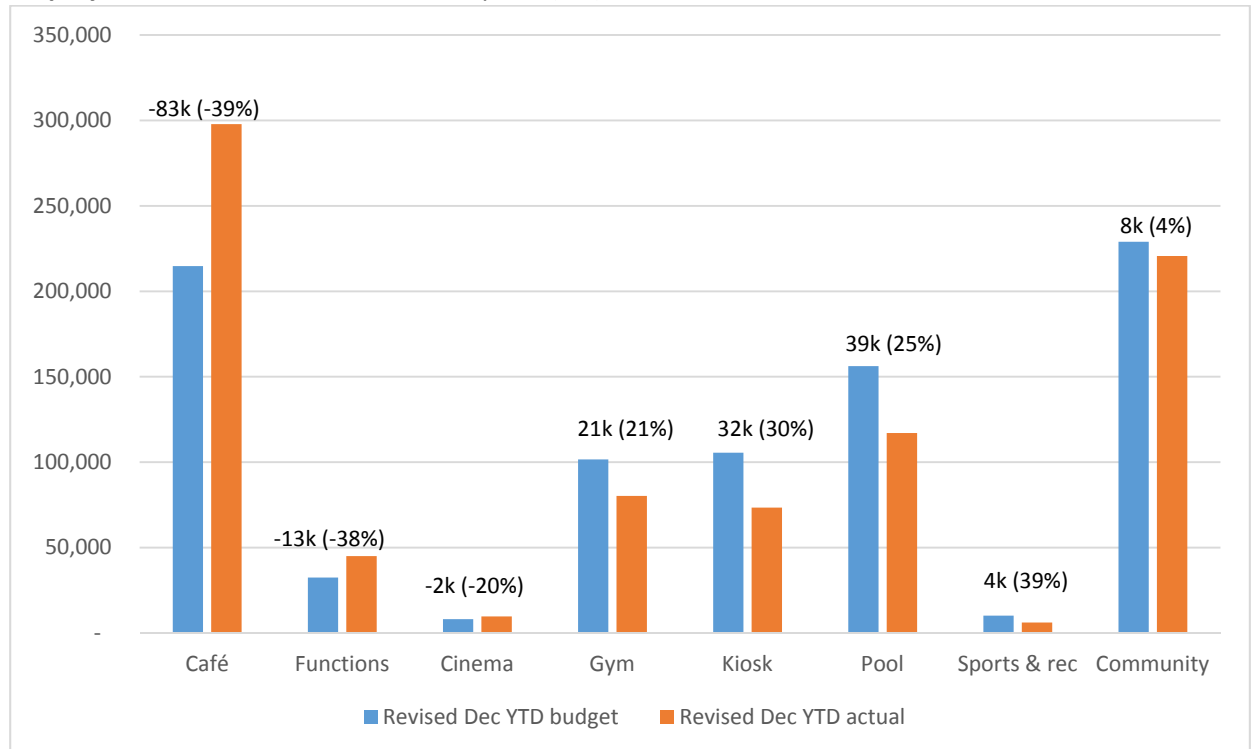
a. User charges income – favourable \$200k over budget (25%)



Café and functions – there was a change of café management in April 2018 which contributed to more ongoing functions and higher price charged for services on function management.

Pool – contributed by higher number of people visiting and paying for casual visits rather than memberships.

b. **Employee cost** – favourable \$8k underspend (1%)



Café – This was mainly due to the restructuring of café management in April 2018 which resulted in new staff incurring more time than budgeted in 2018/19 YTD.

Functions – increase in cost in line with Links catering for more events than budgeted.

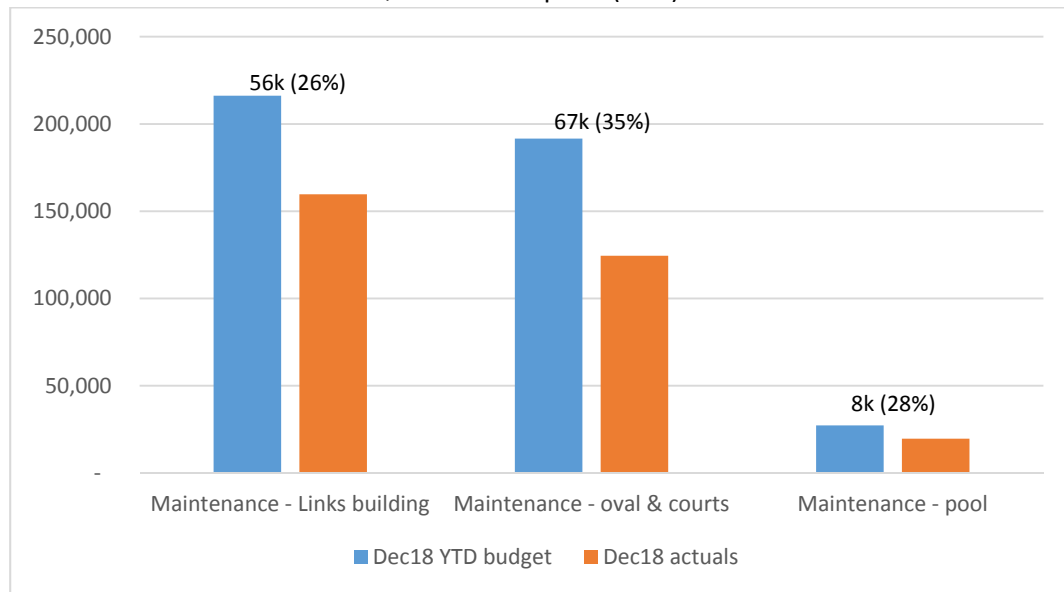
Gym – Underspend of \$21k was mainly due to lower than budgeted number of Group Fitness instructors however should increase in second half of 2019 with new classes being introduced.

Kiosk – Underspend of \$32k was mainly due to better staff management during down time and the impact of sports timing (higher wage when sports commence end of summer).

Pool – Underspend of \$39k on pool is predominantly due to timing where more staff will be hired over the next quarter (summer months).

c. Materials, contractors and other expenses –favourable \$167k underspent (18%)

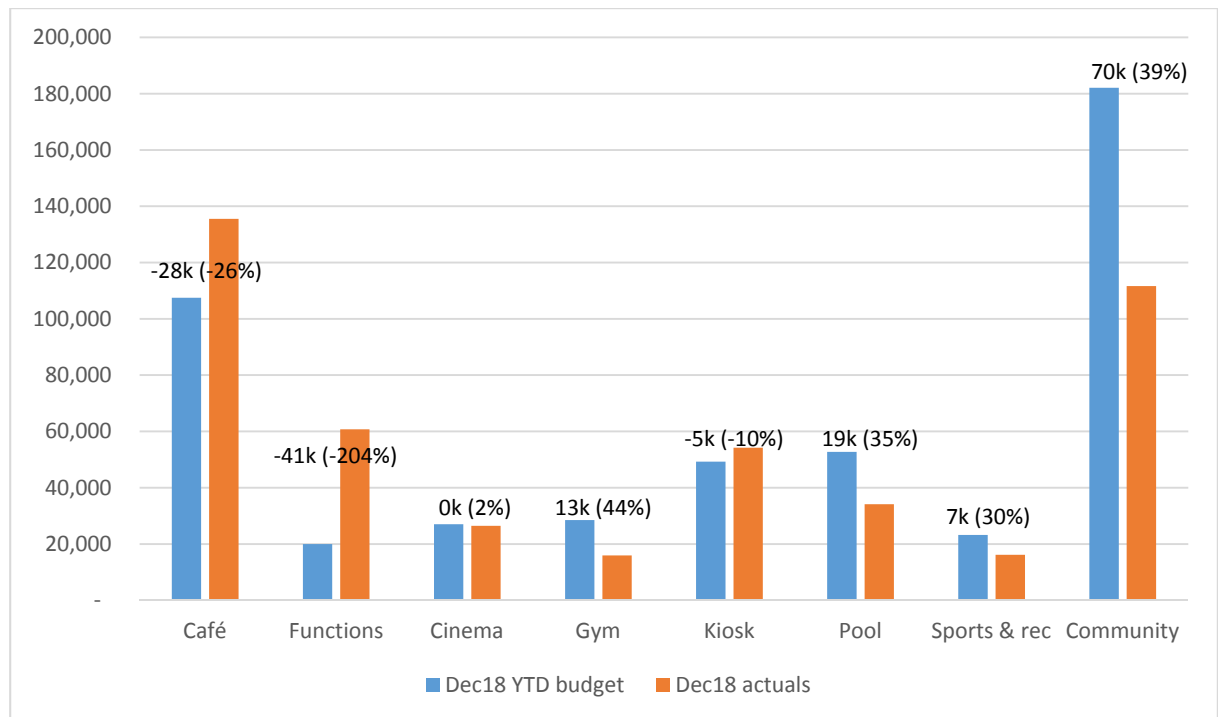
1. Maintenance – favourable \$131k underspend (30%)



Maintenance (Links building) – Maintenance projects (ex squash wall resurfacing, Links building painting, exit ramps and marquee installation) have been delayed and will be incurred in second half of FY19.

Maintenance (ovals and courts) – Maintenance expected to be incurred in second half of FY19 with incident of old irrigation pipes bursting in December 2018 and is expected to incur in the next few quarters with the aging of irrigation.

2. Operating – favourable \$35k underspend (7%)



Café and functions – increase in operating cost is in line with increase in income:

Café: income higher by 15% to budget vs operating cost variance to budget of 26% (this is consistent with café average YTD actual operating margin of 42%).

Function: income higher by 389% to budget vs operating cost variance to budget of 204%

Gym – Lower expenditure compared to budget is mainly due to timing of repairs and maintenance expenditure being expected to be incurred in third quarter of 2019.

Pool – Lower expenditure compared to budget is mainly driven by delay in material order, with second run of chemical ordering (circa \$14k) to be placed in Jan/ Feb of 2019.

Community – Variance is mainly due to timing where December quarter utilities charges (circa \$42k) has not been allocated to the account (acc 13210010).

December 2018 Aged Power Debtors Analysis

Procedure:

Determine aged power debtors as at 11/1/19 based on customers' last issue notice due date.

Result:

Aged category	Range (days)	Count	Balance @ 11/1/19	Comments
Current	<30	1461	1,062,877.83	Mainly relates to December 2018 quarter bill (issued on 14 Jan 19).
30 Days	30-60	10	9,455.62	Balance comprised of: i) \$2.5k (largest individual balance) relates to an ongoing dispute. ii) 4 customers (totalled to \$2.5k) has made partial repayments since Nov18. iii) 5 customers debt (totalled to \$4.4k) relate to final account bills issued in Sep18 (sent to debt collector).
60 Days	60-90	2	624.41	In debt collection. Amount not material.
90 Days	90-120	8	10,742.03	Balance comprised of: 1) 1 customer (\$852) in bankruptcy 2) 2 customers (totalled to \$6k) has made partial repayments in Jan 2019. 3) Remaining balance of \$8.9k in debt collection with no payments received thus far. We will monitor these debts to determine if they are required to be provided for in the next quarter.
>120 Days	>120	287	256,387.85	Refer below for further analysis
Gross balance			1,340,087.74	A
Council bill			74,627.20	B
Credit balances		-	159,321.21	C
Net			<u>1,255,393.73</u>	(A+B+C)

> 120 days analysis

Debt > 120 days are made up of:

	Count	Balance @ 11/1/19	
Currently being pursued by debt collector	62	107,865.35	We will monitor these debts to determine if they are required to be provided for in the next quarter.
Debt collection - last payment received between Oct18 and Jan19	21	30,436.37	Current active payers therefore no provision required at this stage.
Balance to be written off	179	90,747.01	Pending AC approval (per AC agenda Appendix 1 bad debts listing)
Potential additional write off	25	27,339.12	These bad debts have been listed to be written off in the next quarter following advise from KEMPS.
		<u>256,387.85</u>	

December 2018 Aged Water Debtors Analysis

Background:

- 1) For water billing, all customers will be billed (and not disconnected) regardless of whether the customer has paid for the bill.
- 2) Water customers will only be sent to debt collector after not paying for more than 2 consecutive quarters and if amount is outstanding for more than \$1k.

Work performed:

Determine aged water debtors as at 11/1/19 based on customers' last payment date.

Result:

Aged bracket relates to number of unpaid quarter bills/ bills not paid in full.

Age bracket	Unpaid bill qtr	Count	Balance @ 11/1/19	Comments
BHP	Dec 18 bill	399	328,124.30	Low collectibility risk - relates to Dec 2018 quarter bill (issued 14 Jan 2019)
Current/ 1 quarter	Dec 18 bill	1130	818,436.46	Low collectibility risk - relates to Dec 2018 quarter bill (issued 14 Jan 2019)
2 quarters	Sep & Dec18 bill	17	15,545.70	7 customers debt > \$1k (totalled to \$8.8k). Following issuance of bill on 14/1/19, we will be in the process of following up these debts.
3 quarters	Jun - Dec 18 bill	6	9,569.30	We are currently in the process of following up with these debts, will send to debt collection
> 3 quarters	Unpaid bill <Jun18	14	39,387.46	i) 8 customers (totalled to \$20k) are on payment arrangement and have made recent payments with last payment date being Dec18/ Jan19. ii) 4 customers (totalled to \$19k) are on bankruptcy/ mortgagee.
Gross balance			1,211,063.22	A
Council bill			177,631.39	B
Credit balances		-	9,712.40	C
Net			1,378,982.21	(A+B+C)

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Richardson Place
PO Box 124
Roxby Downs SA 5725

Phone 08 8671 0010
Email: roxby@roxbycouncil.com.au
Web: www.roxydowns.sa.gov.au

ABN: 68 284 130 046

REPORT FOR AUDIT COMMITTEE MEETING

Meeting Date	22 February 2019
Title of Report	2019/2020 Budget Assumptions

1. Purpose

To advise the Audit Committee of initial assumptions shaping the preparation of the 2019/2020 budget, and to serve as a planning document for the budget process that is ongoing.

2. Recommendation

That the Audit Committee convey to Council that the initial assumptions behind the preparation of the 2019/2020 budget appear to be sound and reasonable.

3. Background

Council is required by legislation to prepare an annual budget. The 2019/2020 budget will be prepared in the following context:

- Review of the Long term Financial Plan – this has been updated to with 2017/2018 actuals and 2018/2019 budget but has not been adopted
- Dependent relationship with State and BHP
- Fluctuating property valuations
- Local economic activity is driven by BHP
- Local cost factors re major projects and works ('the Roxby factor'), especially in relation to contractors timing and availability
- Changes to cost bases brought about by area service reviews (ongoing)

4. Discussion

The following key assumptions have been assessed as having a significant impact on the 2019/2020 budget:

A couple of assumptions relating to local economic activity are:

- Lower property sale activity compared to 2017/2018 however property prices have increased 6% from July 2018 to December 2018 (assumed based on Roxby Downs median property prices on realestate.com.au)
- Residential population to be consistent with 2018/2019

General rates

Council has requested from the Valuer General an indicative, early summary of the overall movement in property valuations to assist with assumptions around the differential rates. Until this is received, Council is operating on a broad assumption that there will be little or no movement in overall valuations, and that any incremental movement is likely to be upwards.

Overall revenue from general rates will reflect Council's intention to pass on a 0% increase (notionally) over 2018/2019 levels.

Electricity demand

This will be materially consistent with 2018/2019 levels, however usage volumes are likely to be immaterially down due to solar uptake trends continuing. Tariff increases to take affect 1 July 2019 to be generally consistent with CPI. Solar buy-back rate to continue to trend down over time. For budgeting purposes, and to be conservative, the current rate of 16.3 cents per kW/hr to be used.

Water demand

This will be materially consistent with 2018/2019 levels. Tariffs increases to take affect 1 July 2019 to be generally consistent with CPI.

Municipal Deficit Funding

The Indenture parties are currently re-thinking the purpose and nature of the Municipal Deficit Funding model. State recently requested that Council submit a formal proposal outlining the possible purpose and nature of future payments. Although this proposal is yet to be drafted, Council's intention is to argue that the funding should be linked to ongoing asset renewal, rather than the current intended purpose of funding operating account deficits.

A draft proposal will be ready for advanced review by Audit Committee sometime in the March quarter.

Asset maintenance costs

These are expected to increase in line with the age of the assets. Reference to be made to the Infrastructure Asset Management Plan published in September 2016. This plan will be reviewed following the implementation of Asset Management System.

General cost of goods and services

Where actual costs cannot be predicted reliably, an allowance for general CPI increase of 2.0% will be used (based on 1.8% Australia, December quarter), except for contract-related costs which will use the higher Local Government Price Index (LGPI) rate of 2.9%. The LGPI showed annual 2.9% (SA) and 1.8% (Adelaide only) based on the September quarter (December quarter index not yet available).

Staff remuneration

The Enterprise Agreement will be renegotiated during calendar year 2019. It is reasonable to assume that every employee under the EA will receive a scheduled automatic increase on 1 January 2020. Because the rate of the increase has not yet been negotiated, an assumed figure of 1.5% will be used (which is the same as for the prior year).

A review of all staffs levels will be conducted as part of the Workforce Plan FY20. Any proposed changes to levels will be factored into the budget.

Contracted senior managers will be subject to individual performance based contracts.

Capital expenditure

There will be no new major projects without majority funding from external sources (eg. Grants). The active seeking of grants will continue. Non-externally funded capital expenditure will be limited to renewal and replacement of existing assets.

5. Policy Implications

5.1 Financial/Budget

The above assumptions will provide the broad parameters within which the 2019/2020 budget will be constructed.

5.2 Resources

Nil

5.3 Legal and Risk Management

Reasonable and appropriate budget assumptions will help ensure an appropriate and financially responsible budget.

6. Report Consultation

Senior Management Team
Financial Accountant

7. Report Authorisers

Drew Ellis
Group Manager Corporate Services

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REPORT FOR AUDIT COMMITTEE MEETING

Meeting Date 22 February 2019

Title of Report Budget Development Timelines

1. Purpose

To consider a development timeline for the 2019-2020 Annual Business Plan and Budget.

2. Recommendation

That the Audit Committee notes the timeline and recommends adoption to Council.

3. Background

Council is required to adopt an Annual Business Plan and Budget each year. The development process is complex and lengthy, so a schedule of key activities is required for internal management and monitoring of the process.

4. Discussion

The timeline aims for the adoption by Council of the Annual Business Plan and Budget at their meeting in June 2019. This completion timing will be consistent with the previous year.

The timeline provides milestone dates throughout the entirety of the budget setting process.

Included in the overall process is the task of submitting a proposal to the other Indenture partners relating to Municipal Deficit Funding arrangements. The proposal will include consideration of, amongst other things, its underlying purpose and scale.

The Audit Committee will be presented with the Draft Annual Business Plan and Budget along with commentary around the public consultation at its meeting scheduled for 17 May 2019.

5. Policy Implications

5.1 Financial/Budget

A timeline to underpin the budget process helps to reduce financial risk.

5.2 Resources

Nil

5.3 Legal and Risk Management

Effective management of the budget process mitigates financial and reputational risk.

6. Report Consultation

Senior Management Team
Financial Accountant

7. Attachments

2019-2020 Budget Development Timeline

8. Report Authorisers

Drew Ellis
Group Manager Corporate Services

Proposed 2019/2020 Budget Development Timeline

Activity		Date	Comments
6 Month report card (Jul - Dec 18)	Thu	31/01/2019	
Brief Audit Committee - Timeline & assumptions	Fri	22/02/2019	
Draft Long Term Financial Plan updated	Mon	25/02/2019	Update for F18 actual & F19 budget
Workforce Plan F20	Mon	25/02/2019	All SMTs to consider structure, resources, trg & development issues
Annual Business Plan & Budget development starts	Tue	26/02/2019	
Budget templates to relevant officers	Tue	26/02/2019	They have until 8/3 to complete
Group Managers present strategic projects to Senior Management Team	Tue	26/02/2019	Supported by agreed business case template. Liaise with Council officers as required
Payroll modelling	Mon	4/03/2019	
Budget lists from Officers to Financial Accountant together with justifications & explanatory notes	Fri	8/03/2019	
Strategic projects proposed by Senior Management Team reviewed in aggregate	Fri	15/03/2019	To be reviewed by 22/3
Power, Water & Sewer modelling	Mon	11/03/2019	
Asset Maintenance & Renewal Program	Mon	18/03/2019	
Strategic projects agreed by Senior Management Team	Fri	22/03/2019	
MDF proposal for State & BHP	Fri	22/03/2019	Draft to be ready by 15/3
BHP & State consultation		March/April	
Draft document completed and authorised for release for public consultation	Tue	2/04/2019	
Placement of document, promotion & advertising consultation & recruitment of submissions		April	
Annual Business Plan consultation begins	Mon	8/04/2019	
Annual Business Plan workshop	Mon	8/04/2019	
Written submissions close	Tue	23/04/2019	
Rates modelling	Wed	8/05/2019	
Brief Audit Committee on progress and consultation	Fri	17/05/2019	
Public Hearing - Opportunity for verbal submissions to Council from public	Wed	29/05/2019	
Formal Council adoption of Annual Business Plan & Budget	Wed	26/06/2019	

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REPORT FOR AUDIT COMMITTEE MEETING

Meeting Date 22 February 2019

Title of Report Internal Controls

1. Purpose

To consider an update on Council's internal controls.

2. Recommendation

That the Audit Committee notes the report on Internal Controls.

3. Background

Council is subject to review of its internal controls. This is done both internally and externally, by external auditors annually, and also under normal circumstances by a contracted internal auditor.

The data management system that is used to report on the internal controls is Controltrack. The Controltrack system is accessed via a web portal under an annual licence agreement.

Council also utilises CCTV which is deployed at key locations internally, especially near tills and cash handling areas.

Separation of duties is considered as an underlying control principle in terms of allocation of tasks to various officers.

4. Discussion

Controltrack

Council's primary tool for managing and reporting the effectiveness of our internal controls is the Controltrack program. This program was sourced under a three year licence agreement which ended in 2017-2018.

Council has now renewed this agreement for a further three years. Our new agreement includes a revised version of the pre-existing Control Manager module, as well as the new Risk Manager module. The upgraded version has been designed around the new Better Practice Model framework, and will help Council to more easily move towards compliance with the Better Practice Model (BPM).

Whereas the previous version was internal control-focussed, the new version is risk-focussed. By basing the initial analysis on risk, it will allow Council to focus more or less on specific areas depending on the relative risk profiles.

Roll out of the new-look version will be facilitated by the supplier, and arrangements have been made for staff training either face to face or via online web meetings.

Independent internal audit

Council is in the process of engaging an external contractor to provide internal audit services. By using an external consultant Council will ensure that the need for independence and objectivity is satisfied.

It is expected that this contractor will be engaged sometime during the March quarter.

5. Policy Implications

5.1 Financial/Budget

Effective internal controls help to protect the budget against unexpected losses.

5.2 Resources

Nil

5.3 Legal and Risk Management

Effective internal controls are primary tools in the mitigation of risk.

6. Report Consultation

Chief Executive

7. Report Authorisers

Drew Ellis
Group Manager Corporate Services

MUNICIPAL COUNCIL OF ROXBY DOWNS

Richardson Place
PO Box 124
Roxby Downs SA 5725

Phone 08 8671 0010
Email: roxby@roxbycouncil.com.au
Web: www.roxbydowns.sa.gov.au

ABN: 68 284 130 046

REPORT FOR AUDIT COMMITTEE MEETING

Meeting Date 22 February 2019

Title of Report Electricity Bad Debts

1. Purpose

To advise the Audit Committee of Council's intended clean-up of historic electricity bad debts, and to provide the Audit Committee the opportunity to provide comment if required.

2. Recommendation

That the Audit Committee notes Council's intentions regarding a clean-up of historic electricity bad debts.

3. Background

Council is required under s143(1) of the Local Government Act 1999 to write off any debts owed to Council:

- (a) If the council has no reasonable prospect of recovering the debts, or
- (b) If the costs of recovery are likely to equal or exceed the amount to be recovered.

4. Discussion

Council, through its normal operating activities, provides a number of services on credit. Debtor balances therefore result from one of the following:

- Municipal rates
- Electricity accounts
- Water & sewerage accounts
- Sundry accounts

Of the above debt types, the electricity debts are deemed to be the most risky. This is due to the debts being linked to individuals, not properties, and also to the transient nature of many of our electricity customers.

Regular reviews of Council's debtors indicate good governance. Such reviews help to mitigate the risk of bad debts and reflect good financial management.

A deliberate 'tightening' of electricity debt recovery procedures over the last couple of years has led to a reduced risk of large-scale doubtful debts. A combination of stricter enforcement of existing rules, as well as the ongoing review of processes, etc. have contributed to a much more effective regime of debtor management. Some examples of changes include:

- A stricter approach to debts being referred to debt collectors
- A tightening of the debt recovery cycle
- Stricter enforcement of end-of-cycle processes (eg. Disconnections)
- Social media campaigns to 'educate' the public around policies and key dates (eg. disconnection deadlines)

Historically however, adequate disciplines were not practised. As a result, a number of legacy issues have had to be dealt with over the last two years. The electricity sub-ledger had been carrying a high volume of debtor balances on Inactive (and historic) accounts. Council's Finance and Billing officers have been systematically working to 'clean-up' these accounts.

Because of the abnormal nature of these specific debts, Council hereby gives notice to the Audit Committee of its intention to write these specific debts off.

In order to be considered for writing off, these accounts have all had to have the status 'Inactive'. This means the account holder has moved away from the property and generally to a location outside of Council's jurisdiction. The candidate accounts were then subjected to the following review process:

- Electricity Billing Officer reviewed and recommended write-off to Group Manager Corporate Services
- Group Manager Corporate Services reviewed and recommended write-off to Chief Executive
- Chief Executive reviewed and recommended write-off to Council Administrator
- Administrator authorised the write-off subject to Audit Committee consultation.

The debts written off are detailed in Electricity Bad Debts – Appendix 1. They were identified last financial year but transacted in the current financial year. Because they were identified in 2017-2018, they were accrued for as part of the end of year processes. They therefore reflected as bad debts expense in 2017-2018. The actual writing off, enabling the sub-ledger to be aligned with the general ledger awaits as the next step in the process.

A summary of the attached proposed write-offs shows:

Total of doubtful debtor balances	\$91,228.39
GST Adjustment	\$8,293.49
Value of bad debts	\$82,934.90
(\$82,934 was accrued in 2017-2018)	

Every debt written off will be recorded on Council's Bad Debts Register as required by Council's Bad Debts Policy. There will also be a separate and later report to Audit Committee detailing the individual debts written off in the year.

Once this clean-up of the historic debts has occurred, there is expected to be some subsequent electricity debts to be written off. These are deliberately intended to be dealt with separately by Council as they are more routine and current in nature. The scale of these later write-offs is expected to not exceed the 2018-2019 budget for bad debts (which is \$20,000).

The existing policy requiring that Council's Administrator authorise the writing off of any bad debt makes the process inefficient and cumbersome. Council will undertake a review of the current policy, giving specific consideration to who should be authorised to write off a bad debt (ie. Chief Executive or Administrator). The reviewed policy will be tabled at a future Audit Committee meeting.

5. Policy Implications

5.1 Financial/Budget

As detailed above.

5.2 Resources

Nil

5.3 Legal and Risk Management

Effective management of Council's debtors mitigates the risk of bad debts. Appropriate writing off of bad debts reflects good management and governance practices. Council's Bad Debts Policy ensures appropriate governance around the decisions to write-off each and every debt.

6. Report Consultation

Chief Executive
Financial Accountant

7. Attachments

Electricity Bad Debts

8. Report Authorisers

Drew Ellis
Group Manager Corporate Services

Electricity Bad Debts - Appendix 1

Account ID	Description	Date	Property Address	Property Locality	Name	Balance	Status
					(Redacted due to privacy concerns)		
E02332		28-Feb-14	4 Gosse St	Roxby Downs		\$ 3,527.14	Non-Active
E02062	Old Account No. E10143	3-May-13	5 Gosse St	Roxby Downs		\$ 3,215.91	Non-Active
E00258	Old Account No. E4635	29-Jun-13	20 Olympic Way	Roxby Downs		\$ 3,180.86	Non-Active
E01046	Old Account No. E8764	29-Jun-13	19 Arcoona St	Roxby Downs		\$ 2,629.89	Non-Active
E02523		11-Jul-14	8-6 Phibbs Ct	Roxby Downs		\$ 2,153.08	Non-Active
E02559		1-Aug-14	31 Arcoona St	Roxby Downs		\$ 1,887.40	Non-Active
E01528	Old Account No. E9553	29-Jun-13	41A Aquila Bvd	Roxby Downs		\$ 1,753.53	Non-Active
E01957	Old Account No. E10032	29-Jun-13	25 Alberrie St	Roxby Downs		\$ 1,561.84	Non-Active
E02052	Old Account No. E10132	29-Jun-13	9 Arcoona St	Roxby Downs		\$ 1,520.26	Non-Active
E02094	Old Account No. E10175	7-Jun-13				\$ 1,438.49	Non-Active
E02403		9-Apr-14	60C Tiliqua Cres	Roxby Downs		\$ 1,399.43	Non-Active
E02809		4-May-15	4 Gosse St	Roxby Downs		\$ 1,359.26	Non-Active
E02586		5-Sep-14	31 Arcoona St	Roxby Downs		\$ 1,343.69	Non-Active
E01868	Old Account No. E9838	29-Jun-13	12 Mulgaria Cres	Roxby Downs		\$ 1,332.48	Non-Active
E02083	Old Account No. E10164	31-Mar-13	7 Blanche Ct	Roxby Downs		\$ 1,237.25	Non-Active
E02605		19-Sep-14	19 Santalum Way	Roxby Downs		\$ 1,219.81	Non-Active
E02931		22-Oct-15	4 Gosse St	Roxby Downs		\$ 1,219.29	Non-Active
E00777	Old Account No. E8180	29-Jun-13				\$ 1,214.78	Non-Active
E01952	Old Account No. E10028	29-Jun-13	29 Tiliqua Cres	Roxby Downs		\$ 1,175.34	Non-Active
E02480		11-Jun-14	16 Myall St	Roxby Downs		\$ 1,100.27	Non-Active
E01873	Old Account No. E9906	29-Jun-13	47A Quandong St	Roxby Downs		\$ 1,077.28	Non-Active
E02619		10-Oct-14	12 Hermit St	Roxby Downs		\$ 1,037.49	Non-Active
E00561	Old Account No. E7450	29-Jun-13	2 Axehead Rd	Roxby Downs		\$ 1,004.69	Non-Active
E01948	Old Account No. E10024	29-Jun-13	129A Stuart Rd	Roxby Downs		\$ 997.74	Non-Active
E02053	Old Account No. E8952	30-Jul-13				\$ 957.76	Non-Active
E02829		22-Jul-15	7B Wilaroo St	Roxby Downs		\$ 937.43	Non-Active
E02633		23-Oct-14	46 Axehead Rd	Roxby Downs		\$ 936.61	Non-Active
E01057	Old Account No. E8921	29-Jun-13				\$ 876.07	Non-Active
E01555	Old Account No. E9573	29-Jun-13	74 Stuart Rd	Roxby Downs		\$ 846.08	Non-Active
E00753	Old Account No. E8058	29-Jun-13				\$ 841.98	Non-Active
E01025	Old Account No. E8731	29-Jun-13	5 Anna Ct	Roxby Downs		\$ 839.95	Non-Active
E02354		28-Feb-14	4/6-8 Kennebery Cr	Roxby Downs		\$ 832.09	Non-Active
E00778	Old Account No. E8168	29-Jun-13	48 Callitris Cct	Roxby Downs		\$ 822.11	Non-Active
E01125	Old Account No. E8959	29-Jun-13				\$ 799.89	Non-Active
E02554		20-Jul-14	8 Finniss St	Roxby Downs		\$ 792.03	Non-Active
E00951	Old Account No. E8583	29-Jun-13				\$ 759.16	Non-Active
E01992	Old Account No. E10068	29-Jun-13	1 Finniss St	Roxby Downs		\$ 744.92	Non-Active
E01593	Old Account No. E9631	29-Jun-13	3-5 Alford Ct	Roxby Downs		\$ 739.06	Non-Active
E02362		5-Mar-14	39A Maireana Cct	Roxby Downs		\$ 703.09	Non-Active
E00912	Old Account No. E8497	29-Jun-13	8 Pine Cres	Roxby Downs		\$ 684.13	Non-Active
E01182	Old Account No. E9127	29-Jun-13				\$ 680.67	Non-Active
E02787		12-May-15	1-67 Pioneer Dr	Roxby Downs		\$ 614.99	Non-Active
E00502	Old Account No. E7238	29-Jun-13				\$ 600.00	Non-Active
E01972	Old Account No. E10049	29-Jun-13				\$ 583.60	Non-Active
E00814	Old Account No. E8293	29-Jun-13				\$ 578.38	Non-Active
E01005	Old Account No. E8709	29-Jun-13				\$ 556.59	Non-Active
E01241	Old Account No. E9111	29-Jun-13				\$ 551.80	Non-Active
E01311	Old Account No. E9192	29-Jun-13	14 Hamilton Ct	Roxby Downs		\$ 544.21	Non-Active
E02416		2-May-14	22 Irrapatana St	Roxby Downs		\$ 544.04	Non-Active
E00490	Old Account No. E7156	29-Jun-13				\$ 540.41	Non-Active
E00503	Old Account No. E7242	29-Jun-13	24 Wangianna St	Roxby Downs		\$ 539.52	Non-Active
E02629		3-Oct-14	3-8 Wangianna St	Roxby Downs		\$ 535.80	Non-Active
E01741	Old Account No. E9770	29-Jun-13	56 Maireana Cct	Roxby Downs		\$ 524.68	Non-Active
E02453		8-May-14	16 Axehead Rd	Roxby Downs		\$ 520.00	Non-Active
E02902		21-Sep-15	33B Bopeechee St	Roxby Downs		\$ 513.42	Non-Active

E01460	Old Account No. E9581	29-Jun-13	11 Wattle Dr	Roxby Downs	\$	512.71	Non-Active
E01817	Old Account No. E9816	29-Jun-13	18 Santalum Way	Roxby Downs	\$	512.43	Non-Active
E01400	Old Account No. E9351	29-Jun-13			\$	510.04	Non-Active
E02251		6-Nov-13	28 Senna Tce	Roxby Downs	\$	503.02	Non-Active
E00507	Old Account No. E7250	29-Jun-13	28 Bopeechee St	Roxby Downs	\$	500.67	Non-Active
E00711	Old Account No. E7984	29-Jun-13	22 Sida Dr	Roxby Downs	\$	500.00	Non-Active
E01044	Old Account No. E8770	29-Jun-13			\$	499.20	Non-Active
E00527	Old Account No. E8202	29-Jun-13	71B Aquila Bvd	Roxby Downs	\$	492.38	Non-Active
E01061	Old Account No. E8800	29-Jun-13	1 Eremophila St	Roxby Downs	\$	491.14	Non-Active
E01118	Old Account No. E8920	29-Jun-13	60 Pioneer Dr	Roxby Downs	\$	487.39	Non-Active
E02564		12-Aug-14	23 Quandong St	Roxby Downs	\$	481.38	Non-Active
E01228	Old Account No. E9372	29-Jun-13			\$	474.31	Non-Active
E01305	Old Account No. E9243	29-Jun-13			\$	472.59	Non-Active
E02266		5-Dec-13	52 Hermit St	Roxby Downs	\$	457.37	Non-Active
E00394	Old Account No. E6005	29-Jun-13			\$	444.67	Non-Active
E02569		15-Aug-14	1A Wilaroo St	Roxby Downs	\$	444.22	Non-Active
E01156	Old Account No. E8977	29-Jun-13			\$	440.14	Non-Active
E01218	Old Account No. E9065	29-Jun-13			\$	435.37	Non-Active
E00787	Old Account No. E8205	29-Jun-13			\$	432.74	Non-Active
E02239		12-Nov-13	14 Finniss St	Roxby Downs	\$	431.35	Non-Active
E00575	Old Account No. E7524	29-Jun-13	17 Mulgaria Cres	Roxby Downs	\$	422.51	Non-Active
E00391	Old Account No. E5913	29-Jun-13			\$	417.55	Non-Active
E02877		10-Sep-15	79 Tiliqua Cres	Roxby Downs	\$	413.24	Non-Active
E02684		1-Jan-15	80 Stuart Rd	Roxby Downs	\$	413.21	Non-Active
E02346		30-Jun-13			\$	408.16	Non-Active
E01931	Old Account No. E10119	29-Jun-13	14/45-47 Stuart Rd	Roxby Downs	\$	401.05	Non-Active
E02883		21-Sep-15	4/6-8 Kennebery Cr	Roxby Downs	\$	400.19	Non-Active
E02991		4-Jan-16	3-40 Bopeechee St	Roxby Downs	\$	391.00	Non-Active
E02203		18-Sep-13	17 Maireana Cct	Roxby Downs	\$	379.75	Non-Active
E02331		22-Jan-14	33B Bopeechee St	Roxby Downs	\$	376.71	Non-Active
E01237	Old Account No. E9091	29-Jun-13			\$	374.09	Non-Active
E02386		27-Mar-14			\$	372.21	Non-Active
E02730		12-Feb-15	115A Stuart Rd	Roxby Downs	\$	370.34	Non-Active
E00564	Old Account No. E7467	29-Jun-13	19 Correa Cres	Roxby Downs	\$	368.03	Non-Active
E02339		13-Feb-14			\$	367.98	Non-Active
E02647		24-Nov-14	11 Myall St	Roxby Downs	\$	363.59	Non-Active
E01416	Old Account No. E9368	29-Jun-13	18 Grevillea Cl	Roxby Downs	\$	361.49	Non-Active
E01453	Old Account No. E9428	29-Jun-13			\$	357.97	Non-Active
E01130	Old Account No. E9116	29-Jun-13			\$	357.05	Non-Active
E02606		23-Sep-14	1-30 Myall St	Roxby Downs	\$	349.89	Non-Active
E01328	Old Account No. E9230	29-Jun-13	23 Ceratonia Cct	Roxby Downs	\$	347.76	Non-Active
E02688		7-Jan-15	38A Finniss St	Roxby Downs	\$	346.56	Non-Active
E02145		21-Aug-13			\$	345.68	Non-Active
E02646		1-Dec-14	7A Wilaroo St	Roxby Downs	\$	344.49	Non-Active
E02920		12-Oct-15	41 Pioneer Dr	Roxby Downs	\$	341.96	Non-Active
E02439	Lease ended 19-8-14	6-May-14	11 Wangianna St	Roxby Downs	\$	330.46	Non-Active
E02587		15-Sep-14	12 Hermit St	Roxby Downs	\$	328.31	Non-Active
E02147		29-Aug-13	3/6-8 Kennebery Cr	Roxby Downs	\$	327.91	Non-Active
E01204	Old Account No. E9053	29-Jun-13			\$	321.61	Non-Active
E02768		23-Mar-15	58 Tiliqua Cres	Roxby Downs	\$	320.08	Non-Active
E00158	Old Account No. E1961	29-Jun-13			\$	315.28	Non-Active
E02500		27-Jun-14	3/45-47 Stuart Rd	Roxby Downs	\$	314.97	Non-Active
E02887		23-Sep-15	1 Arcoona St	Roxby Downs	\$	312.14	Non-Active
E02735		19-Feb-15	10 Muloorina St	Roxby Downs	\$	305.35	Non-Active
E01028	Old Account No. E8846	29-Jun-13			\$	304.16	Non-Active
E01217	Old Account No. E9332	29-Jun-13	6 Atriplex Ct	Roxby Downs	\$	297.31	Non-Active
E02616		31-Oct-14			\$	282.84	Non-Active
E03045		15-Feb-16	62 Axehead Rd	Roxby Downs	\$	281.25	Non-Active
E01340	Old Account No. E9251	29-Jun-13	9 Santalum Way	Roxby Downs	\$	279.88	Non-Active

E02889		23-Sep-15	86 Axehead Rd	Roxby Downs	\$	275.36	Non-Active
E02190		23-Sep-13	3-12 Kennebery Cre	Roxby Downs	\$	265.18	Non-Active
E01459	Old Account No. E9754	29-Jun-13	8 Stemodia St	Roxby Downs	\$	256.72	Non-Active
E03724	**Deceased**	12-Sep-17			\$	236.09	Non-Active
E01317	Old Account No. E9217	29-Jun-13	4-22 Quandong St	Roxby Downs	\$	235.47	Non-Active
E02057	Old Account No. E10138	17-May-13	86 Axehead Rd	Roxby Downs	\$	233.64	Non-Active
E01171	Old Account No. E9000	29-Jun-13			\$	231.28	Non-Active
E02271		18-Dec-13	21 Pioneer Dr	Roxby Downs	\$	220.37	Non-Active
E03004		14-Jan-16	23/30 Burgoyne St	Roxby Downs	\$	214.18	Non-Active
E02532		17-Jul-14	46C Aquila Bvd	Roxby Downs	\$	210.03	Non-Active
E00226	Old Account No. ET1025-82	29-Jun-13	28 Wilaroo St	Roxby Downs	\$	200.00	Non-Active
E01084	Old Account No. E8852	29-Jun-13			\$	199.00	Non-Active
E02778		30-Apr-15	14 Irrapatana St	Roxby Downs	\$	190.51	Non-Active
E02729		12-Feb-15	9/6-8 Kennebery Cr	Roxby Downs	\$	180.75	Non-Active
E01965	Old Account No. E10041	29-Jun-13	35/30 Burgoyne St	Roxby Downs	\$	179.82	Non-Active
E02114		23-Jul-13	16 Sida Dr	Roxby Downs	\$	177.75	Non-Active
E01344	Old Account No. E9278	29-Jun-13	19A Planigale Dr	Roxby Downs	\$	173.63	Non-Active
E02148		30-Aug-13	16 Swainsona St	Roxby Downs	\$	163.70	Non-Active
E01198	Old Account No. E9046	29-Jun-13	7 Hamilton Ct	Roxby Downs	\$	158.39	Non-Active
E01066	Old Account No. E8806	29-Jun-13	14 Sida Dr	Roxby Downs	\$	148.18	Non-Active
E02204		3-Oct-13			\$	138.81	Non-Active
E01483	Old Account No. E9446	29-Jun-13			\$	138.58	Non-Active
E01235	Old Account No. E9141	29-Jun-13	8 Eremophila St	Roxby Downs	\$	136.52	Non-Active
E00481	Old Account No. E7110	29-Jun-13	51 Pioneer Dr	Roxby Downs	\$	134.79	Non-Active
E01116	Old Account No. E8916	29-Jun-13			\$	128.30	Non-Active
E00650	Old Account No. E7727	29-Jun-13			\$	115.87	Non-Active
E02254		26-Nov-13	3B Eyre Ct	Roxby Downs	\$	111.11	Non-Active
E02672		17-Nov-14	9 Arcoona St	Roxby Downs	\$	110.02	Non-Active
E02375		10-Jan-14	7/3 Wattle Dr	Roxby Downs	\$	108.95	Non-Active
E01947	Old Account No. E10019	29-Jun-13	55 Hermit St	Roxby Downs	\$	108.28	Non-Active
E01663	Old Account No. E9704	29-Jun-13	32A Gregory St	Roxby Downs	\$	107.95	Non-Active
E00557	Old Account No. E7466	29-Jun-13			\$	101.65	Non-Active
E02446		12-Jun-14	4H Tiliqua Cres	Roxby Downs	\$	97.74	Non-Active
E02210		14-Oct-13			\$	82.79	Non-Active
E02546		28-Jul-14	7A Agonis Rd	Roxby Downs	\$	82.37	Non-Active
E02563		11-Aug-14	6 Maireana Cct	Roxby Downs	\$	81.52	Non-Active
E01266	Old Account No. E9169	29-Jun-13	3 Rowe Ct	Roxby Downs	\$	78.44	Non-Active
E00443	Old Account No. E6729	29-Jun-13	69 Hermit St	Roxby Downs	\$	77.99	Non-Active
E02085	Old Account No. E10166	7-Jun-13	4/30 Burgoyne St	Roxby Downs	\$	76.27	Non-Active
E02792		25-Mar-15	3 Gregory St	Roxby Downs	\$	69.58	Non-Active
E01073	Old Account No. E8825	29-Jun-13			\$	68.07	Non-Active
E00938	Old Account No. E8558	29-Jun-13	30 Callitris Cct	Roxby Downs	\$	67.34	Non-Active
E02110		30-Jun-13	4 Wirrda St	Roxby Downs	\$	60.16	Non-Active
E02925		15-Oct-15	40 Hermit St	Roxby Downs	\$	59.09	Non-Active
E02726		9-Feb-15			\$	57.17	Non-Active
E02409		31-Mar-14			\$	50.37	Non-Active
E01194	Old Account No. E9019	29-Jun-13	1 Mulgaria Cres	Roxby Downs	\$	46.60	Non-Active
E00089	Old Account No. E2983	29-Jun-13	45A Pioneer Dr	Roxby Downs	\$	40.72	Non-Active
E01905	Old Account No. E9932	29-Jun-13			\$	38.71	Non-Active
E02270		18-Dec-13	98 Stuart Rd	Roxby Downs	\$	33.38	Non-Active
E00295	Old Account No. E4985	29-Jun-13	56 Pioneer Dr	Roxby Downs	\$	31.67	Non-Active
E00427	Old Account No. E6241	29-Jun-13	14 Hermit St	Roxby Downs	\$	22.38	Non-Active
E02359		3-Mar-14	1B Emeroo Ct	Roxby Downs	\$	18.53	Non-Active
E02426		8-Apr-14	7 Atriplex Ct	Roxby Downs	\$	15.84	Non-Active
E02820		12-Jun-15	12 Eyre Ct	Roxby Downs	\$	13.05	Non-Active
E01209	Old Account No. E9067	29-Jun-13	13 Aquila Bvd	Roxby Downs	\$	1.27	Non-Active
E00206	Old Account No. E1935	29-Jun-13			\$	0.35	Non-Active
E02229		5-Nov-13	8-6 Phibbs Ct	Roxby Downs	\$	0.32	Non-Active
E01449	Old Account No. E9414	29-Jun-13			\$	0.26	Non-Active

E00296	Old Account No. E5039	29-Jun-13			\$	0.20	Non-Active
E01284	Old Account No. E9168	29-Jun-13			\$	0.16	Non-Active
E02212		15-Oct-13	31 Bopeechee St	Roxby Downs	\$	0.14	Non-Active
E03572		18-Apr-17			\$	0.10	Non-Active
E00116	Old Account No. E3051	29-Jun-13			\$	0.10	Non-Active
E00067	Old Account No. ET693-115	29-Jun-13			\$	0.02	Non-Active
E00692	Old Account No. E7866	29-Jun-13			\$	0.01	Non-Active
						\$ 91,228.39	

Value of proposed debtors to write-off	\$ 91,228.39
GST adjustment	\$ 8,293.49
Write-off to GL 20215030 Electricity Bad Debts	\$ 82,934.90

MUNICIPAL COUNCIL OF ROXBYP DOWNS

Richardson Place
PO Box 124
Roxby Downs SA 5725

Phone 08 8671 0010
Email: roxby@roxbycouncil.com.au
Web: www.roxbydowns.sa.gov.au

ABN: 68 284 130 046

REPORT FOR AUDIT COMMITTEE MEETING

Meeting Date	22 February 2019
Title of Report	2018 Risk Evaluation Report

1. Purpose

To provide the Audit Committee with the results of the 2018 Risk Evaluation Audit.

2. Recommendation

That the Audit Committee receives the 2018 Risk Evaluation Report and notes the actions taken by staff.

3. Background

Local Government Risk Services (LGRS) undertakes a Risk Evaluation Audit of every council every two years.

The aim of the audit is to review each council's risk management systems (including WHS and Injury Management) against both local government sector baselines and other external requirements (e.g. Return to Work SA Performance standards for Self-Insurers and relevant legislation). Sector baselines are not all legislative requirements but a minimum set of requirements that is expected within the local government sector.

These audits assist councils to recognise and share risk management experience, identify where opportunities for system improvements exist and to work in partnership with the LGRS to implement identified improvements. The audit results are also used by the LGA Mutual Liability Scheme to determine the amount of performance bonus due to each council.

The Council was audited on 6 and 7 November 2018 by Mel Cox (Regional Risk Coordinator Murray Mallee Region and Sandy Munro (WHS Coordinator Metro region). The final report was received on 5 December 2018. This review was independent (i.e. by coordinators not linked to Council) which is in contrast to the 2016 audit which was completed by Council's own Regional Risk Coordinator.

Council is self-insured by the Local Government Risk Services (LGRS) and as a part of that program, all councils in SA are provided with a Regional Risk Coordinator to help assist with achieving compliance to WHS performance standards for self-insurers (PSSI). Council's Regional Risk Coordinator resigned in early December 2018 and the position is currently vacant. The LGRS has recently provided a temporary Regional Risk Coordinator (RRC) to provide support on the development of the action plan until the permanent position has been filled. The RRC chosen was one of the Risk Evaluation auditors (Mel Cox) and her understanding of Council's operations and systems derived through the audit process will be valuable.

4. Discussion

The audit only reflects a fraction of the Council's health and safety management systems. The audit report outlines processes that Council is doing well in the areas audited and explains the rationale why a non-conformance has been recorded.

The numerical results of the audit are summarised below:

Risk Management			
	No. evaluated	Sector Baseline Met	Sector Baseline not yet met
Risk Management Systems	6	1	5
Roads and Footpaths	7	2	5
Planning and Development	3	2	1

Work Health and Safety				
Elements reviewed		Conformance	Observation	Non Conformance
Commitment and Policy	1			1
Implementation	8		1	7
Measurement and Evaluation	1			1
Management systems review and improvement	1			1

Injury Management				
Elements reviewed		Conformance	Observation	Non Conformance
Resources	5	5	0	0
Information provided to employees	2	2	0	0
Early intervention, recovery and RTW	2	2	0	0
Measurement, monitoring and review	2	1	0	1

The audit identified that Council scored well and has some good practices in place regarding Injury Management. The only non-conformance recorded in this area related to reporting.

While the non-conformances are high in the areas of Risk and WHS and very similar to the 2016 audit, we recognise that WHS resourcing issues in the past have been a contributing factor with the role vacant for several months. Since the appointment of a full time WHS and Risk Specialist in June 2018 Council has made significant progress.

Areas identified for improvement in the audit in Risk Management are:

- Risk Management Systems
- A system for 3rd party alterations to public roads
- Scheduling, inspection and maintenance regime for roads and footpaths
- Process for managing written complaints related to development applications

Areas identified for improvement in WHS Management are:

- WHS Management Systems (training, review, accountability mechanisms)
- Testing of emergency management systems
- Hazard management systems
- Training in identifying control measures
- Pre-purchase checklists for assets
- Contractor Management

- Formalisation of volunteer induction processes
- Refresher training in work place inspections
- Reporting of planned objectives, targets and performance indicators to Senior Management

The deficiencies identified in the Audit Report are being strongly addressed and remedied through the following actions:

1. Developing an action plan which identifies priority actions to be implemented over the next 2 years. Council is required to nominate which actions will be completed by September 2019 and report on these outcomes to the LGRS with the remainder to be implemented by September 2020. Over the last 3 weeks Senior Council Staff have met 5 times (total of 14 hours) to formulate the action plan. As at 14 February all the actions had been identified and allocated time frames and responsible officers. One further meeting is scheduled for 21 February to finalise the plan and prioritise actions. This action plan must then be lodged for review with the LGRS by the end of March 2019 and we are ahead of schedule.
2. The WHS and Risk Specialist is currently working with the Senior Management Team to identify which resources, information and training is required to ensure that staff meet the intent of the proposed action plan in a timely manner.
3. A quarterly tracking system has been embedded in the proposed action plan to ensure that teams are completing their actions within agreed timeframes. If agreed timeframes need to be changed these will need to be negotiated with the Senior Management Team well in advance.
4. A number of technology based solutions are scheduled for implementation which will support achievement of proposed action plan goals. These include an improved Asset Management System which will be maintained by a recently appointed Asset Administration and GIS Officer. The implementation of Skytrust (an integrated online management system with tools to assist with risk and safety management) will also reduce reliance on Excel spreadsheets and encourage centralised record keeping.
5. The WHS Officer and Risk Specialist is meeting with Skytrust representatives on 20 February to discuss content requirements. The next stage will be developing a project plan for implementation which includes staff training for all users. The aim is to have Skytrust actively in use by the end of May 2019 in the areas of hazard and incident reporting. Other elements such as training, corrective action register and workplace inspections to follow later during the year.
6. Council has engaged the LGRS Strategic Risk team to provide assistance and advice in updating the Strategic Risk Management Plan. The strategic risk planning process will begin with a series of meetings with Senior Managers commencing on 1 March 2019.

A report on the Action Plan approved by LGRS and actions completed to date will be provided to the Audit Committee at the May 2019 meeting.

5. Policy Implications

5.1 Financial/Budget

The achievement of agreed actions (i.e. those currently being developed) by September 2020 influences the rebates Council receives from the Mutual Liability and Workers Compensation Schemes.

5.2 Resources

No additional requirements

5.3 Legal and Risk Management

This audit reviews compliance with the Work Health and Safety Act SA 2012 and also assesses against the Return to Work Performance Standards for Self-Insurers (PSSI)

6. Report Consultation

WHS and Risk Specialist

7. Report Authorisers

Michelle Hales
Group Manager Governance and Community