

Risk and Audit Committee Annual Report 2014 - 2015



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1.0 INTRODUCTION

Welcome to the third Risk and Audit Committee Annual Report for Shoalhaven City Council covering the period of activity from December 2014 to December 2015.

It is a pleasure for me to report that the Risk and Audit Committee continues to make progress in discharging its responsibilities as set out in the Risk and Audit Committee Charter.

The Risk and Audit Committee has actively performed during the year in providing independent assurance on the adequacy of Council's risk management framework and associated control environment, and has provided robust scrutiny and challenge of Council's financial performance.

Key achievements in this reporting period include:

- Implementation of recommendations resulting from the committee's self-assessment and Business Planning conducted in 2014;
- Completion of the online portal (SharePoint) for Committee members to allow immediate online access to Council's financial information and internal audit resource materials;
- Extension of internal audits into fundamental Council business and focussing on "deep dive" performance-based auditing;
- Adoption of the international standard COSO (Committee of Sponsoring Organisation of the Treadway Commission) control framework for internal audits;
- Improved communication with the external auditor through "off-camera" discussions and requiring more timely "Management Letters" resulting from his audit operations;
- Implementation of succession planning for the Risk and Audit Committee and internal audit;
- Effectively contributing to the governance structure of the organisation through contribution to matters presented to the committee such as business continuity and the fraud and corruption prevention policy;
- Highlighting the need for improved business planning and the need to review the IT controls for system changeovers; and
- Networking with Risk and Audit Committees in other councils to enable continuous improvement.

Looking forward, the Risk and Audit committee will actively contribute to the governance structure of Council through executing the Risk and Audit Committee Charter.

THE HONOURABLE ANTHONY J. MESSNER AM
Chair, Shoalhaven City Council Audit Committee

2.0 COUNCIL'S RISK AND AUDIT COMMITTEE

Shoalhaven City Council's Audit Committee has been established in accordance with NSW Office of Local Government guidelines. The Committee name has been rebranded to Risk and Audit Committee in 2014 to reflect role the Committee plays in the governance structure of Council.

The objective of the Committee is to provide independent assurance and assistance to Council on risk management, control, governance, and external accountability responsibilities. The Risk and Audit Committee is mandated by its Charter.

The committee appreciates the full cooperation of the General Manager and his staff to ensure it can, and will into the future, fully meet its mandate.

Committee Membership

A quorum is formed by two independent and one Councillor members in attendance and voting.

INDEPENDENT MEMBERS (voting)

Independent Members are appointed for a term of four years following a process of public advertisement and selection by Council. Members' terms are subject to a rotation with one independent member retiring each year.

The dates of expiry of members' terms of office follow:

The Honourable Anthony Messner AM (Until 31 December 2016)

Mr. Colin Lonergan (Until 31 December 2015) – *Mr. Lonergan will shortly be out of committee service. He and his vast experience will be greatly missed from committee deliberations.*

Dr. Philp Ross (Until 31 December 2018) – *Mr Ross joined the committee in 2015. He is an academic and sits on the audit committees of a few other NSW Councils. Dr. Ross has brought a wealth of knowledge and good ideas to the committee.*

COUNCILLOR MEMBERS (Voting)

Clr. John Wells Deputy Mayor

Clr. Allan Baptist (Member from September 2014)

Clr. Andrew Guile (Member up to September 2014 then alternate from September 2014)

Clr Jemma Tribe (Alternate from September 2014)

ATTENDEES (non-voting)

General Manager: Russ Pigg

Executive Strategy Manager: Susan Tracey

Director Corporate & Community Services: Craig Milburn

Director Assets and Works: Ben Stewart

Director Planning and Development: Tim Fletcher

Director Shoalhaven Water: Carmel Krogh

Chief Financial Officer: Pamela Gokgur

Manager HR, Governance and Customer Service: Melissa McCoy

Internal Audit Program Coordinator: Shalni Prasad – *joined Council in December 2014. Her role includes coordination of the internal audit function with the Risk and Audit Committee, execution of audits delivered internally and coordination of audits performed by consultants.*

Risk and Audit Committee Activities 2015

The committee met four times formally in 2015 to consider the matters presented in the meeting. Further, the committee met the external auditor twice in 2015.

3.0 KEY ISSUES

During the course of the reporting period the Committee encountered the following key issues:

3.1 Council's Transformation Program

The Committee is updated quarterly on the financial achievements against the targets arising from the transformation program. Satisfactory performance is noted.

The committee will continue to monitor this area as a key focus in line with the 'Fit for the Future' reforms.

3.2 CIVICA IT Software Project

The CIVICA project (integrated Council financial and management systems) presents high risks to operations as well as to the reputation of Council and staff engaged. At present the project is behind schedule. The Committee is assured by Management through updates provided in every committee meeting that all efforts are being made to overcome its shortcomings.

Council has upgraded its core systems, SUN, MERIT and TRIM as part of the business continuity plan. The upgrade costs were sought from CIVICA.

The project go-live is 01 July 2016.

3.3 Communication with External Auditor

The committee enjoys mutual cooperation with the external auditor.

The year ended 30 June 2015 financials have been presented to Council. The Committee met the external auditor regarding the Financial Statements. This provided the opportunity to raise concerns as well as determine his degree of satisfaction or otherwise with the audit's result and whether there are emerging issues arising from his activities.

Members are satisfied with his responses do not raise issues of such substance that require rectification or qualification of his report.

3.4 Internal Audits – 2015

Council implemented a co-sourced model for internal audits in 2015. The focus of internal audits has been shifted to "deep dive" audits and we are content to report that 2015 audits have been focussed in this direction supporting Council's continuous improvement.

The following summarises the "deep dive" audits performed in 2015:

2015 Audits	Performed by	Number of Findings				Opportunities for Improvement
		Extreme	High	Medium	Low	
<u>Reports Presented to Committee</u>						
Holiday Haven	Internal	0	7	3	1	1
Procurement & Payments	Internal	0	5	2	1	4
Development Assessment	Internal Audit Bureau	0	1	5	0	0
Property Sales, Acquisitions and Lease/Licences	Internal	0	1	3	0	1
<u>Report to be presented to Committee</u>						
Project Management	KPMG	0	1	1	2	1
Shoalhaven Mechanical	Internal	0	4	3	2	1
Shoalhaven Libraries	Internal	0	0	3	2	2

“Deep dive” audits require sufficient resources to execute. Internal audit has a budget of \$30,000 per annum to engage consultants to execute such audits.

Internal audit has performed the following compliance audits in 2015:

- Drives 24
- CCTV

The internal audit program coordinator reports quarterly to the Committee on the progress of the recommendations made in the audits conducted.

Going forward the Risk and Audit Committee will be actively involved in the internal audits through contribution to internal audit plans and audit scope.

3.5 Asset Management

Accounting and management of Council’s assets; which are valued approximately \$2B have always been a concern.

These concerns have not only been attributable to Council’s accounting and management practices but also have arisen due to changes to accounting standards and State Government edicts and at times confusion on methods of assets valuations.

It is pleasing that these changes appear to have been adopted with a minimum of fuss.

4.0 CONCLUSION

The Risk and Audit Committee has been successful in delivering its role in 2015 and looks forward to the year ahead to contribute more effectively through gaining better understanding of Council's risks and improving the performance of Council through an effective audit program in partnership with management.



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For more information contact the Corporate & Community Services Group

Revenue - Stormwater Management Policy

Policy Number: POL15/85 • **Adopted:** [Click here to enter date] • **Minute Number:** [Click here to enter Minute number] • **File:** 2973E • **Produced By:** Corporate & Community Services Group • **Review Date:**

1. PURPOSE

Councils have primary responsibility for stormwater management within their local government area. This includes managing both stormwater quality and quantity in their area and ensuring that potential negative stormwater impacts are not transferred across council boundaries.

In 2006 the addition of Section 496A to the Local Government Act, 1993 made by the Local Government Amendment (Stormwater) Act 2005 enabled councils to make and levy an annual charge for Stormwater Management Services for each parcel of rateable land for which a stormwater Management Service is provided. The charge applies to parcels of land categorised for rating purposes as ‘Residential’ or Business’ (including all sub categories), not being vacant land or land owned by the Crown, or land held under a lease for private purposes granted under the Housing Act 2001 or The Aboriginal Housing Act, 1998 or as defined further in this Policy.

2. STATEMENT

This policy provides the guidelines for administering the levying of the Stormwater Management Charge on eligible properties within the Shoalhaven City Council area in accordance with Section 496A of the Local Government Act, 1993 and clauses 125A and 125AA of the Local Government (General) Regulation 2005.

3. PROVISIONS

Increasing urbanisation has resulted in a significant increase in impervious surfaces and has significantly increased the volume of stormwater flowing into urban waterways. These flows contribute substantial loads of litter, sediment and chemicals to urban waterways, as well as causing flooding in some areas.

Therefore, appropriate asset management (through maintenance and replacement of drains and stormwater treatment measures) and the harvesting and reuse of stormwater is becoming increasingly important. Stormwater management involves the use of structural (eg physical infrastructure and treatment techniques) and non-structural (eg education programs and monitoring) measures to both improve stormwater quality and mitigate excessive flows. This

contributes to pollution abatement, protection of aquatic ecosystems health and flood mitigation.

The purpose of the stormwater management charge is to allow council to raise additional revenue to cover some or all of the costs of providing new/additional stormwater management services within the local government area (LGA). The stormwater management charge will cover costs additional to those which have been previously funded from council's general income.

3.1 Stormwater Management Charge cannot be levied / used:-

- The charge cannot be levied when council has a stormwater related special rate or special variation in place for stormwater management or a drainage charge.
- The charge must not exceed the estimated cost of implementing any new/additional stormwater measures.
- The stormwater management service charge cannot be used for dealing with stormwater run-off from public land.

3.2 Land Eligible to be charged the Stormwater Management Charge

Shoalhaven City Council will apply the charge to parcels of rateable land categorised as residential or business under the Local Government Act within an urban area, that benefit from proposed new/additional stormwater management services. For this purpose "Urban" means land within a city, town or village. This may differ from the description of urban contained in councils LEP. Shoalhaven City Council has identified cities, towns and villages by plotting such areas within councils GIS mapping system. This system will be updated regularly by the Property Unit to accommodate newly created subdivisions and urban creep.

3.3 Land Exempt from the stormwater Management Charge

- Public land, such as:
 - Crown land,
 - Council owned land, and
- Land held under lease for private purposes granted under the Housing Act 2001 or the Aboriginal Housing Act 1998;
- Vacant land, as in land containing no buildings, car parks or large areas of material such as concrete (ie no impervious surfaces); and
- Rural residential or rural business land (ie land not located within a village, town or city)
- Land belonging to charities and public benevolent institutions.
- Parcels of land already contributing to a drainage charge through a special rate or special variation where the primary purpose of the charge is stormwater management.

3.4 Change of Status part way through the year

If a parcel of land is vacant at the start of the rating period and a building is constructed on the land during the year, the charge will be applied from the commencement of the next rating year. Unless the subject property is to be rated as a 'supplementary levy' in the current year in which case all rates and charges will be apportioned accordingly.

3.5 Charges to Apply

Limits are set as per the Local Government (General) Regulation 2005, Section 125AA
A flat fee for urban residential and business properties at \$25

A flat fee for urban residential and business strata units at \$12.50

4. IMPLEMENTATION

The responsibility for the implementation and review of this policy shall be with the Director of Corporate and Community Services.

5. REVIEW

The Corporate and Community Services Group will review this policy:

- Directly prior to the Rate Levy for each new rating year; or
- As a result of a change in legislation that affects this policy

6. APPLICATION OF ESD PRINCIPLES

Apply Council's ESD principles in accepting appeals from ratepayers who believe they have been incorrectly charged for Stormwater Management due to the properties locality not being within an urban area or the ratepayer is able to adequately demonstrate management of their own stormwater privately through harvesting, private pipes or storage tanks.

7. APPENDIX

- Flowchart Demonstrating the Process for the Stormwater Management Charge is to Apply
- Section 496A Making and levying of annual charges for stormwater management services (*extracted from the Local Government Act, 1993*)
- Section 125A Annual charges for stormwater management services (*extracted from the Local Government (General) Regulation, 2005*)
- Section 125AA Maximum annual charge for stormwater management services (*extracted from the Local Government (General) Regulation, 2005*)

496A Making and levying of annual charges for stormwater management services

- (1) A council may, in accordance with the regulations, make and levy an annual charge for the provision of stormwater management services for each parcel of rateable land for which the service is available.
- (2) Subsection (1) does not authorise or permit a council to make or levy an annual charge for the provision of stormwater management services for rateable land that is:
 - (a) owned by the Crown, and
 - (b) held under a lease for private purposes granted under the *Housing Act 2001* or the *Aboriginal Housing Act 1998*.

Note. Section 555 (1) (a) provides that land owned by the Crown is not rateable land unless it is held under a lease for a private purpose.

125A Annual charges for stormwater management services

- (1) For the purposes of section 496A of the Act, a council may make or levy an annual charge for stormwater management services only in respect of urban land that is categorised for rating purposes as residential or business.

Note. Part 3 of Chapter 15 of the Act allows a council to categorise each parcel of land within its area.
- (2) A council may not make or levy an annual charge for the provision of stormwater management services in respect of a parcel of land if:
 - (a) the parcel of land is vacant land, or
 - (b) the parcel of land is subject to a special rate or charge that has been made for or towards meeting the cost of any works, services, facilities or activities the primary purpose of which is the provision of stormwater management services.
- (3) A council may not make or levy an annual charge for the provision of stormwater management services if the council has received an instrument from the Minister under section 508 or 508A of the Act which specifies the percentage by which the council may vary its income and the instrument imposes a condition with respect to that variation to the effect that the primary purpose of the variation is to fund stormwater management services.
- (4) A council may not make or levy an annual charge for the provision of stormwater management services for a parcel of land that exceeds:
 - (a) if the anticipated cost of providing stormwater management services to the parcel of rateable land is less than the maximum annual charge in respect of the parcel of rateable land—the anticipated cost, or
 - (b) if the anticipated cost referred to in paragraph (a) is equal to or greater than the maximum annual charge in respect of the parcel of rateable land—the maximum annual charge for the parcel of rateable land.
- (5) In this clause:

maximum annual charge, in respect of a parcel of land, means the maximum annual charge that may be made or levied by a council in respect of the parcel of rateable land in accordance with clause 125AA.

urban land means land within a city, town or village.

125AA Maximum annual charge for stormwater management services (section 510A)

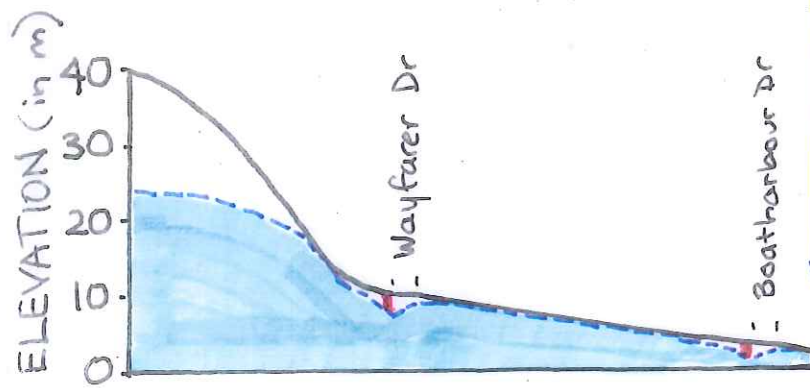
- (1) The maximum annual charge for stormwater management services that may be levied in respect of a parcel of rateable land is:
 - (a) for land categorised as residential (other than land referred to in paragraph (b))—\$25, and

- (b) for a lot in a strata scheme that is categorised as residential—\$12.50, and
- (c) for land categorised as business (other than land referred to in paragraph (d))—\$25, plus an additional \$25 for each 350 square metres or part of 350 square metres by which the area of the parcel of land exceeds 350 square metres, and
- (d) for a lot in a strata scheme that is categorised as business—the greater of the following:
 - (i) \$5,
 - (ii) the relevant proportion of the maximum annual charge that would apply to the land subject to the strata scheme if it were a parcel of land subject to paragraph (c).
- (2) In this clause, the ***relevant proportion***, in relation to a lot in a strata scheme, is the proportion that the unit entitlement of that lot in the scheme bears to the aggregate unit entitlement of the scheme.
- (3) Words and expressions used in this clause have the same meanings as they have in the *Strata Schemes Management Act 1996*.

**STRATEGY AND ASSET COMMITTEE
RESOLUTIONS / ACTIONS – PROJECTS TO BE COMPLETED – as at 1 January 2016**

Item No.	Subject	Council Resolution	Date	Remarks	Meeting Outcome 15 th December 2015
1.	Council Land – Lot 1 DP 1021332 George Evans Rd, Mundamia File: 35343E	MIN10.857 MIN12.1302	16/2/15 Aug 2015	NALC involvement, bio-diversity offsets, APZ to be further investigated. Meeting with NALC to discuss adjoining land required. The part 3A application has been withdrawn to allow time to negotiate with the adjoining landowners, Nowra Local Aboriginal Land Council, and make arrangements to resolve bushfire protection measures associated with the subdivision layout.	
2.	Council Land – Lot 23 and 24 Section 5A. DP9063, Chisholm Street, Callala Bay File: SF10418, 48516E	MIN15.788	13/11/15	Works underway. Completion expected February 2016. Marketing expected to commence February/March 2016.	

ATTACHMENT A: CROSS SECTION AND WATER TABLE – WAYFARER DRIVE TO BOATHARBOUR DRIVE



- LEGEND**
- Natural Surface
 - - - Water table
 - Saturated soil
 - Subsoil drain

CROSS SECTION AT X-X