



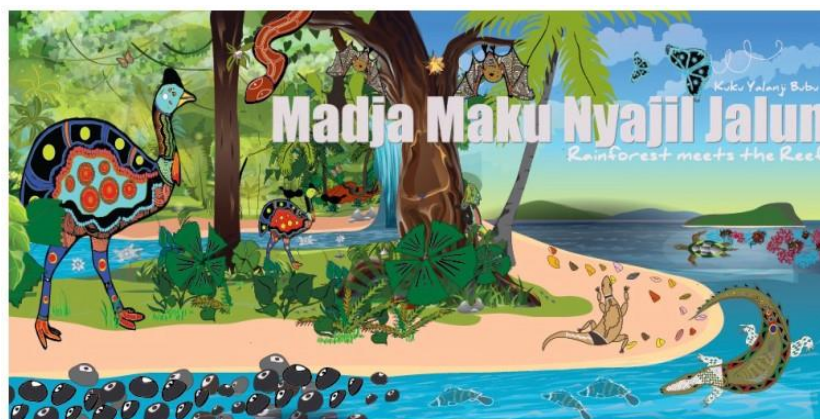
DOUGLAS SHIRE COUNCIL

# AUDIT COMMITTEE MEETING

## AGENDA

**Monday 21 June 2021**

ENSURING EXCELLENCE IN GOVERNANCE  
ACCOUNTABLE AND TRANSPARENT DECISION-MAKING  
ENGAGING, PLANNING, PARTNERING  
CELEBRATING OUR COMMUNITIES



Douglas Shire Council would like to show its appreciation by acknowledging local indigenous artists Lenice Schonenberger, Loretta Pierce (Lenoy) and Ronald Bamboo for providing the cover artwork entitled "**Daintree Ferry**"

## **PLEASE NOTE:**

### **Conduct in Closed Session:**

Council is obligated under Chapter 8, Part 2, Division 1A of the Local Government Regulation 2012 (Regulation) for its meetings to be open.

Section 254A (2) of the Regulation states that Division 1A does not apply to Audit Committee Meetings.

Audit Committee meetings are not open to the public and are conducted in closed session.

### **Record**

The Audit Committee is a non-decision-making meeting.

Section 211 of the Regulation states:

- (1) The audit committee of a local government must—
  - (a) meet at least twice each financial year; and
  - (b) review each of the following matters—
    - (i) the internal audit plan for the internal audit for the current financial year;
    - (ii) the internal audit progress report for the internal audit for the preceding financial year including the recommendations in the report and the actions to which the recommendations relate;
    - (iii) a draft of the local government's financial statements for the preceding financial year before the statements are certified and given to the auditor-general under section 212;
    - (iv) the auditor-general's audit report and auditor-general's observation report about the local government's financial statements for the preceding financial year; and
  - (c) as soon as practicable after a meeting of the committee, give the local government a written report about the matters reviewed at the meeting and the committee's recommendations about the matters.
- (2) At a meeting of the audit committee—
  - (a) a quorum is at least half the number of members of the committee; and
  - (b) either—
    - (i) the chairperson presides; or
    - (ii) if the chairperson is absent, the member chosen by the members present as chairperson for the meeting presides.
- (3) The audit committee may, for performing its functions under subsection (1)(b), seek information or advice from the person who has carried out the internal audit.
- (4) The chief executive officer must present the report mentioned in subsection (1)(c) at the next meeting of the local government.

**AUDIT COMMITTEE AGENDA**

1. *Welcome*
2. *Attendance and Apologies*
3. *Confirmation of Minutes*
4. *Declaration of Conflicts of Interest by Members of the Audit Committee and Observers*
5. *Matters Arising*
6. *Officers' Reports*
7. *Other Business*
8. *Next Meeting*
9. *Meeting Close*

## **1. WELCOME**

## **2. ATTENDANCE AND APOLOGIES**

### **Attendance**

#### **Committee Members**

Chair	Dr Martin Fahy
External Member	Mr Drong Drue
Mayor	Cr Michael Kerr
Deputy Mayor	Cr Lisa Scmazzon

#### **Officers**

Chief Executive Officer	Mark Stoermer
Chief Financial Officer	Tara Killeen
Manager Governance	Juanita Holden
Manager Project Office	Scott Hahne
Team Leader Financial Accounting	Joanne Nicholson
Team Leader Management Accounting	Sandeep Tut
Asset Accountant	Katie Wilkinson
Senior Procurement Officer	Sean O'Connor

#### **Invited External Representatives**

Pacifica – Internal Auditor	Carolyn Eagle
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### **Apologies**

## **3. CONFIRMATION OF MINUTES**

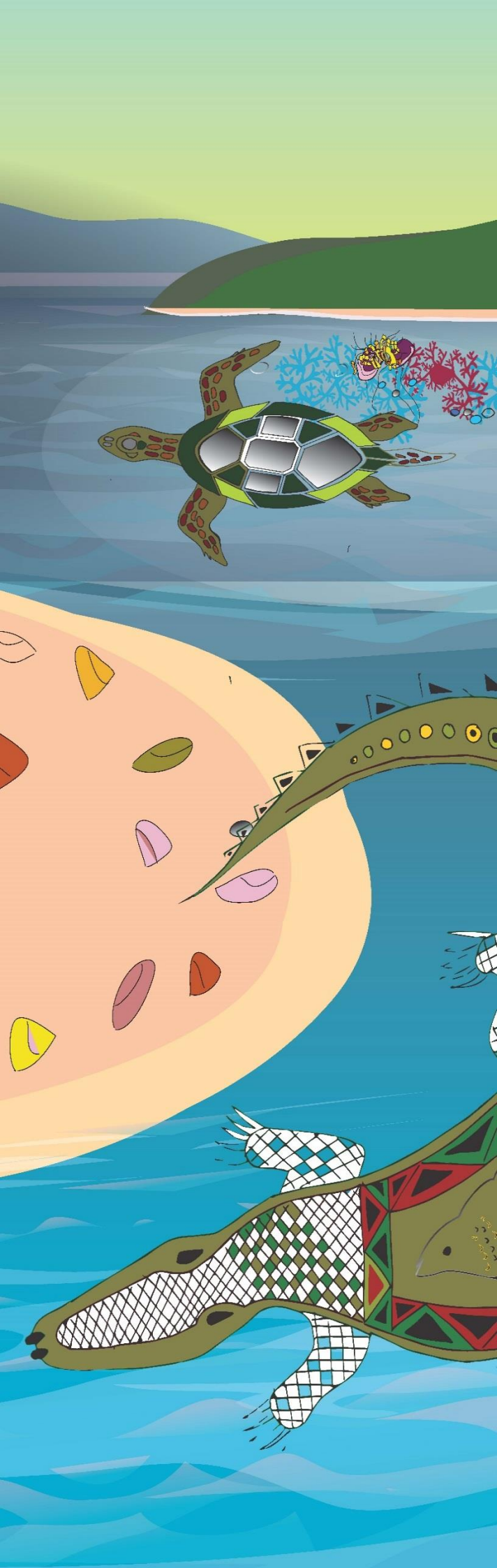
Minutes of the Audit Committee Meeting held 15 March 2021.

### **ATTACHMENTS**

1. Minutes Audit Committee Meeting 15 March 2021 [3.1.1]

### **Attachment 3.1.1**





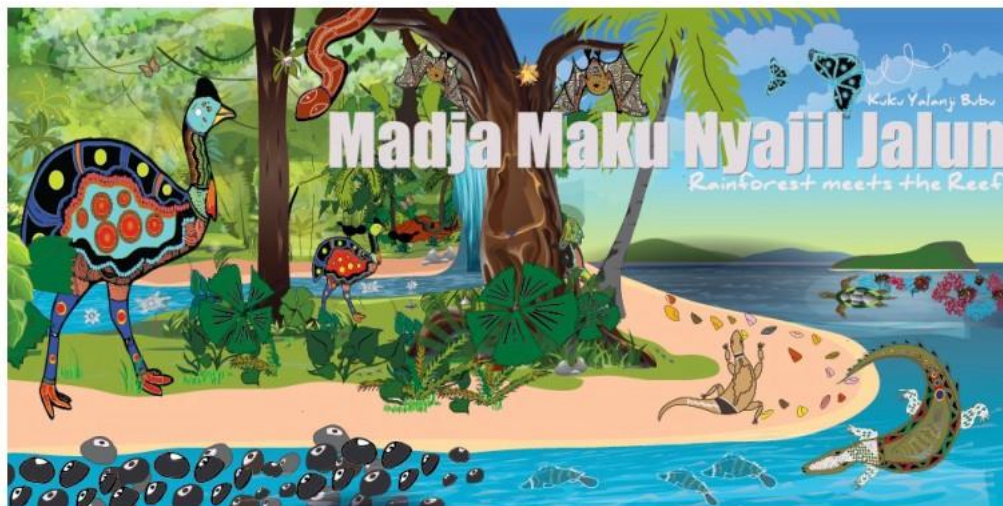
DOUGLAS SHIRE COUNCIL

# AUDIT COMMITTEE MEETING

## MINUTES

**Monday 15 March 2021**

ENSURING EXCELLENCE IN GOVERNANCE  
ACCOUNTABLE AND TRANSPARENT DECISION-MAKING  
ENGAGING, PLANNING, PARTNERING  
CELEBRATING OUR COMMUNITIES



Douglas Shire Council would like to show its appreciation by acknowledging local indigenous artists Lenice Schonenberger, Loretta Pierce (Lenoy) and Ronald Bamboo for providing the cover artwork entitled "**Daintree Ferry**"



**1. WELCOME**

The Chair welcomed the committee members and observers.

**2. ATTENDANCE AND APOLOGIES****Committee Members**

Chair	Dr Martin Fahy – Via Teams
External Member	Mr Drong Vue
Mayor	Cr Michael Kerr
Deputy Mayor	Cr Lisa Scmazzon

**Officers**

Chief Executive Officer	Mark Stoermer
Chief Financial Officer	Tara Killeen
Manager Governance	Juanita Holden
Team Leader Financial Accounting	Joanne Nicholson
Team Leader Management Accounting	Sandeep Tut
Asset Accountant	Katie Wilkinson

**Invited External Representatives**

QAO – Senior Manager	Noreen Romero – Via Teams
QAO – Senior Auditor	Jessica Rossouw

**Apologies**

There were no apologies noted.

**3. CONFIRMATION OF MINUTES OF COUNCIL MEETINGS****Committee Decision**

That the minutes of Douglas Shire Council Audit Committee meeting held 7 December 2020 be confirmed.

**4. CONFLICT OF INTEREST/MATERIAL PERSONAL INTEREST**

There were no Conflicts of Interest declared by any Councillor or Senior Council officer in relation to the items of business listed on the Agenda.

**5. ISSUES BROUGHT FORWARD FROM PREVIOUS MEETING**

The Manager Governance provided a status of the following action items.

Action	Description	Completed
Appointment Letters	Prepared and sent to External Members	Yes
Indemnity Insurance	Information received from JLT and sent through to External Members	Yes
Formal Induction	To be organized with WHS Officers	To be organised
External Auditors	Meetings have been held for introductions	Yes
Internal Auditors	Meetings have been held for introductions	Yes
Workshop	Held 27/02/21 at Mossman Admin Operational Overview Governance Overview Capital Works Overview	Yes

**Committee Decision**

It was resolved that the Audit Committee receive and note the Issues brought forward from previous meeting.

## 6. REPORTS TO BE TABLED

### 6.1 GOVERNANCE REPORT

The Manager of Governance presented the Governance Report:

#### General Update

- Delegations Register
- Register of Interests
- Complaints Management
- Fraud and Corruption
- Annual Report
- Risk Management
- Policies and Procedures
- Legislative Compliance

#### Questions from the Floor:

- There are a number of outstanding policies in the first schedule presented, is there a reason for this?
  - The first schedule is the 2019-2020 Compliance listing. Have provided this as well the updated schedule for 2020-2021 and 2021-2022. Provided to show the workings over the past 18 months.

#### **Officers Recommendation**

It is recommended that the Audit Committee note and receive the Governance Report

#### **Committee Decision**

The Committee resolved to note the officer's recommendation.

### 6.2 QAO Y21 AUDIT PLAN REPORT

Noreen Romero (QAO) presented the QAO Y21 Audit Plan Report:

#### Audit Committee Briefing Paper

- The Audit Process
- Area of focus and proposed audit approach
- Reports to Parliament
- Other Matters of Interest

#### Strategic Audit Plan 2020-2023

- Background
- Audit Program 2020-23
- Audit details

#### Questions from the Floor:

- Will the COVID-19 impact and the substance extra testing be an ongoing concern?
  - Reported through the financial sustainability ratio.
- Will QAO undertake a detailed audit of the IT General Control and Cyber Security Internal Controls given the recent transition of IT infrastructure/systems back in-house?
  - Not at this stage. Will report back to the committee in the next financial year on the progress.
- Any issues from the previous Audit reports that you wish the Audit Committee to pay particular attention to?
  - Not at this stage. The QAO will engage and report back to the Audit Committee after each visit with the results from the visits and any areas of concerns.

#### **Officers Recommendation**

It is recommended that the Audit Committee note and receive the QAO Y21 Audit Plan Report.

#### **Committee Decision**

The Committee resolved to note the officer's recommendation.

### 6.3 **CONFIDENTIAL REPORT – DAINTREE FERRY UPDATE**

#### **Reason for Confidentiality**

That the report be deemed a confidential document and be treated as such in accordance with sections 171 and 200 (4) of the Local Government Act 2009 and that the document remains confidential unless Council decides otherwise by resolution.

***The Chair acknowledge the huge work and attention that the CEO has put into this project and the efforts and support of the team.***

The Chief Executive Officer presented an update on the Daintree Ferry Progress.

#### **Questions from the Floor:**

- Does the CEO need anything from the Audit Committee to provide support?
  - Not at this point
- In terms of Media Strategy and being prepared to respond proactively to media, are media statements and appropriate strategies in place?
  - Yes, and have comments available for the Media.
  - Everything will be made public as per the Local Government Act once ready.

#### **Officers Recommendation**

It is recommended that the Audit Committee note and receive the Chief Executive Officers report on the Daintree Ferry.

#### **Committee Decision**

The Committee resolve to note the officer's recommendation.

### 6.4 **INTERNAL AUDIT PROGRESS REPORT**

The Manager of Governance presented the Internal Audit Progress Update Report.

- Scope 1 – Customer Request Management
- Scope 2 – Environmental Compliance
- Scope 3 – Corporate Cards

The Customer Request Management has been completed and the draft review report is being prepared for Management response. The Environmental Compliance Audit is completed waiting on Management Comment on the draft review report. The Corporate Cards Audit is underway with officers progressing on sourcing required data.

***The Chair noted that the external members of the committee have met with Pacifica.***

#### **Questions from the Floor:**

Nil

#### **Officers Recommendation**

It is recommended that the Audit Committee note and receive the Internal Audit Progress Update Report.

#### **Committee Decision**

The Committee resolve to note the officer's recommendation.

## **7. OTHER BUSINESS**

### **7.1 FINANCIAL REPORT**

The Chief Finance Officer presented the Financial Report.

#### **Financial Reports:**

- Finance Report for period end 31 January 2021 – Received by Council

- Finance Report for period end 28 February 2021 – Not received by Council

Questions from the Floor:

- Actual v's Budget is sitting at 32% for January and February reports. What is the understanding around if it is timing or having issues with capital expenditure or WIP?
  - The elements for Capital Grant Tier claims is arrears, therefore a timing issue
  - Will come under the capital expenditure, which will roll over next financial year
  - Corresponding Capital Grant revenue will also roll over to next year

Financial Reports:

- Revised Budget Report – Received by Council

***The Chair noted that the Revised Budget has a very detailed breakdown of capital works program and can see how much work is being done in the Community, which is really great to see.***

The Chief Finance Officer acknowledged the work that the Finance team have put into the revised budget and highlighted the following:

- Identified Savings
- Monitoring and keeping in check
- There may be some requests for additional wages that will come to Council in future workshops. This may have an impact on future budgets.

Questions from the Floor:

- The Long-Term Financial Sustainability (2029/30) – In terms of getting to that sustainability, at the moment something transformational will be needed long term. To continue to support the very big Capital list that Council has, what are the alternatives to getting to sustainability beyond this?
  - Council is back to where it was at de-amalgamation
  - Council has worked out of this position before as well as paying off debt
  - Council does not have debt
  - Council has considered borrowings and the figures on this. This will impact future capital works (repayments)
  - Having small increase in rates – continuing to be consistent
  - Does see if coming out into positive in Yr. 8 on the next budget
  - Continue to work on the Economic Strategy
  - Constantly trying to find savings – Electricity, telephone services
  - Hopeful of growth in the region

***The Chair thanked the Chief Financial Officer and team for the report and the information which is really helpful to the Committee. This will be a feature of the Agenda for the Audit Committee.***

**Officers Recommendation**

It is recommended that the Audit Committee note and receive the Finance Report.

**Committee Decision**

The Committee resolve to note the officer's recommendation.

## 7.2 OTHER

- The Risk Reporting Register to be a regular item on future agendas
- The Committee has requested that Agenda and associated reports be made available earlier
- An additional meeting to be scheduled after the June Meeting

***The Chair noted that he is really please with progress. This is the second meeting and had a really full agenda today. Have managed to see the External Auditors and their Audit Plan, Internal Auditors Audit Plan, and various Financial Reports. Have had a mayor update on the big risks for Council and will continue to visit the Risk Framework and report back to the committee.***

*The Chair thanked all for their attendance.*

8. **NEXT MEETING**

- 21 June 2021 commencing at 4:00pm at the Mossman Administration Building

9. **CLOSURE OF MEETING**

- The meeting closed at 4:46pm.

DR MARTIN FAHY  
CHAIR

UNCONFIRMED

#### **4. DECLARATION OF CONFLICT OF INTEREST BY MEMBERS OF THE AUDIT COMMITTEE AND OBSERVERS**

<b>Officer</b>	<b>Conflict of Interest</b>

#### **5. MATTERS ARISING**

<b>Action</b>	<b>Description</b>
Formal Induction	To be organised with WHS Officers



## **6. OFFICERS' REPORTS**

### **6.1. FINANCIAL REPORT**

**REPORT AUTHOR** Tara Killeen, Chief Financial Officer

#### **RECOMMENDATION**

**That the Audit Committee receive and note the report titled Financial Report.**

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#### **EXECUTIVE SUMMARY**

The Chief Financial Officer will present a verbal report on the attached Financial documents.

#### **ATTACHMENTS**

1. April Finance Report [6.1.1]
2. May Finance Report and State of Estimated Financial Position [6.1.2]
3. 2021/22 Annual Budget [6.1.3]

## **Attachment 6.1.1**

## 5.10. FINANCIAL REPORT APRIL 2021

**REPORT AUTHOR** Tara Killeen, Chief Financial Officer

**MANAGER** Mark Stoermer, Chief Executive Officer

**DEPARTMENT** Finance and Corporate Services

### RECOMMENDATION

**That Council notes the Financial Report for the period ended 30 April 2021.**

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### EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2020/21 revised budget for the period ended 30 April 2021. Key points to note include the following:

- Operating revenue is ahead of budget by \$152K.
- Operating expenditure is under budget by \$1.9M.
- The Operating Surplus is currently \$1.5m, compared to a budgeted deficit of \$525k

### BACKGROUND

In accordance with section 204 of the *Local Government Regulation 2012* the Chief Executive Officer must present to Council a financial report, which states the progress that has been made in relation to the current financial year's budget. This report must be presented to Council on a monthly basis and cover the period up to a day as near as practicable to the end of the preceding month.

### COMMENT

The 2020/21 annual budget was adopted on 30 June 2020 and revised on the 24 November 2020. The attached financial report details progress against revised budget for the period ended 30 April 2021.

The following information is provided to assist with interpreting the report, including the provision of relevant graphs.

### Operating Revenue and Expenditure

#### Key points:

- Council has received 90% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget.

Operating revenue is currently ahead of budget, with variations occurring primarily within the categories as follows:

- Rates and utility charges are currently behind budget \$28k, this is due to several factors including a recorded decrease in water consumption and \$15k in concealed water leak rebates as per council policy. This is offset by an increase in other utility charges \$20k which includes the Aged Care facility. Pension remission costs and discounts exceed budget. General Rates are behind budget \$23k, Council is waiting for the issue of Titles for 2 small subdivisions which will impact this result.
- Daintree Ferry revenue is currently \$100k behind budget. This includes refunds of \$19k for Covid Relief measures. This variance will continue to be monitored closely.
- Fees and charges are currently \$94k ahead budget, there are a number of variances within this category:
  - Refuse Tipping fees continue strongly and are currently \$59k ahead of budget.
  - Licence Fees are currently \$31k behind budget, a timing delay in issuing prescribed activity fees, primarily causes this variance.
  - Property fees are currently \$165k ahead of budget. This includes Search Fees which are \$57k ahead of YTD budget. This reflects the reported increased movement in properties.
  - Other fees and charges are currently \$98k behind budget. Mossman Pool is \$30k behind and Facility hire is \$91k behind. This includes Port Douglas Markets which is \$53k behind budget and also includes \$14k in refunds issued due to venue cancellations. Caravan park bookings have been strong and are now \$22k ahead of budget. Cemetery fees are also \$10k ahead of budget.
- Grants and subsidies are \$196k ahead of budget and includes funding for Sustainable Fishing \$13.5k, \$7.5k for Wangetti revegetation & DFRA funding of \$296k has been transferred from Capital. This is partially offset by the timing of receipts for other grants.
- Interest Income is currently \$26k ahead of budget. \$11.7k of this is due to holding more cash due to the delay in expenditure, both operational and capital.
- Other recurrent income is behind budget \$36k. Budgeted Income has been moved to offset waste levy expense as per Audit advice. An additional State works contract for Alchera drive works has offset this impact. Other revenue can also be impacted by the timing of income from the sale of recycled materials.

On the operating expenditure side, year to date expenditure variations to budget are as follows:

- Materials and services expenditure is currently under budget \$1.2M. This variance is primarily due to timing of receipt of invoices and commencement of operational projects, Committals are currently \$3.4M, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc. It is important to note that just under \$1m remains uncommitted in the material & services budget with 2 months remaining. The infrastructure team have incurred additional expenditure due to the recent rain event.
- Employee benefits are currently \$408k under budget. This can be impacted by various factors, such as staff vacancies, the amount and timing of leave taken and the allocation of costs to capital expenditure. This variance includes an allowance for the impact of the new EBA changes and subsequent backpays, which are still to be processed.

- Depreciation expense is currently \$275k under budget and is impacted by the timing of completion of projects. There is expected to be a small permanent saving.
- Finance Costs are currently \$14k under budget. Timing of bank merchant fees charged increase significantly in line with payments for rates and utility charges. A large take up in Bpay has likely contributed to this cost decrease.

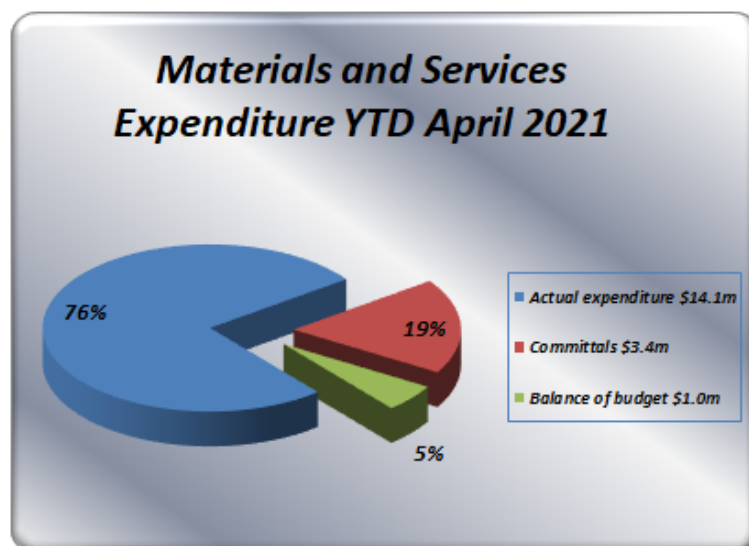


Figure 1.

### Capital Revenue and Expenditure

#### Key point:

- Council has received 39% of its annual budgeted capital grants and subsidies and \$312k in developer contributions which are \$62k ahead of budget.

It should be noted that in addition to year-to-date capital expenditure of \$12.9m, a further \$9.4m had been committed as at the end of April 21.

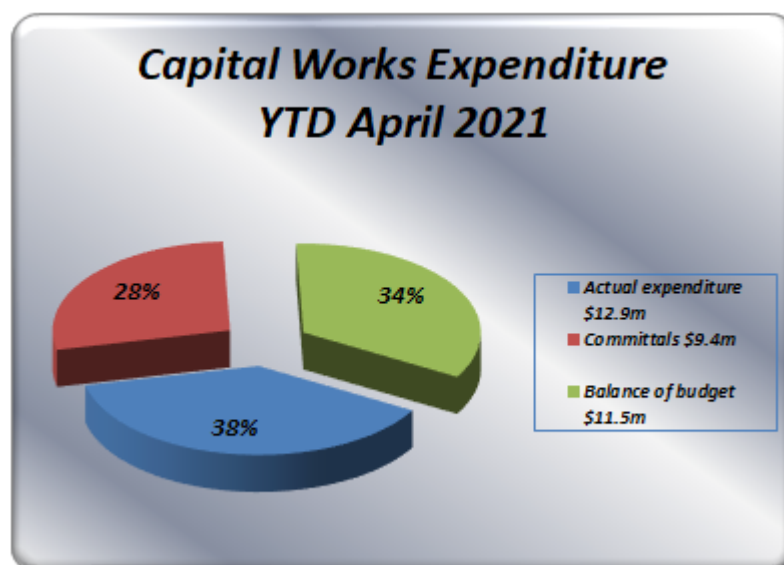


Figure 2.

## Operating Result

### Key point:

- The operating result is \$2.1m ahead of budget with an operating Surplus of \$1.5m compared to a budgeted deficit of \$525km.



Figure 3.

## PROPOSAL

The Financial Report for the period ended 30 April 2021 be received and noted by Council.

## FINANCIAL/RESOURCE IMPLICATIONS

Continued uncertainty with border closures may negatively impact the Tourism Sector. This will likely result in a reduction in Daintree Ferry Revenue.

## RISK MANAGEMENT IMPLICATIONS

Monthly financial reporting keeps Council informed of the progress in relation to the budget and allows for timely corrective action if required.

## SUSTAINABILITY IMPLICATIONS

**Economic:** The Covid-19 pandemic will have a negative impact on the economic sustainability of Douglas Shire Council and may impact sustainability ratios. This will be closely managed by Council and mitigated where possible. The aim of the long-term financial plan is to meet all three of the 'measures of financial sustainability' within a ten-year time frame.

**Environmental:** Nil

**Social:** Nil



## CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

### Corporate Plan 2019-2024 Initiatives:

#### Theme 5 - Robust Governance and Efficient Service Delivery

Strong governance and financial management are the foundations of the way in which Council will conduct its business and implement the initiatives of the Corporate Plan.

**Goal 1** - *We will conduct Council business in an open and transparent manner with strong oversight and open reporting.*

**Goal 3** - *We will make sound financial decisions by ensuring robust strategic planning, financial management and reporting.*

## COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

<b>Custodian</b>	Council owns and manages infrastructure, facilities, reserves, resources and natural areas. In fulfilling its role as custodian, Council will be mindful of the community, the economy, the environment and good governance.
<b>Regulator</b>	Council has a number of statutory obligations detailed in numerous regulations and legislative Acts. Council also makes local laws to ensure that the Shire is well governed. In fulfilling its role as regulator, Council will utilise an outcomes-based approach that balances the needs of the community with social and natural justice.

## ATTACHMENTS

1. Financial Report April 2021 [5.10.1 - 1 page]

<b>Douglas Shire Council</b> <b>Statement of Comprehensive Income</b> <b>Financial Report April 2021</b>					
	Actual YTD 21 \$	Budget YTD 21 \$	Variance \$	Budget 20/21 \$	Actual as % of Budget 20/21
<b>Operating Revenue</b>					
Rates and utility charges	33,619,378	33,642,711	(23,333)	36,123,565	93%
less: Discounts	(149,086)	(146,313)	(2,773)	(146,313)	102%
less: Remissions (incl. Pensioners)	(506,982)	(505,188)	(1,794)	(512,449)	99%
Net rates and utility charges	32,963,310	32,991,210	(27,900)	35,464,803	93%
Daintree River Ferry fees & charges	1,927,257	2,027,496	(100,239)	2,571,448	75%
Fees and charges (excluding Ferry)	2,362,335	2,268,361	93,974	2,697,371	88%
Grants and subsidies	1,472,535	1,275,839	196,696	2,327,568	63%
Interest received	308,100	282,123	25,977	347,185	89%
Other recurrent income	859,360	895,520	(36,160)	1,117,156	77%
<b>Total Operating Revenue</b>	<b>39,892,897</b>	<b>39,740,549</b>	<b>152,348</b>	<b>44,525,531</b>	<b>90%</b>
<b>Operating Expenses</b>					
Employee benefits	13,591,555	13,999,136	407,581	16,396,741	83%
Materials and services	14,140,890	15,360,630	1,219,740	18,554,154	76%
Depreciation	10,557,956	10,833,005	275,049	13,054,728	81%
Finance costs	58,891	72,672	13,781	183,556	32%
<b>Total Recurrent Expenses</b>	<b>38,349,291</b>	<b>40,265,443</b>	<b>1,916,152</b>	<b>48,189,179</b>	<b>80%</b>
<b>Operating Result</b>	<b>1,543,606</b>	<b>(524,894)</b>	<b>2,068,500</b>	<b>(3,663,648)</b>	<b>(42%)</b>
<b>Capital Revenue</b>					
Capital grants and subsidies	6,914,811	17,614,958	(10,700,147)	17,614,958	39%
Contributions from developers	311,856	250,000	61,856	250,000	125%
<b>Total capital revenue</b>	<b>7,226,667</b>	<b>17,864,958</b>	<b>(10,638,291)</b>	<b>17,864,958</b>	<b>40%</b>
<b>Net Result</b>	<b>8,770,273</b>	<b>17,340,064</b>	<b>(8,569,791)</b>	<b>14,201,310</b>	<b>62%</b>
<b>Capital Works Program</b>					
Capital additions	12,861,366	33,713,453	20,852,087	33,713,453	38%
<b>Total capital additions</b>	<b>12,861,366</b>	<b>33,713,453</b>	<b>20,852,087</b>	<b>33,713,453</b>	<b>38%</b>

## **Attachment 6.1.2**

### 3.10. STATEMENT OF ESTIMATED FINANCIAL POSITION 2020-2021

**REPORT AUTHOR** Tara Killeen, Chief Financial Officer

**MANAGER** Mark Stoermer, Chief Executive Officer

**DEPARTMENT** Finance and Corporate Services

#### RECOMMENDATION

**1. Pursuant to section 205 of the Local Government Regulation 2012, the Statement of the Financial Operations and Financial Position of the Council in respect of the 2020/21 financial year ("the Statement of Estimated Financial Position") be received and its contents noted.**

**2. The Financial Report for the period ended 31 May 2021 be noted.**

#### EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2020/21 budget for the period ended 31 May 2021 and provides a "statement of estimated financial position" for the 2020/21 financial year. Key points to note include the following:

- Operating revenue is ahead of budget by \$403k.
- Operating expenditure is under budget by \$2.1m.
- The Operating deficit is currently \$1.1m, compared to a budgeted deficit of \$3.6m.

#### BACKGROUND

In accordance with *section 204 of the Local Government Regulation 2012* the Chief Executive Officer must present to Council a financial report, which states the progress that has been made in relation to the current financial year's budget. This report must be presented to Council on a monthly basis and cover the period up to a day as near as practicable to the end of the preceding month.

Additionally, *section 205 of the Local Government Regulation 2012* requires the Chief Executive Officer to present to the annual budget meeting a Statement of Estimated Financial Position. Accordingly, the attached financial report also includes the Estimated Financial Position for the financial year ending 30 June 2021 based on the budget adopted by Council in June 2020 and subsequently revised in November 2020.

#### COMMENT

The 2020/21 annual budget was adopted on 30 June 2020 and revised on 24 November 2020. The attached financial report details progress against revised budget for the period ended 31 May 2021. Also included in the report is the estimated financial position for the financial year ending 30 June 2021.

The following information is provided to assist with interpreting the report, including the provision of relevant graphs.

## PROGRESS AGAINST BUDGET FOR THE PERIOD ENDING 31 MAY 2021

### Operating Revenue and Expenditure

Key points:

- Council has received 92% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget

Overall year to date operating revenue is \$403k ahead of budget.

- Rates and Utility charges are currently ahead of budget \$24k. A number of factors impact this result including the reissue of rates notice due to Valuation changes, growth in utility charges which includes the aged care facility. Note: Council has one more Water notice to be issued in June.
- Daintree Ferry revenue is currently \$98k behind budget. This includes \$19k for Covid refunds.

Fees and charges are ahead of budget by \$151k. This is primarily due to the following:

- Refuse Tipping fees are currently \$69k ahead budget and now exceed the annual budget.
- Licence fees \$15k ahead of budget
- Property fees \$153k ahead budget. This includes rates search fees which are \$59k ahead of budget. This now exceeds the annual budget.
- Other fees and charges are currently \$86k behind budget including PD Markets \$68k behind, Venue Hire \$48k behind, Mossman Pool \$34k behind. These are partially offset by Van Parks \$48k ahead of budget and \$16k ahead in other sundry fees including Cemeteries.

Grants and subsidies are \$306k ahead of budget. This includes a re-allocation from capital for Disaster Recovery Funding Arrangments (DRFA) of \$296k, which is offset by an increase in materials and services for the same value.

Interest Income is currently \$23k ahead of budget. This is partially attributable to holding more cash due to the delay in expenditure, both operational and capital.

Other recurrent income is behind budget \$2k, Roads Maintenance Performance Contract works are ahead of budget by \$115k. This has been offset by a reduction in revenue from Sponsorship, Carnivale and Concert \$86k, also budgeted trade waste revenue being transferred to offset against expenditure per Audit advice.

On the operating expenditure side, year to date expenditure variations to budget are as follows:

- Materials and services expenditure is currently under budget \$1.4m. This variance is primarily due to timing of receipt of invoices. Committals are currently \$3.0m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc. They also include \$375k for Macrossan St works.

- Employee benefits are currently \$429k under budget. This can be impacted by numerous factors, such as staff vacancies, the amount and timing of leave taken and the allocation of costs to capital expenditure. This variance also includes an allowance for the impact of the EBA changes and subsequent backpays, which are still to be processed.
- Depreciation expense is currently \$308k behind budget. This variance is subject to the timing of asset capitalisation. There is expected to be a small permanent saving.
- Finance costs are currently \$10k behind budget. This is likely to be a permanent saving to budget.

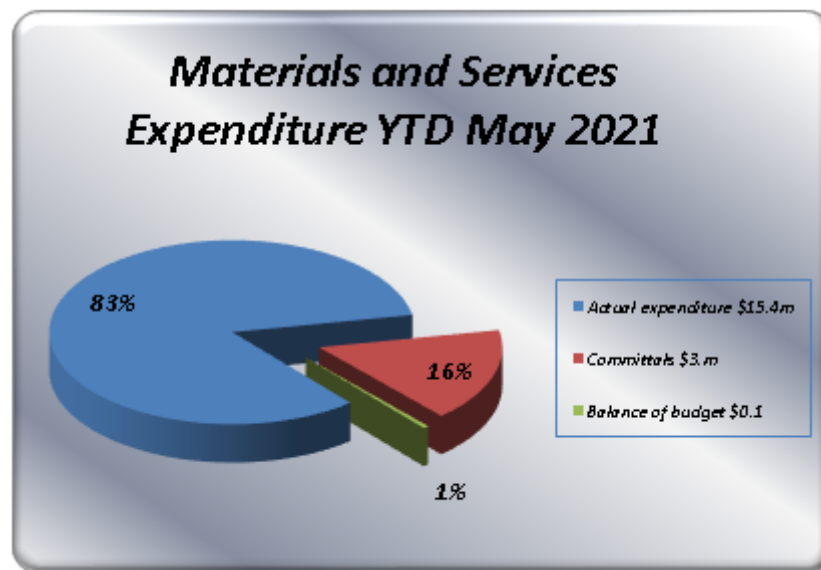


Figure 1.

## Capital Revenue and Expenditure

### Key point:

- Council has received 40% of its annual revised budgeted capital grants and subsidies.

It should be noted that in addition to year-to-date capital expenditure of \$15.8m, a further \$8.8m had been committed as at the end of May 2021.



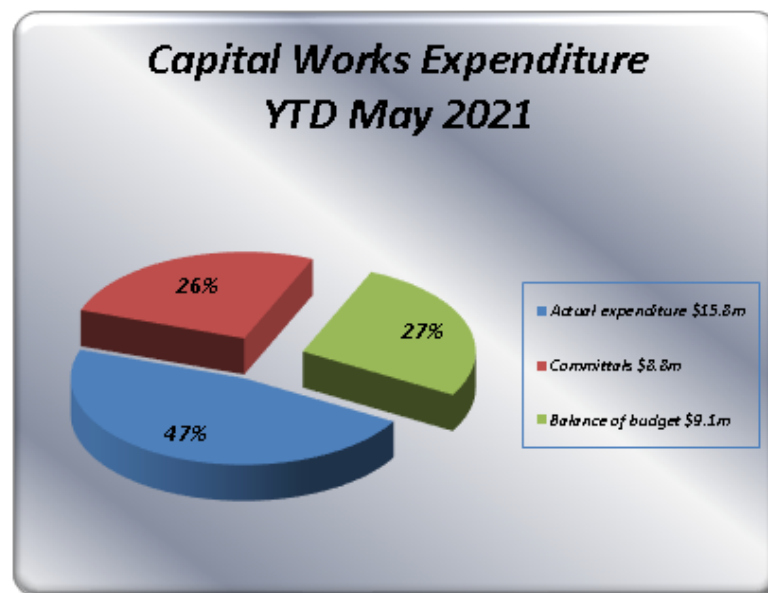


Figure 2.

## Operating Result

### Key point:

- The operating result is \$2.5m ahead of budget.

As reflected in the attached report, total operating revenue at the end of May was ahead of budget and operating expenditure was under budget.

This has resulted in an operating deficit of \$1.1m compared to a budgeted deficit of \$3.6m.

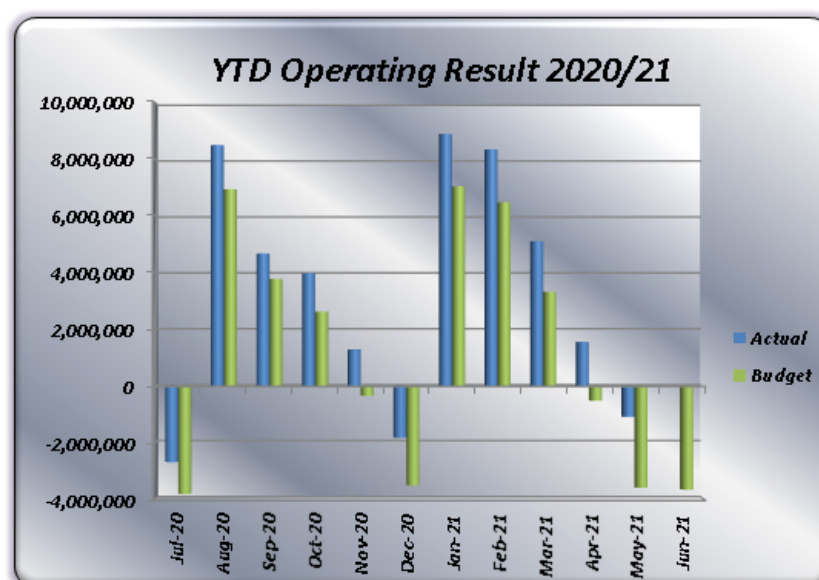


Figure 3.

## ESTIMATED FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDING 30 JUNE 2021

Two columns have been added to the attached financial report to show the Estimated Financial Position and variance to budget for the financial year ending 30 June 2021. This estimate is based on information available (including the variance explanations outlined above) and assumptions made at the time of preparing this report.

The operating result is predicted to be a \$3.6m deficit vs budget deficit \$3.7m, an improvement of \$108k.

Operational Revenue is expected to be \$709k ahead of budget. Which includes \$594k in revenue for Grants & Other recurrent income, there is a corresponding increase in materials and services. As expected, Daintree Ferry revenue is likely to be \$100k behind budget. Other fees and charges are expected to be \$195k over budget including property fees and refuse fees.

Operational Expenditure is expected to be \$608k over budget. This includes a forecast saving in Employee benefits \$107k and a forecast overrun in Materials & services of \$795k. The estimated increase in Materials & Services includes additional costs for the State Roads Maintenance works & expenditure for DRFA grants transferred from Capital, these are partially offset by the additional revenue. The following expenses are also forecast to come in under budget - Depreciation \$70k and Finance merchant fees \$10k.

Council's estimated financial position as at 30 June 2021 will be dependent upon the outcomes of the end of financial year adjustments and final audit processes.

## PROPOSAL

The Financial Report for the period ended 31 May 2021 and the Statement of Estimated Financial Position for the 2020/21 financial year be received and noted by Council.

## FINANCIAL/RESOURCE IMPLICATIONS

Continued uncertainty with border closures may negatively impact the Tourism Sector. This will likely result in a reduction in Daintree Ferry Revenue. The overall forecast financial position is estimated to be a small improvement on budget.

## RISK MANAGEMENT IMPLICATIONS

Monthly financial reporting keeps Council informed of the progress in relation to the budget and allows for timely corrective action if required.

## SUSTAINABILITY IMPLICATIONS

**Economic:** The Covid-19 pandemic will have a negative impact on the economic sustainability of Douglas Shire Council and may impact sustainability ratios. This will be closely managed by Council and mitigated where possible. The aim of the long-term financial plan is to meet all three of the "measures of financial sustainability within a ten-year time frame.

**Environmental:** Nil

**Social:** Nil

## CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

### Corporate Plan 2019-2024 Initiatives:

#### Theme 5 - Robust Governance and Efficient Service Delivery

Strong governance and financial management are the foundations of the way in which Council will conduct its business and implement the initiatives of the Corporate Plan.

**Goal 1** - *We will conduct Council business in an open and transparent manner with strong oversight and open reporting.*

**Goal 3** - *We will make sound financial decisions by ensuring robust strategic planning, financial management and reporting.*

## COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

<b>Custodian</b>	Council owns and manages infrastructure, facilities, reserves, resources and natural areas. In fulfilling its role as custodian, Council will be mindful of the community, the economy, the environment and good governance.
<b>Regulator</b>	Council has a number of statutory obligations detailed in numerous regulations and legislative Acts. Council also makes local laws to ensure that the Shire is well governed. In fulfilling its role as regulator, Council will utilise an outcomes-based approach that balances the needs of the community with social and natural justice.

## ATTACHMENTS

1. Statement of Estimated Financial Position 2020-2021 [3.10.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income Financial Report May 2021						Estimated Financial Position Financial Year June 2021	
	Actual YTD 21 \$	Budget YTD 21 \$	Variance \$	Budget 20/21 \$	Actual as % of Budget 20/21	Actual \$	Variance \$
<b>Operating Revenue</b>							
Rates and utility charges	33,671,361	33,642,711	28,650	36,123,565	93%	36,123,565	-
less: Discounts	(149,711)	(146,313)	(3,398)	(146,313)	102%	(146,313)	-
less: Remissions (incl. Pensioners)	(506,821)	(505,188)	(1,633)	(512,449)	99%	(512,449)	-
Net rates and utility charges	33,014,829	32,991,210	23,619	35,464,803	93%	35,464,803	-
Daintree River Ferry fees & charges	2,160,831	2,259,042	(98,211)	2,571,448	84%	2,471,448	(100,000)
Fees and charges (excluding Ferry)	2,598,033	2,446,624	151,409	2,697,371	96%	2,893,780	195,000
Grants and subsidies	1,787,153	1,481,129	306,024	2,327,568	77%	2,633,592	300,000
Interest received	339,169	316,371	22,798	347,185	98%	367,185	20,000
Other recurrent income	1,000,730	1,003,213	(2,483)	1,117,156	90%	1,411,156	294,000
<b>Total Operating Revenue</b>	<b>40,900,744</b>	<b>40,497,589</b>	<b>403,155</b>	<b>44,525,531</b>	<b>92%</b>	<b>45,241,964</b>	<b>709,000</b>
<b>Operating Expenses</b>							
Employee benefits	14,862,939	15,291,757	428,818	16,396,741	91%	16,289,741	107,000
Materials and services	15,419,676	16,772,070	1,352,394	18,554,154	83%	19,349,154	(795,000)
Depreciation	11,648,674	11,956,667	307,993	13,054,728	89%	12,984,728	70,000
Finance costs	65,026	75,345	10,319	183,556	35%	173,556	10,000
<b>Total Recurrent Expenses</b>	<b>41,996,314</b>	<b>44,095,839</b>	<b>2,099,525</b>	<b>48,189,179</b>	<b>87%</b>	<b>48,797,179</b>	<b>(608,000)</b>
<b>Operating Result</b>	<b>(1,095,570)</b>	<b>(3,598,250)</b>	<b>2,502,680</b>	<b>(3,663,648)</b>	<b>30%</b>	<b>(3,555,215)</b>	<b>108,433</b>
<b>Capital Revenue</b>							
Capital grants and subsidies	7,023,747	17,614,958	(10,591,211)	17,614,958	40%	17,614,958	-
Contributions from developers	311,856	250,000	61,856	250,000	125%	311,856	61,856
<b>Total capital revenue</b>	<b>7,335,603</b>	<b>17,864,958</b>	<b>(10,529,355)</b>	<b>17,864,958</b>	<b>41%</b>	<b>17,926,814</b>	<b>61,856</b>
<b>Net Result</b>	<b>6,240,033</b>	<b>14,266,708</b>	<b>(8,026,675)</b>	<b>14,201,310</b>	<b>44%</b>	<b>14,371,599</b>	<b>170,289</b>
<b>Capital Works Program</b>							
Capital additions	15,834,367	33,713,453	17,879,086	33,713,453	47%	33,713,453	-
<b>Total capital additions</b>	<b>15,834,367</b>	<b>33,713,453</b>	<b>17,879,086</b>	<b>33,713,453</b>	<b>47%</b>	<b>33,713,453</b>	<b>-</b>

### **Attachment 6.1.3**



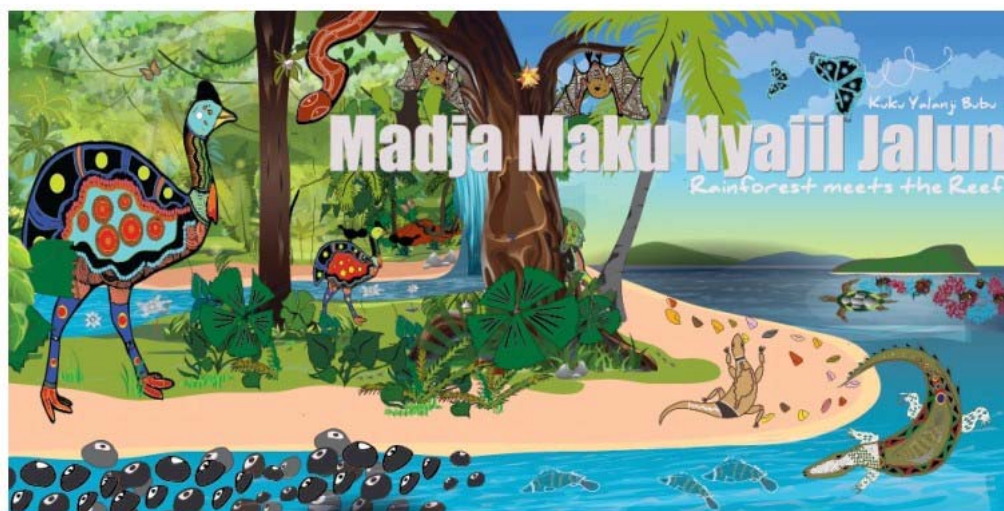
DOUGLAS SHIRE COUNCIL

# ANNUAL BUDGET

2021 - 2022

BUDGETED FINANCIAL STATEMENTS AND  
SUPPORTING INFORMATION





Douglas Shire Council would like to show its appreciation by acknowledging local indigenous artists Lenice Schonenberger, Loretta Pierce (Lenoy) and Ronald Bamboo for providing the cover artwork entitled "**Daintree Ferry**"

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**Douglas Shire Council - Budgeted Statement of Income and Expenditure**  
For the period ending 30 June 2022

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Operating Revenue</b>										
Rates and utility charges	37,784,630	39,091,523	40,441,544	41,836,115	43,276,707	44,764,838	46,302,078	47,890,047	49,530,418	51,224,922
Less: Pensioner remissions / Rebates	(524,088)	(541,382)	(559,250)	(577,704)	(596,768)	(616,462)	(636,804)	(657,820)	(679,529)	(701,952)
Less: Discounts	0	0	0	0	0	0	0	0	0	0
<b>Net rates and utility charges</b>	<b>37,260,543</b>	<b>38,550,141</b>	<b>39,882,295</b>	<b>41,258,411</b>	<b>42,679,939</b>	<b>44,148,377</b>	<b>45,665,273</b>	<b>47,232,227</b>	<b>48,850,891</b>	<b>50,522,970</b>
Fees and charges	6,605,515	6,823,497	7,048,672	7,281,279	7,521,561	7,769,772	8,026,175	8,291,039	8,564,643	8,847,276
Grants and subsidies	2,380,383	2,427,991	2,476,551	2,526,082	2,576,603	2,628,135	2,680,698	2,734,312	2,788,998	2,844,778
Interest received	355,040	355,040	355,040	355,040	355,040	355,040	355,040	355,040	355,040	355,040
Other operating revenue	997,274	997,274	997,274	997,274	997,274	997,274	997,274	997,274	997,274	997,274
<b>TOTAL OPERATING REVENUE</b>	<b>47,598,755</b>	<b>49,153,943</b>	<b>50,759,832</b>	<b>52,418,085</b>	<b>54,130,417</b>	<b>55,898,598</b>	<b>57,724,460</b>	<b>59,609,892</b>	<b>61,556,846</b>	<b>63,567,338</b>
<b>Operating Expenses</b>										
Employee benefits	16,833,359	17,203,693	17,582,174	17,968,982	18,364,300	18,768,314	19,181,217	19,603,204	20,034,474	20,475,233
Materials and services	19,049,586	19,478,201	19,916,461	20,364,581	20,822,784	21,291,297	21,770,351	22,260,184	22,761,038	23,273,162
Depreciation and amortisation	13,896,369	14,313,260	14,742,658	15,184,938	15,640,486	16,109,700	16,592,991	17,090,781	17,603,505	18,131,610
Finance costs	175,705	179,219	182,803	186,459	190,188	193,992	197,872	201,829	205,866	209,983
<b>TOTAL OPERATING EXPENDITURE</b>	<b>49,955,019</b>	<b>51,174,373</b>	<b>52,424,096</b>	<b>53,704,960</b>	<b>55,017,758</b>	<b>56,363,304</b>	<b>57,742,432</b>	<b>59,155,999</b>	<b>60,604,883</b>	<b>62,089,988</b>
<b>Operating Surplus / (Deficit)</b>	<b>(2,356,264)</b>	<b>(2,020,431)</b>	<b>(1,664,264)</b>	<b>(1,286,875)</b>	<b>(887,341)</b>	<b>(464,706)</b>	<b>(17,972)</b>	<b>453,893</b>	<b>951,962</b>	<b>1,477,351</b>
<b>Capital Income</b>										
Grants and subsidies	4,597,318	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337
Contributions from developers	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
<b>TOTAL CAPITAL INCOME</b>	<b>4,847,318</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>
<b>Net Result</b>	<b>2,491,054</b>	<b>(626,094)</b>	<b>(269,927)</b>	<b>107,462</b>	<b>506,996</b>	<b>929,631</b>	<b>1,376,365</b>	<b>1,848,230</b>	<b>2,346,299</b>	<b>2,871,688</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>2,491,054</b>	<b>(626,094)</b>	<b>(269,927)</b>	<b>107,462</b>	<b>506,996</b>	<b>929,631</b>	<b>1,376,365</b>	<b>1,848,230</b>	<b>2,346,299</b>	<b>2,871,688</b>

# Douglas Shire Council - Budgeted Statement of Financial Position

For the period ending 30 June 2022

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Current Assets</b>										
Cash assets and equivalents	15,716,587	15,966,587	16,416,587	16,916,587	17,466,587	18,016,587	18,566,587	19,116,587	19,567,568	20,281,244
Receivables	4,647,918	4,647,918	4,647,918	4,647,918	4,647,918	4,647,918	4,647,918	4,647,918	4,647,918	4,647,918
Inventory	97,728	97,728	97,728	97,728	97,728	97,728	97,728	97,728	97,728	97,728
	<u>20,462,233</u>	<u>20,712,233</u>	<u>21,162,233</u>	<u>21,662,233</u>	<u>22,212,233</u>	<u>22,762,233</u>	<u>23,312,233</u>	<u>23,862,233</u>	<u>24,313,214</u>	<u>25,026,890</u>
<b>Non-Current Assets</b>										
Property, plant and equipment	418,244,587	415,896,483	413,926,556	413,534,018	412,632,841	413,012,472	413,838,837	415,137,067	417,032,386	419,190,397
Intangibles	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
	<u>418,354,587</u>	<u>416,006,483</u>	<u>414,036,556</u>	<u>413,644,018</u>	<u>412,742,841</u>	<u>413,122,472</u>	<u>413,948,837</u>	<u>415,247,067</u>	<u>417,142,386</u>	<u>419,300,397</u>
<b>TOTAL ASSETS</b>	<u><b>438,816,821</b></u>	<u><b>436,718,716</b></u>	<u><b>435,198,789</b></u>	<u><b>435,306,251</b></u>	<u><b>434,955,074</b></u>	<u><b>435,884,705</b></u>	<u><b>437,261,071</b></u>	<u><b>439,109,301</b></u>	<u><b>441,455,600</b></u>	<u><b>444,327,287</b></u>
<b>Current Liabilities</b>										
Trade and other payables	5,821,683	5,821,683	5,821,683	5,821,683	5,821,683	5,821,683	5,821,683	5,821,683	5,821,683	5,821,683
Borrowings	0	0	0	0	0	0	0	0	0	0
Provisions	3,233,973	2,511,962	2,011,962	2,011,962	1,153,789	1,153,789	1,153,789	1,153,789	1,153,789	1,153,789
	<u>9,055,656</u>	<u>8,333,645</u>	<u>7,833,645</u>	<u>7,833,645</u>	<u>6,975,472</u>	<u>6,975,472</u>	<u>6,975,472</u>	<u>6,975,472</u>	<u>6,975,472</u>	<u>6,975,472</u>
<b>Non-Current Liabilities</b>										
Borrowings	0	0	0	0	0	0	0	0	0	0
Provisions	2,568,016	1,818,016	1,068,016	1,068,016	1,068,016	1,068,016	1,068,016	1,068,016	1,068,016	1,068,016
	<u>2,568,016</u>	<u>1,818,016</u>	<u>1,068,016</u>	<u>1,068,016</u>	<u>1,068,016</u>	<u>1,068,016</u>	<u>1,068,016</u>	<u>1,068,016</u>	<u>1,068,016</u>	<u>1,068,016</u>
<b>TOTAL LIABILITIES</b>	<u><b>11,623,672</b></u>	<u><b>10,151,661</b></u>	<u><b>8,901,661</b></u>	<u><b>8,901,661</b></u>	<u><b>8,043,488</b></u>	<u><b>8,043,488</b></u>	<u><b>8,043,488</b></u>	<u><b>8,043,488</b></u>	<u><b>8,043,488</b></u>	<u><b>8,043,488</b></u>
<b>NET COMMUNITY ASSETS</b>	<u><b>427,193,149</b></u>	<u><b>426,567,055</b></u>	<u><b>426,297,128</b></u>	<u><b>426,404,590</b></u>	<u><b>426,911,586</b></u>	<u><b>427,841,217</b></u>	<u><b>429,217,583</b></u>	<u><b>431,065,813</b></u>	<u><b>433,412,112</b></u>	<u><b>436,283,799</b></u>
<b>Community Equity</b>										
General reserves	2,455,385	2,705,385	3,155,385	3,655,385	4,205,385	4,755,385	5,305,385	5,855,385	5,905,385	5,955,385
Accumulated surplus / (deficit)	424,737,763	423,861,670	423,141,743	422,749,205	422,706,201	423,085,832	423,912,197	425,210,427	427,506,727	430,328,415
<b>TOTAL COMMUNITY EQUITY</b>	<u><b>427,193,148</b></u>	<u><b>426,567,055</b></u>	<u><b>426,297,128</b></u>	<u><b>426,404,590</b></u>	<u><b>426,911,586</b></u>	<u><b>427,841,217</b></u>	<u><b>429,217,582</b></u>	<u><b>431,065,812</b></u>	<u><b>433,412,112</b></u>	<u><b>436,283,800</b></u>

# Douglas Shire Council - Budgeted Statement of Cash Flow

For the period ending 30 June 2022

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cash flows from operating activities</b>										
Receipts										
Net rates and utility charges	37,260,543	38,550,141	39,882,295	41,258,411	42,679,939	44,148,377	45,665,273	47,232,227	48,850,891	50,522,970
Fees and charges	6,605,515	6,823,497	7,048,672	7,281,279	7,521,561	7,769,772	8,026,175	8,291,039	8,564,643	8,847,276
Grants, subsidies, contributions and donations	2,380,383	2,427,991	2,476,551	2,526,082	2,576,603	2,628,135	2,680,698	2,734,312	2,788,998	2,844,778
Interest received	355,040	355,040	355,040	355,040	355,040	355,040	355,040	355,040	355,040	355,040
Other operating revenue	997,274	997,274	997,274	997,274	997,274	997,274	997,274	997,274	997,274	997,274
	47,598,755	49,153,943	50,759,832	52,418,085	54,130,417	55,898,598	57,724,460	59,609,892	61,556,846	63,567,338
Payments										
Employee benefits	(16,833,359)	(17,203,693)	(17,582,174)	(17,968,982)	(18,364,300)	(18,768,314)	(19,181,217)	(19,603,204)	(20,034,474)	(20,475,233)
Materials and services	(19,049,586)	(19,478,201)	(19,916,461)	(20,364,581)	(20,822,784)	(21,291,297)	(21,770,351)	(22,260,184)	(22,761,038)	(23,273,162)
Finance costs	(175,705)	(179,219)	(182,803)	(186,459)	(190,188)	(193,992)	(197,872)	(201,829)	(205,866)	(209,983)
	(36,058,649)	(36,861,113)	(37,681,438)	(38,520,023)	(39,377,272)	(40,253,603)	(41,149,440)	(42,065,217)	(43,001,379)	(43,958,378)
<b>Net cash inflow (outflow) from operating activities</b>	<b>11,540,106</b>	<b>12,292,829</b>	<b>13,078,394</b>	<b>13,898,063</b>	<b>14,753,144</b>	<b>15,644,995</b>	<b>16,575,020</b>	<b>17,544,674</b>	<b>18,555,467</b>	<b>19,608,961</b>
<b>Cash flows from investing activities</b>										
Receipts										
Proceeds from sale of property plant and equipment	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
Grants, subsidies, contributions and donations	4,847,318	1,394,337	1,394,337	1,394,337	1,394,337	1,394,337	1,394,337	1,394,337	1,394,337	1,394,337
	4,957,318	1,504,337	1,504,337	1,504,337	1,504,337	1,504,337	1,504,337	1,504,337	1,504,337	1,504,337
Payments										
Payments for property, plant and equipment	(16,046,559)	(13,547,166)	(14,132,731)	(14,902,400)	(15,707,481)	(16,599,332)	(17,529,357)	(18,499,011)	(19,608,823)	(20,399,622)
Payments for intangible assets	0	0	0	0	0	0	0	0	0	0
	(16,046,559)	(13,547,166)	(14,132,731)	(14,902,400)	(15,707,481)	(16,599,332)	(17,529,357)	(18,499,011)	(19,608,823)	(20,399,622)
<b>Net cash inflow (outflow) from investing activities</b>	<b>(11,089,241)</b>	<b>(12,042,829)</b>	<b>(12,628,394)</b>	<b>(13,398,063)</b>	<b>(14,203,144)</b>	<b>(15,094,995)</b>	<b>(16,025,020)</b>	<b>(16,994,674)</b>	<b>(18,104,486)</b>	<b>(18,895,285)</b>
<b>Cash flows from financing activities</b>										
<b>Net cash inflow (outflow) from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>	<b>450,865</b>	<b>250,000</b>	<b>450,000</b>	<b>500,000</b>	<b>550,000</b>	<b>550,000</b>	<b>550,000</b>	<b>550,000</b>	<b>450,981</b>	<b>713,675</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>15,265,723</b>	<b>15,716,587</b>	<b>15,966,587</b>	<b>16,416,587</b>	<b>16,916,587</b>	<b>17,466,587</b>	<b>18,016,587</b>	<b>18,566,587</b>	<b>19,116,587</b>	<b>19,567,568</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>15,716,587</b>	<b>15,966,587</b>	<b>16,416,587</b>	<b>16,916,587</b>	<b>17,466,587</b>	<b>18,016,587</b>	<b>18,566,587</b>	<b>19,116,587</b>	<b>19,567,568</b>	<b>20,281,244</b>

# Douglas Shire Council - Budgeted Statement of Changes in Equity

For the period ending 30 June 2022

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>GENERAL RESERVES</b>										
<b>Balance as at 1 July</b>	2,004,520	2,455,385	2,705,385	3,155,385	3,655,385	4,205,385	4,755,385	5,305,385	5,855,385	5,905,385
Transfers to and from reserves										
Transfers to reserves	1,100,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	400,000	400,000
Transfers from reserves	(649,135)	(650,000)	(450,000)	(400,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
<b>Total transfers to and from reserves</b>	<u>450,865</u>	<u>250,000</u>	<u>450,000</u>	<u>500,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>50,000</u>	<u>50,000</u>
<b>Balance as at 30 June</b>	<u><b>2,455,385</b></u>	<u><b>2,705,385</b></u>	<u><b>3,155,385</b></u>	<u><b>3,655,385</b></u>	<u><b>4,205,385</b></u>	<u><b>4,755,385</b></u>	<u><b>5,305,385</b></u>	<u><b>5,855,385</b></u>	<u><b>5,905,385</b></u>	<u><b>5,955,385</b></u>
<b>ACCUMULATED SURPLUS / (DEFICIT)</b>										
<b>Balance as at 1 July</b>	422,697,574	424,737,763	423,861,670	423,141,743	422,749,205	422,706,201	423,085,832	423,912,197	425,210,427	427,506,727
Net result	2,491,054	(626,094)	(269,927)	107,462	506,996	929,631	1,376,365	1,848,230	2,346,299	2,871,688
<b>Total comprehensive income for the year</b>	<u>2,491,054</u>	<u>(626,094)</u>	<u>(269,927)</u>	<u>107,462</u>	<u>506,996</u>	<u>929,631</u>	<u>1,376,365</u>	<u>1,848,230</u>	<u>2,346,299</u>	<u>2,871,688</u>
Transfers to and from reserves										
Transfers to reserves	(1,100,000)	(900,000)	(900,000)	(900,000)	(900,000)	(900,000)	(900,000)	(900,000)	(400,000)	(400,000)
Transfers from reserves	649,135	650,000	450,000	400,000	350,000	350,000	350,000	350,000	350,000	350,000
<b>Total transfers to and from reserves</b>	<u>(450,865)</u>	<u>(250,000)</u>	<u>(450,000)</u>	<u>(500,000)</u>	<u>(550,000)</u>	<u>(550,000)</u>	<u>(550,000)</u>	<u>(550,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>
<b>Balance as at 30 June</b>	<u><b>424,737,763</b></u>	<u><b>423,861,670</b></u>	<u><b>423,141,743</b></u>	<u><b>422,749,205</b></u>	<u><b>422,706,201</b></u>	<u><b>423,085,832</b></u>	<u><b>423,912,197</b></u>	<u><b>425,210,427</b></u>	<u><b>427,506,727</b></u>	<u><b>430,328,415</b></u>
<b>TOTAL COMMUNITY EQUITY</b>	<u><b>427,193,148</b></u>	<u><b>426,567,055</b></u>	<u><b>426,297,128</b></u>	<u><b>426,404,590</b></u>	<u><b>426,911,586</b></u>	<u><b>427,841,217</b></u>	<u><b>429,217,582</b></u>	<u><b>431,065,812</b></u>	<u><b>433,412,112</b></u>	<u><b>436,283,800</b></u>

# Douglas Shire Council - Long Term Financial Forecast

For the period ending 30 June 2022

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Operating Revenue</b>										
Rates and utility charges	37,260,543	38,550,141	39,882,295	41,258,411	42,679,939	44,148,377	45,665,273	47,232,227	48,850,891	50,522,970
Fees and charges	6,605,515	6,823,497	7,048,672	7,281,279	7,521,561	7,769,772	8,026,175	8,291,039	8,564,643	8,847,276
Grants and subsidies	2,380,383	2,427,991	2,476,551	2,526,082	2,576,603	2,628,135	2,680,698	2,734,312	2,788,998	2,844,778
Interest received	355,040	355,040	355,040	355,040	355,040	355,040	355,040	355,040	355,040	355,040
Other operating revenue	997,274	997,274	997,274	997,274	997,274	997,274	997,274	997,274	997,274	997,274
<b>TOTAL OPERATING REVENUE</b>	<b>47,598,755</b>	<b>49,153,943</b>	<b>50,759,832</b>	<b>52,418,085</b>	<b>54,130,417</b>	<b>55,898,598</b>	<b>57,724,460</b>	<b>59,609,892</b>	<b>61,556,846</b>	<b>63,567,338</b>
<b>Operating Expenses</b>										
Employee benefits	16,833,359	17,203,693	17,582,174	17,968,982	18,364,300	18,768,314	19,181,217	19,603,204	20,034,474	20,475,233
Materials and services	19,049,586	19,478,201	19,916,461	20,364,581	20,822,784	21,291,297	21,770,351	22,260,184	22,761,038	23,273,162
Depreciation and amortisation	13,896,369	14,313,260	14,742,658	15,184,938	15,640,486	16,109,700	16,592,991	17,090,781	17,603,505	18,131,610
Finance costs	175,705	179,219	182,803	186,459	190,188	193,992	197,872	201,829	205,866	209,983
<b>TOTAL OPERATING EXPENDITURE</b>	<b>49,955,019</b>	<b>51,174,373</b>	<b>52,424,096</b>	<b>53,704,960</b>	<b>55,017,758</b>	<b>56,363,304</b>	<b>57,742,432</b>	<b>59,155,999</b>	<b>60,604,883</b>	<b>62,089,988</b>
<b>Operating Surplus / (Deficit)</b>	<b>(2,356,264)</b>	<b>(2,020,431)</b>	<b>(1,664,264)</b>	<b>(1,286,875)</b>	<b>(887,341)</b>	<b>(464,706)</b>	<b>(17,972)</b>	<b>453,893</b>	<b>951,962</b>	<b>1,477,351</b>
<b>Capital Income</b>										
Grants and subsidies	4,597,318	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337
Contributions from developers	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
<b>TOTAL CAPITAL INCOME</b>	<b>4,847,318</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>	<b>1,394,337</b>
<b>Net Result</b>	<b>2,491,054</b>	<b>(626,094)</b>	<b>(269,927)</b>	<b>107,462</b>	<b>506,996</b>	<b>929,631</b>	<b>1,376,365</b>	<b>1,848,230</b>	<b>2,346,299</b>	<b>2,871,688</b>
<b>Sources of capital funding</b>										
Funded depreciation	10,690,106	11,642,829	12,428,394	13,248,063	14,103,144	14,994,995	15,925,020	16,894,674	17,603,505	18,131,610
Constrained works reserve	299,135	500,000	300,000	250,000	200,000	200,000	200,000	200,000	200,000	200,000
Daintree ferry reserve	350,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Public art reserve	0	0	0	0	0	0	0	0	0	0
Proceeds from sale of assets	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
Capital grants	4,597,318	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337	1,144,337
Council source funding	0	0	0	0	0	0	0	0	0	0
General revenue	0	0	0	0	0	0	0	0	400,981	663,675
<b>Total sources of capital funding</b>	<b>16,046,559</b>	<b>13,547,166</b>	<b>14,132,731</b>	<b>14,902,400</b>	<b>15,707,481</b>	<b>16,599,332</b>	<b>17,529,357</b>	<b>18,499,011</b>	<b>19,608,823</b>	<b>20,399,622</b>
<b>Application of capital funding</b>										
Capital Works expenditure	16,046,559	13,547,166	14,132,731	14,902,400	15,707,481	16,599,332	17,529,357	18,499,011	19,608,823	20,399,622
<b>Total application of capital funding</b>	<b>16,046,559</b>	<b>13,547,166</b>	<b>14,132,731</b>	<b>14,902,400</b>	<b>15,707,481</b>	<b>16,599,332</b>	<b>17,529,357</b>	<b>18,499,011</b>	<b>19,608,823</b>	<b>20,399,622</b>
<b>COMMUNITY ASSETS</b>										
Total Assets	438,816,821	436,718,716	435,198,789	435,306,251	434,955,074	435,884,705	437,261,071	439,109,301	441,455,600	444,327,287
Total Liabilities	11,623,672	10,151,661	8,901,661	8,901,661	8,043,488	8,043,488	8,043,488	8,043,488	8,043,488	8,043,488
<b>TOTAL COMMUNITY EQUITY</b>	<b>427,193,149</b>	<b>426,567,055</b>	<b>426,297,128</b>	<b>426,404,590</b>	<b>426,911,586</b>	<b>427,841,217</b>	<b>429,217,583</b>	<b>431,065,813</b>	<b>433,412,112</b>	<b>436,283,799</b>

## Douglas Shire Council - Measures of Financial Sustainability

For the period ending 30 June 2022

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	%	%	%	%	%	%	%	%	%	%

Council's expected performance at 30 June against key financial ratios and targets:

Ratio	How the measure is calculated	Target										
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	(4.95)	(4.11)	(3.28)	(2.46)	(1.64)	(.83)	(.03)	0.76	1.55	2.32
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	Greater than 90%	75.93	90.20	93.27	90.58	91.99	92.43	93.71	95.79	98.58	99.57
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	Not greater than 60%	(18.57)	(21.48)	(24.15)	(24.34)	(26.18)	(26.33)	(26.45)	(26.54)	(26.43)	(26.72)

### Basis of Preparation

The financial sustainability ratios are prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013 issued by the Department of Local Government, Community Recovery and Resilience.



# Douglas Shire Council - Budgeted Sources and Application of Capital Funding

For the period ending 30 June 2022

	2021/22 \$	2022/23 \$	2023/24 \$
<b>Sources of capital funding</b>			
Funded depreciation	10,690,106	11,642,829	12,428,394
* Constrained works reserve	299,135	500,000	300,000
Daintree ferry reserve	350,000	150,000	150,000
Public art reserve	0	0	0
Proceeds from sale of assets	110,000	110,000	110,000
Capital grants	4,597,318	1,144,337	1,144,337
Council source funding	0	0	0
General revenue	0	0	0
<b>Total sources of capital funding</b>	<b>16,046,559</b>	<b>13,547,166</b>	<b>14,132,731</b>
<b>Application of capital funding</b>			
Capital Works expenditure	16,046,559	13,547,166	14,132,731
<b>Total application of capital funding</b>	<b>16,046,559</b>	<b>13,547,166</b>	<b>14,132,731</b>
 * Application of funds from Constrained works reserve			
Road / Transport Network	98,715		
Public Spaces	35,896		
Water	80,766		
Wastewater	83,758		
	<u>299,135</u>		

# Douglas Shire Council - Budgeted Movement in Reserves

For the period ending 30 June 2022

	2021/22 \$	2022/23 \$	2023/24 \$
<b>RESERVES</b>			
<b>Constrained works reserve</b>			
Balance as at 1 July	2,004,520	1,955,385	1,705,385
Transfers to reserve	250,000	250,000	250,000
Transfers from reserve	(299,135)	(500,000)	(300,000)
Balance as at 30 June	<u>1,955,385</u>	<u>1,705,385</u>	<u>1,655,385</u>
<b>Daintree ferry reserve</b>			
Balance as at 1 July	0	500,000	1,000,000
Transfers to reserve	850,000	650,000	650,000
Transfers from reserve	(350,000)	(150,000)	(150,000)
Balance as at 30 June	<u>500,000</u>	<u>1,000,000</u>	<u>1,500,000</u>
<b>Public art reserve</b>			
Balance as at 1 July	0	0	0
Transfers to reserve	0	0	0
Transfers from reserve	0	0	0
Balance as at 30 June	<u>0</u>	<u>0</u>	<u>0</u>

# Douglas Shire Council - Budgeted Rates and Utility Charges - Value of Change

For the period ending 30 June 2022

	2020/21 \$	2021/22 \$	Change \$	Change %
Rates and utility charges	36,123,565	37,784,630	1,661,065	4.6%

## Basis of Preparation

This information is provided in accordance with the requirements of the *Local Government Regulation 2012*. The change in \$ amount / percentage includes rates and utility charges levied on additional assessments, connections and services added since the previous financial year and a revised estimate of the value of utility charges for water consumption.

# Douglas Shire Council - Capital Works Program

For the period ending 30 June 2022

	New/ Renewal/ Upgrade (N/R/U)	2021/22 \$
<b><u>Community Development</u></b>		
Sports Master Plan Implementation for Port Douglas and Mossman	R	250,000
Indigenous Signage Final Stage	N	30,000
		<b>280,000</b>
<b><u>ICT Services</u></b>		
Asset Management System	U	237,250
Evidence Management System	N	15,832
Authority Online Timesheets	N	30,000
InfoXpert Public Portal	N	17,000
Promapp - Process Mapping Tool	N	21,000
SCADA - Cyber Security Refresh	R	126,000
Security System Access Refresh	R	45,000
		<b>492,082</b>
<b><u>Property Services</u></b>		
Mossman Pool - Design	N	150,000
Purchase Road Reserve to Accommodate Reef Bank	N	10,000
		<b>160,000</b>
<b><u>Building Facilities</u></b>		
Building & Facilities Renewal Program	R	280,000
Infrastructure Lighting Renewal Program	R	40,000
Mossman Depot Auto Gates	U	30,000
Diwan Health Clinic Generator Compound Renewal	R	75,000
		<b>425,000</b>
<b><u>Fleet</u></b>		
Fleet Renewal Program - Heavy Plant	R	650,000
		<b>650,000</b>
<b><u>Environment &amp; Planning</u></b>		
Refurbish Pile Moorings at Port Douglas Boat Harbour	R	25,000
		<b>25,000</b>
<b><u>Resource Management</u></b>		
Landfill Capping - Newell	R	154,000
Killaloe Transfer Station Amenities & Crib Room	R	20,000
Killaloe Landfill - Interim Capping	R	180,000
Sanitary Depot Final Capping	R	60,000
Cow Bay Transfer Station Communications & Safety	U	20,000
Cow Bay Transfer Station Ramp	R	20,000
Killaloe Transfer Station Site Security	R	10,000
Killaloe Recovery Shed Pavers	N	126,477
		<b>590,477</b>
<b><u>Public Spaces</u></b>		
Parks Renewal Program	R	450,000
Rex Smeal Playground	U	100,000
		<b>550,000</b>
<b><u>Civil Works</u></b>		
Timber Bridge and Boardwalk Renewal Program	R	80,000
Disability Infrastructure Upgrades	R	100,000
Road Reseal Program	R	600,000
Pavement Renewal Program	R	250,000
Gravel Road Renewal Program	R	450,000
Footpath Renewal Program	R	150,000
Kerb and Channel Program	R	200,000
Footpath & Road Lighting Program	R	350,000
Craiglie Residential Estate Trunk Infrastructure	N	1,000,000
Cooya to Mossman Cycle Way Stage 2	N	2,500,000

# Douglas Shire Council - Capital Works Program

For the period ending 30 June 2022

	New/ Renewal/ Upgrade (N/R/U)	2021/22 \$
Warner Bridge Replacement	R	1,000,000
Anichs Bridge Renewal	R	880,000
Realign Douglas Creek Road	N	150,000
Daintree Ferry - Infrastructure Stage 1	N	350,000
		<b>8,060,000</b>
<b><u>Wastewater</u></b>		
Manhole Raise & Reseal Program	R	60,000
Manhole Condition Assessment - Refurb Program	R	50,000
PDWWTP Air Compressors Renewals	R	52,000
Auto-samplers	R	14,000
RTU & Switchboard Renewal	R	305,000
Tertiary Filters Media Sand Replacement and Inspections/Repairs	R	45,000
PDWWTP Odour Control Unit Renewal	R	100,000
Wastewater Network Renewal Program	R	150,000
		<b>776,000</b>
<b><u>Water Quality</u></b>		
Security and Disaster Response Strengthening Program	U	80,000
Chemical WHS WTP Works	R	100,000
CIP Filter Replacement Program	R	6,000
Process Control Renewal Program	R	110,000
UF Cartridge Renewals Program	R	315,000
Protective Roof Turbidity Meter Cabinet	R	15,000
RTU & Switchboard Renewals for Water Quality	R	215,000
UV Unit Renewals	R	70,000
		<b>911,000</b>
<b><u>Water Reticulation</u></b>		
Water Main Fire Fighting Compliance	R	100,000
Water Network Service Renewals Program	R	750,000
Smart Water Meter Program	R/U	800,000
Water Main Renewal Program	R	550,000
Bulk Raw Water Storage Reservoir	N	150,000
BBRF Grant Application - Council Contribution	N	477,000
		<b>2,827,000</b>
<b><u>Drainage</u></b>		
Drainage Renewal Program	R	300,000
		<b>300,000</b>
<b>Total Capital Works</b>		<b>16,046,559</b>

## 6.2. NON-CURRENT ASSET VALUATION REPORT

### REPORT AUTHOR

Katie Wilkinson, Asset Accountant

### RECOMMENDATION

That the Audit Committee receive and note the report titled Non-current Asset Comprehensive Valuation Report.

### EXECUTIVE SUMMARY

The buildings, other structures, land, land improvements and water asset classes have been comprehensively revalued by Council's external valuer for the year ended 30 June 2021. Overall, the valuation process resulted in a cumulative fair value increase of \$16,066,156 or 12% in these asset classes.

### BACKGROUND

Council adopts the Revaluation Model for non-current assets per AASB116 Property, Plant and Equipment. Council engages an external certified valuer to comprehensively revalue asset classes held at fair value. To ensure sufficient regularity as required by the standard, asset classes are valued every four years. For the year ended 30 June 2021, the buildings, other structures, land, land improvements and water asset classes have been comprehensively revalued.

### COMMENT

The valuation results are listed in the table below with further explanations, assumptions and review process further documented below.

Class	Estimated at Interim- Prior to being processed											
	After Revaluation			Before revaluation (asset register at 31/3/21) extrapolated to 30 June 2021) \$			Change \$			Change %		
	RC	AD	FV	RC	AD	FV	RC	AD	FV	RC	AD	FV
Buildings	41,189,400.82	- 14,552,239.22	26,637,161.60	40,268,410.55	- 18,411,930.29	21,856,480.26	920,990.27	3,859,691.07	4,780,681.34	2%	-21%	22%
Other Structures	13,733,785.09	- 4,652,599.56	9,081,185.53	11,942,358.06	- 5,169,929.88	6,772,428.18	1,791,427.03	517,330.32	2,308,757.35	15%	-10%	34%
Land Improvements	5,511,802.66	- 1,537,977.42	3,973,825.24	5,525,211.03	- 1,656,472.00	3,868,739.03	- 13,408.37	118,494.58	105,086.21	0%	-7%	3%
Land	21,890,460.00	-	21,890,460.00	22,575,775.16	-	22,575,775.16	685,315.16	-	685,315.16	-3%	-	-3%
Water Treatment Plants	26,222,982.49	- 9,982,495.33	16,240,487.15	26,034,154.84	- 15,176,648.31	10,857,506.53	188,827.65	5,194,152.98	5,382,980.63	1%	-34%	50%
Water Pump Stations	2,405,946.84	- 728,790.79	1,677,156.05	2,700,658.88	- 1,190,021.86	1,510,637.02	- 294,712.04	461,231.07	166,519.03	-11%	-39%	11%
Water Mains	98,509,227.97	- 41,775,589.92	56,733,638.05	97,600,829.74	- 43,942,227.91	53,658,601.83	908,398.23	2,166,637.99	3,075,036.22	1%	-5%	6%
Water Meters	2,252,080.66	- 1,591,983.28	660,097.39	2,236,952.03	- 1,649,198.56	587,753.47	15,128.63	57,215.29	72,343.92	1%	-3%	12%
Water Intakes	2,549,328.48	- 676,092.76	1,873,235.72	2,621,223.40	- 891,293.80	1,729,929.60	- 71,894.92	215,201.03	143,306.12	-3%	-24%	8%
Water Reservoirs	18,247,639.59	- 6,455,176.11	11,792,463.47	18,817,774.72	- 7,742,071.26	11,075,703.46	- 570,135.13	1,286,895.15	716,760.01	-3%	-17%	6%
Total	232,512,654.60	- 81,952,944.39	150,559,710.20	230,323,348.41	- 95,829,793.87	134,493,554.54	2,189,306.19	13,876,849.48	16,066,155.66			

As part of the review process, the Finance department liaised with the Water and Infrastructure departments to review the unit rates (where applicable) and useful lives of the assets. This was to ensure that valuation considered the unique environmental conditions that the assets are exposed to in the Shire.

Where there had been changes in fair value above \$20,000, the condition and replacement costs were reviewed and challenges were made to the external valuer where appropriate. All asset classes measured at fair value that are not comprehensively revalued during the financial year, are reviewed for indexation annually.

### Buildings & Other Structures

This asset class was last comprehensively revalued in 2017. Since last valuation, the fair value has increased \$7.09mil or 25%. There was a slight increase in replacement cost across assets but the increase is primarily due to the good condition of the assets. The external valuer inspected all the assets in the class and assigned them a condition rating. In most cases, the condition of the assets were better or the same as last valuation. This resulted in an increase in remaining useful life and decrease in accumulated depreciation. These condition ratings are appropriate due to extensive capital works and maintenance undertaken on these assets since last valuation. Council has invested significant funds on the renewals of parks and playgrounds as well as Council buildings such as the Mossman Depot, Port Douglas Sugar Wharf and Mossman Caravan Park and Pool.

The external valuer applied the cost approach for their valuation methodology using observable data from construction cost manuals and recent projects carried out by Council. Level 3 of the fair value hierarchy was used as the remaining useful life was determined by professional judgement. Valuation adjustments will be made to the buildings & other structures revaluation reserve which is in surplus.

### Land Improvements

The asset class was last comprehensively revalued in 2017. Since last valuation, the fair value has increased \$105k or 3%. Council does not consider this a material increase. In most cases, the condition of the assets were better or the same as last valuation. This resulted in an increase in remaining useful life and decrease in accumulated depreciation. These condition ratings are appropriate due to extensive capital works and maintenance undertaken as part of the annual parks renewal programs.

The external valuer applied the cost approach for their valuation methodology using observable data from construction cost manuals and recent projects carried out by Council. Level 3 of the fair value hierarchy was used as the remaining useful life was determined by professional judgement.

### Land

Land was last comprehensively revalued in 2017 however an annual indexation review has been performed by an external valuer each year since. As there have been no movements over 5%, no indexation has been booked to the land assets since the 2017 revaluation.

Since last valuation, the land assets have decreased by \$685k or 3%. Some land prices have increased in what are considered as 'desirable' locations such as Port Douglas and Craiglie. However, the majority of Council owned land is located in lower value areas such as Mossman, Daintree, Cape Tribulation etc. and have very specific uses (i.e expired landfill). The valuation results were compared to the ABS statistics that were available at the time and both reports showed a downturn in vacant land values for the Shire. Valuation adjustments will be made to the land and land improvements valuation reserve and a portion will be treated as a capital expense (approx. \$113k).

The external valuer applied the market approach for their valuation methodology using data from observed market transactions. Level 2 of the fair value hierarchy was used as there was reliable market data available.

## Water

The asset class was last comprehensively revalued in 2017. Since last valuation, the fair value has increased \$9.56mil or 12%. The increase is partly due to an overall increase in replacement cost which is to be expected due to inflation. However, the main reason for the increase in fair value is due to the increase in remaining useful life as the external valuer determined the assets to be in better condition than last valuation. This is to be expected as Council has invested significant funds on capital renewals of the water network. Notably, the water service and mains renewal programs, mechanical and electrical renewals at pump stations and treatment plants and significant capital improvements to reservoirs. A number of network assets at the treatment plant have also been recommissioned and are now operating again.

The external valuer applied the cost approach for their valuation methodology using observable data from construction cost manuals and recent projects carried out by Council. Level 3 of the fair value hierarchy was used as the remaining useful life was determined by professional judgement. Valuation adjustments will be made to the water revaluation reserve which is in surplus.

The Queensland Audit Office are currently undertaking their review of the asset valuations.

## **ATTACHMENTS**

1. Valuation Report – Buildings, Other Structures, Land and Land Improvements [6.2.1]
2. Valuation Report – Water [6.2.2]

## **Attachment 6.2.1**

# Report

## Valuation of Buildings, Other Structures, Land and Land Improvement Assets 2021

3608-59

Prepared for  
Douglas Shire Council

12 May 2021





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Our report is based on information made available by the client. The validity and comprehensiveness of supplied information has not been independently verified and, for the purposes of this report, it is assumed that the information provided to Cardno is both complete and accurate. Whilst, to the best of our knowledge, the information contained in this report is accurate at the date of issue, changes may occur to the site conditions, the site context or the applicable planning framework. This report should not be used after any such changes without consulting the provider of the report or a suitably qualified person.

## Executive Summary

Cardno was engaged by Douglas Shire Council to undertake a fair value valuation of its Buildings, Other Structures, Land and Land Improvement Assets as at 30 June 2021.

The following is a summary of the valuation results.

Table 1-1 Summary of valuation results

Description	Replacement Cost	Fair Value	Accumulated Depreciation	Future Annual Depreciation
Land		\$21,890,460.00		
Land Improvements	\$5,511,802.66	\$3,973,825.24	\$1,537,977.42	\$199,287.23
Buildings	\$41,189,400.82	\$26,637,161.60	\$14,552,239.22	\$984,268.52
Other Structures	\$13,733,785.09	\$9,081,185.53	\$4,652,599.56	\$666,187.43
<b>Total</b>	<b>\$60,434,988.57</b>	<b>\$61,582,632.37</b>	<b>\$20,742,816.20</b>	<b>\$1,849,743.18</b>

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# 1 Introduction

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## 1.1 Overview

Cardno was commissioned by Douglas Shire Council (DSC) to undertake a comprehensive valuation of its Buildings, Other Structures, Land and Land Improvement Assets as at 30 June 2021.

This report presents the results and the methodology adopted for the valuation of those assets.

## 1.2 Objective

The primary objectives of revaluing DSC's assets were to:

- > Provide DSC with an updated asset register
- > Provide fair values as well as annual depreciation of assets owned by DSC as at 30 of June 2021
- > Place DSC in a position to pass external audit for asset valuation without qualification.

## 1.3 Scope of Work

The scope of work includes the valuation of the following asset types:

- > Buildings
- > Other structures
- > Land
- > Land Improvements

## 2 Statutory and Legislation Framework for Valuation

In developing an appropriate methodology for valuation of DSC's assets, there is a range of statutory requirements relevant to public sector agencies, which need to be taken into consideration. These include:

- > Australian Accounting Standards including AASB 116 Property Plant and Equipment;
- > Australian Accounting Standards including AASB 13 Fair Value Measurement;
- > Australian Accounting Standards including AASB 136 Impairments;
- > Australian Accounting Standards including AASB 140 Investment Properties;
- > Australian Accounting Standards including AASB 123 Borrowing Costs; and
- > Australian Property Institute
- > Queensland Treasury's Non-Current Assets Policy

### 2.1 AASB 116 – Property Plant and Equipment

#### Fair Value

Fair value is defined in AASB 116 as follows:

“Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See AASB 13 Fair Value Measurements.)”

“The amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.”

Where there is no active market for the assets because of their specialized nature, fair value is the depreciated replacement cost of a modern equivalent asset.

#### Revaluation Model Frequency

Section 31 of AASB 116 states the following:

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

AASB 116 does not require an entity to perform an annual comprehensive revaluation of non-current assets. However, each entity is required to assess annually whether there has been a material change in the fair value of non-current assets. This assessment can be based on appropriate indices or cost drivers. The review should be documented for audit purposes.

#### Depreciation

AASB116 defines depreciation as such:

“Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life”.

AASB116 requires that each significant part of an item of property, plant and equipment be depreciated separately. Infrastructure assets are broken down into significant components with similar physical and operating characteristics. A separate useful life is applied to each component and they are depreciated separately.

The depreciable amount of an asset is allocated on a systematic basis over its useful life. The remaining useful life of an asset is to be reviewed at least at the end of each annual reporting period and, if expectations differ from previous estimates, and if impacts on the carrying amount are significant, appropriate adjustments to accounts are made.

### 2.2 AASB 13 – “Fair Value Measurement”

#### 2.2.1 Fair Value

AASB 13 defines Fair value as follows:

“Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price). A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.”

### 2.2.2 Levels of input

AASB 13 identifies fair value hierarchy of three valuation input levels as follows:

- > Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- > Level 2 inputs are inputs other than quoted market prices included within Level 1. Those inputs are observable to the asset either directly or indirectly; and
- > Level 3 inputs are unobservable inputs for the asset, such as where there is little or no market activity for the asset at the measurement date. Most public infrastructure is valued using this level of input.

AASB13 Appendix A defines observable inputs as the “Inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability” and unobservable inputs as “Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.”

AASB 13 also requires disclosure of the actual inputs used and their categorisation as level 1, 2 or 3 inputs of the valuation basis as Level 1, 2 or 3.

### 2.2.3 Highest and Best Use

AASB13 paragraph 29 states the following:

“Highest and best use is determined from the perspective of market participants, even if the entity intends a different use. However, an entity’s current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

## 2.3 AASB 136 – Impairment of Assets

AASB 136 requires that an entity assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

## 2.4 AASB 123 – Borrowing Costs

This standard defines borrowing costs as well as the requirements and options around capitalising them. An entity is to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

## 2.5 Australian Property Institute (API)

In accordance with the definition adopted by the Australian Property Institute, Market Value is defined as:

“The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.”

## 2.6 Queensland Treasury – Non-Current Assets Policy

This policy is mandatory for departments and statutory bodies and is written to help entities in developing a framework for recognising, obtaining, maintaining, disposing of, valuing or revaluing, recording and writing off assets. This policy is in line with AASB116, AASB 136, and AASB13. Appendix 3.5 of NCAP 3 (Valuation of Assets) specifies the minimum information required to be detailed in the draft and final reports.

This policy also states that “it is expected that agencies will adopt processes for their circumstances and operation characteristics”.

## 3 Valuation Methodology

### 3.1 Overview

The objective of the valuation methodology was to generate relevant and reliable information on which to base DSC's statutory reporting, financing decision-making, budgeting, business investments, and calculations of costs.

To achieve this, the methodology was required to ensure that the valuation was objectively determined (preferably by reference to third party transactions or benchmarked against comparable assets) and was readily verifiable by auditors.

Nominated assets were valued in accordance with the requirements of the relevant accounting standards and DSC's valuation principles. The valuations were carried out based on "Fair Value".

### 3.2 Highest and Best Use

The majority of DSC's assets have no market due to their specialised nature. As a result, their current use is their highest and best use.

### 3.3 Level of Input

As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data it has been determined that the overall data level applying to the valuation of DSC's assets is Level 3.

### 3.4 Valuation Methodology

The valuation methodology for the Buildings, Other Structures, Land and Land Improvement Assets is described in the following sections.

#### 3.4.1 Collection and Review of Assets Information

DSC provided Cardno with the following relevant data:

- > Financial asset registers as at 30 June 2020; and,
- > Asset locations.

#### 3.4.2 Conditions Assessments

Cardno undertook condition assessment inspections as follows

- > Buildings and other structures assets inspections were undertaken in February 2021. The inspections covered all buildings and other structures within the scope of this project, except for those which were inaccessible or had been decommissioned.
- > Land improvement assets inspections were undertaken in March 2021 and covered the majority of land improvement assets.

DSC's officers were present for the majority of the inspections undertaken by Cardno. The condition assessment results and photographs were provided to DSC and the condition ratings as well as additional comments were reviewed by DSC's officers in the valuation sheets.

It is expected that the condition ratings captured in February 2021 would still be valid at 30 June 2021. This is based on the assumption that no major adverse weather events occurred between the site visit dates and June 2021.

The purpose of the inspection was to:

- > Confirm the existence and extent of the assets as indicated by records
- > Confirm details and measurements

- > Obtain further information on the assets
- > Validate accuracy of condition assessment results carried out in the past
- > Determine current condition

A condition assessment has three important outputs:

- > It indicates how the assets are contributing to the current performance (level of service) in achieving the designated standards of service
- > It determines Fair Value and the remaining useful life for valuation purposes
- > It provides input into the strategic management process; in particular, the prioritisation of renewal programs

The condition scoring criteria and effect on the remaining useful life are described in Table 3-1. These condition ratings are applied to the adopted useful life of the asset to determine the remaining useful life (RUL).

Table 3-1 Condition Ratings and Remaining Useful Life Calculation

Score	Condition Rating	% Remaining Life
1.00	<b>Excellent</b>	95%
1.25	Sound structure. Well maintained and clean.	91%
1.50		88%
1.75		81%
2.00	<b>Very Good</b>	75%
2.25	Functionally sound structure. Increased maintenance inspection required.	69%
2.50		63%
2.75		56%
3.00		50%
3.25	<b>Fair</b> Adequate structure, some evidence of foundation movement, minor cracking. Regular and programmed maintenance inspections essential.	44%
3.50		38%
3.75		31%
4.00		25%
4.25	<b>Poor</b> Structure functioning but problems due to foundation movement. Some significant cracking. Frequent maintenance inspections essential. Short term element replacement/rehabilitation required.	19%
4.50		13%
4.75		9%
	<b>Unserviceable</b>	
5.00	Structure has serious problems and concern is held for the integrity of the structure. Minimum life expectancy, requiring urgent rehabilitation and replacement.	5%

### 3.4.3 Update Cardno's Unit Rate Models

Cardno's unit rates were derived taking into consideration recent construction/rehabilitation costs. Cardno's rates are derived from the following:

- > Cardno cost databases;
- > Scheduled rates for construction of asset or similar assets;
- > Cost curves derived by Cardno;
- > Building Price Index tables;
- > Recent contract and tender data;
- > Rawlinson's Rates for Building and Construction; and



> Suppliers' quotations.

Valuation unit rates (replacement costs) were increased by 20% to allow for DSC'S project overheads comprising four elements as follows:

Survey, Environmental, Investigation	6.0%
Engineering Design	5.0%
Engineering Supervision	3.0%
Project Management	<u>6.0%</u>
	20.0%

### 3.4.4 Review Useful Lives

Useful lives were reviewed and agreed on with Council prior to application. Table 3-5 to Table 3-4 summarise the lives adopted in the valuation. A more detailed breakdown is included in the valuation file.

Table 3-2 Buildings – Useful Lives

Buildings - Useful Lives	
Building Component	Useful Life
External Services	60
Finishes	30
Fittings	20
Internal Services	40
Roof	40
Substructure	60
Superstructure	60
Non-Componentised	12 - 50

Table 3-3 Other Structures – Useful Lives

Other Structures - Useful Lives	
Non-Componentised	Useful Life
Other Structures	5 - 60

Refer to the valuation file for the complete list of items categorised under the “Other Structures” category.

Table 3-4 Land Improvement – Useful Lives

Land Improvement - Useful Lives	
Asset Category	Useful Life Range
Access Road - Parks, Reserves etc	19 - 60
Beach Restoration	25
Cemeteries Structural	40 - 50
Drainage	40 - 100
Exterior Furniture	15
Fencing	20
Irrigation	15
Land Improvements - Other	10 - 100
Park Improvements - Fencing	20
Pathways	60
Sealed Car Park	25 - 60
Vegetation	20 - 100

### 3.4.5 Remaining Useful Lives

Remaining useful lives were calculated based on condition.

### 3.4.6 Fair Value

Fair values were calculated based on condition data.

### 3.4.7 Depreciation

Depreciation was based on straight line methodology.

### 3.4.8 Assumptions

Some assumptions were undertaken to complete the valuation. Those assumptions are listed in the individual valuation files.

### 3.4.9 Draft Valuation Results

Table 3-5 summarises the results of the valuations. Detailed digital copies of the valuations have been provided to DSC.

Table 3-5 Valuation Summary as at 30 June 2021 – Building Assets

Description	Replacement Cost	Fair Value	Accumulated Depreciation	Future Annual Depreciation
Land		\$21,890,460.00		
Land Improvements	\$5,511,802.66	\$3,973,825.24	\$1,537,977.42	\$199,287.23
Buildings	\$41,189,400.82	\$26,637,161.60	\$14,552,239.22	\$984,268.52
Other Structures	\$13,733,785.09	\$9,081,185.53	\$4,652,599.56	\$666,187.43
<b>Total</b>	<b>\$60,434,988.57</b>	<b>\$61,582,632.37</b>	<b>\$20,742,816.20</b>	<b>\$1,849,743.18</b>

### 3.4.10 Buildings, Other Structures, Land and Land Improvements Valuation Report

Buildings, Other Structures, Land and Land Improvements valuations were undertaken by a registered land valuer. The valuation report prepared by our registered valuer is found in Appendix A

# APPENDIX

# A

BUILDINGS, OTHER STRUCTURES, LAND AND  
LAND IMPROVEMENTS VALUATION REPORT

## Valuation Report

Prepared for Douglas Shire Council (DSC)

Reference Number: PV2021DSC

Report Date: 11 May 2021

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## 1. Executive Summary

**Instructing Party:** Cardno on behalf of Douglas Shire Council (DSC).

**Purpose:** Douglas Shire Council require a revaluation of its building and other structures, land and land improvement assets for financial reporting purposes in accordance with AASB116 and AASB 13 as at 30 June 2021.

**Property:** Douglas Shire Council assets comprising approximately:

- 555 building and other structures assets (including components)
- 136 land assets and
- 105 land Improvement assets.

**Date of Valuation:** 30<sup>th</sup> June 2021

<b>Total Fair Value Summary:</b>	<b>Buildings and Other Structures</b>	<b>\$35,718,347.13</b>
	<b>Land</b>	<b>\$21,890,460.00</b>
	<b>Land Improvements:</b>	<b><u>\$3,973,825.24</u></b>
	<b>TOTAL:</b>	<b>\$61,582,632.37</b>

**Disclaimer:** All values are provided exclusive of Goods and Services Tax (GST). This report has been prepared for use by Douglas Shire Council for the stated purpose and is not to be used by any party for any other purpose.

## 2. Introduction

### 2.1 Background

Douglas Shire Council is seeking a revaluation of its building and other structures, land and land improvement assets as at 30 June 2021 as per Australian Accounting Standards AASB 13 *Fair Value Measurement*, and AASB 116 *Property, Plant and Equipment*.

### 2.2 Instructions

As per email from Rula Atweh, Senior Financial Consultant and Trevor Chiang, Asset Management Engineer, Cardno, to value building and other structures, land and land improvement assets for Douglas Shire Council.

### 2.3 Purpose of Valuation

Revaluation of Douglas Shire Council land assets at fair value as at 30 June 2021. Pickles Valuations is to provide values of Douglas Shire Council land and building assets to be reported in the entity's financial statements. It will comply with the Queensland Treasury and Trade (QTT)'s *Non-Current Asset Policies* for the Queensland Public Sector 2018, in particular NCAP 3 – Valuation of Assets (NCAP 3); relevant Australian Equivalent International Financial Reporting Standards (IFRS) specifically the Australian Accounting Standard Boards (AASB) Standards AASB 13, AASB 116, and Douglas Shire Council Accounting Policy.

### 2.4 Effective Date of Valuation

30 June 2021.

The effective date of valuation is the date at which the valuation opinion applies and only for the stated purpose. The effective date may be different to the date the report is produced and/or the date of inspection.

## 3. Procedure

### 3.1 Scope of Works

- i. Full revaluation of the building and other structures, land and land improvement asset classes for the relevant year in accordance with Douglas Shire Council FAR provided in email dated 4th November 2020.
  - The scope includes building and other structures assets (including components), land assets and land Improvement assets.
- ii. The revaluation is to be conducted in accordance with:
  - Local Government Act 2009;
  - Local Government Regulation 2012;
  - Australian Accounting Standards:
    - AASB116 *Property, Plant and Equipment*
    - AASB13 *Fair Value Measurement*
  - Douglas Shire Council's Asset Accounting Policy and Procedures

### 3.2 Inspection

The assets were inspected and condition rated by Cardno in February and March 2021. Additional resources were used to identify and value assets not inspected by use of aerial photography on Near Map, Google Maps, Google Earth, Street View and PriceFinder by Domain.



## 4. Property Description.

### 4.1 Location

The assets are located at various locations throughout the Douglas Shire Council a Local Government Area of Queensland. The Douglas Shire covers 2,445 square kilometres from Wangetti Beach in the south to the Bloomfield River in the north.

Douglas is home to over 12,000 residents, with almost 60% living in the two main population centres of Port Douglas and Mossman. Port Douglas is the tourist gateway to the region, while Mossman is the administrative, health, industrial and agricultural hub.

Other principal urban centres include the beachside communities of Wonga Beach, Newell Beach and Cooya Beach.

### 4.2 Description

**Buildings and Other Structures** – A brief description of the address, facility, building description, component type, building type, building area and condition rating is contained in the Fixed Asset Register.

**Land** - A brief description of the address, land tenure, local plan precinct, zoning and land area for each land asset is contained in the Fixed Asset Register.

**Land Improvements** - A brief description of the address, land tenure, local plan precinct, zoning and land area for each land asset is contained in the Fixed Asset Register.

## 5. Valuation Considerations.

### 5.1 Fair Value

Douglas Shire Council is required to value its assets using the Fair Value methodology in accordance with Australian Accounting Standard AASB 13 *Fair Value Measurement*, and the prescribed requirements of AASB 116 *Property, Plant and Equipment*

All revaluations must comply with the AASB 13 “fair value” definition (“*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*”) and associated valuation principles in AASB 13. This may, under many circumstances be its replacement or reproduction costs, its market value or the value of its future earnings in accordance with AASB116.

The revaluations must also take into account the relevant asset characteristics (including but not limited to the asset(s)’ physical attributes, legal restriction and commercial value (if any)).

Compliance is required with the following Australian Accounting Standards:

- AASB 13 *Fair Value Measurement*
- AASB 116 *Property, Plant and Equipment*

### 5.2 Methodology and Valuation Approach

The valuation technique used to measure fair value should be appropriate for the circumstances, and one for which sufficient data is available considering highest and best use and the valuation premise. AASB 13 does not prescribe which valuation technique (s) must be used in a particular circumstance. It states an entity shall use valuation techniques that:

- are appropriate in the circumstances,
- one for which sufficient data is available to measure fair value, and
- maximises the use of observable inputs and minimises the use of unobservable inputs.

AASB 116 and AASB 13 outline three valuation techniques for determining fair value which are summarised in the following table.

Valuation Technique	Relevant Circumstances	Methodology
Market Approach	Where there is an active and liquid market or there is existing market evidence for the sale of similar assets.	Market value of an asset is determined by comparison to actual sales data for the same or similar assets.
Cost Approach	Where no active and liquid market exists because of the specialised nature of the asset and the type of asset is rarely sold.	Depreciated current replacement cost (DRC) is the cost per unit of future economic benefit of the most appropriate modern replacement facility, adjusted for any differences in production capacity and useful life. In certain circumstances depreciated reproduction cost may be appropriate which involves establishing the cost of reproducing or replacing the future economic benefit of the asset.
Income Approach	Where the assets value is dependent on its cash generating capability (such as commercial buildings and business operations).	Fair value is determined based on a static capitalisation of an assets income at an appropriate capitalisation rate or a Discounted Cash Flow (DCF) where future income streams are discounted to a net present value (NPV) at an appropriate discount rate.

The main aspects of those approaches are as follows.

### 1. Market approach

AASB 13 states:

*B5 The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.*

The primary intent of the sales comparison approach is to determine the desirability of the assets through recent sales or offerings of similar assets currently on the market in order to arrive at the indication of the most probable selling price for the assets being appraised. The valuer adjusts the prices that have been paid for assets comparable to the asset being appraised, equating the comparable to the subject.”

The market approach is a very common and useful technique particularly when the asset has well established markets and recent sales on which the valuer can draw. Comparables can be drawn from second hand dealers and retailers, for example, when formulating a fair value. Valuation by market comparison is generally the preferred method in business (and the courts) provided reliable, similar and recent comparables are available. Examples could include used motor vehicles.

## 2. Cost approach.

AASB 13 states:

**B8** *The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).*

**B9** *From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. That is because a market participant buyer would not pay more for an asset than the amount for which it could replace the service capacity of that asset. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence and is broader than depreciation for financial reporting purposes (an allocation of historical cost) or tax purposes (using specified service lives). In many cases the current replacement cost method is used to measure the fair value of tangible assets that are used in combination with other assets or with other assets and liabilities.*

As noted above, depreciation does not equate to the accounting definition but rather to three distinct forms of depreciation known as physical deterioration, functional obsolescence, and economic obsolescence.

*Physical deterioration* results from wear and tear of the asset over time.

*Functional obsolescence* refers to losses inherent in the property such as change in design, materials, or process.

*Economic obsolescence* reflects losses due to external factors such as changes in legislation, markets or general economic impacts such as inflation.

To determine value using the cost approach the method is: Replacement cost (new) less physical deterioration, less functional obsolescence, less economic obsolescence = value. It is a very useful technique if there are no comparable assets or no identified income stream on which to draw or if the subject asset is unique.

Specialised public service assets are often measured using the cost approach. They are rarely, if ever, exchanged between willing seller and willing buyer. The specialised features, whether they be the design, specification or location of the asset mean that reliable comparisons can rarely be made with the prices of similar assets in the market. Examples could include roads, water infrastructure or hospitals.

### 3. Income Approach.

AASB 13 states:

*B10 The income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.*

The income approach considers value to be represented by the present worth of future benefits derived from ownership, typically represented by the capitalisation of a specific level of income.

The basic premise of the income approach is that a purchaser expects to receive a certain rate of return on the income stream specifically attributable to the asset. In practice the valuer would project both income and expense streams for the remaining life of the asset and represent the net income in present day dollars. The adjusted projections would then be summed and if applicable added to the assets residual worth to arrive at an estimate of value.

The income approach is useful particularly where there is only one income generating asset whose income and costs can be fairly reliably projected over its economic life and where a reliable discount rate can be calculated or derived from reliable published industry data. Examples include commercial buildings and business operations.

#### **Determination of Fair Value Measurement Approach**

An entity shall use valuation techniques consistent with one or more of those approaches to measure fair value.

Although the income approach was considered for the purposes of this valuation the market and cost approaches were adopted because there were adequate and reliable sales data from observed market transactions for valuing some non-specialised properties and land assets and observable data with regard to building costs for valuing the buildings and other structures.

## Useful Life and Depreciation

The future economic benefits embodied in an asset are consumed by an entity principally through its use. However, other factors, such as technical or functional obsolescence and physical wear and tear result in the diminution of the economic benefits that might have been obtained from the asset. The following factors are considered when determining the useful life of an asset:

- Expected usage of the asset (e.g. expected capacity or physical output)
- Expected physical wear and tear (physical deterioration)
- Technical or commercial obsolescence (e.g. changes to production or market demand)
- Legal limits on the use of the asset (e.g. expiry dates of leases).

The useful life on an asset is defined in terms of the asset's expected utility to the entity. The management policy of an entity may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. For example, an entity may replace its vehicles every 4 years even though they may have an economic life of 10 years.

In many cases, the useful life of an asset and the pattern in which its economic benefit is consumed may be difficult to determine accurately. In such cases an estimate of the useful life of the asset is based on professional judgement which in turn is based on past experience in valuing similar assets and advice from consultation with the entity's staff.

Estimated useful lives have been provided within the supplied fixed asset register. Pickles Valuations has undertaken a review of asset useful lives to ensure consistency is maintained throughout the asset register. Useful lives were determined based on consultation with Douglas Shire Council staff as well as a comprehensive reference manual Pickles Valuations has maintained on useful lives sourced from councils, state and commonwealth governments, public institutions, ATO and professional publications.

## Remaining Useful Life

Determination of remaining useful life (RUL) (or remaining economic benefits) is a critical input in the determination of value. Determining remaining useful life for each identified asset is a key step in the valuation process.

Age has been widely used to date with little assessment of the other factors because of its simplicity. Age alone should only be used in the absence of asset condition and performance data. There are many other factors such as design, construction, maintenance, load and environment that will affect how an asset depreciates and the ultimate life achieved.

The performance of an asset over time depends on variables that are not often directly related to the primary response mechanisms. Environmental factors such as design, construction, climate and loading have a major influence. Assessing asset condition is the most practical available method for assessing the current ability of an asset to perform its primary function and to determine the remaining useful life. Under extreme climatic conditions (fire and flood), asset condition can change dramatically.

Douglas Shire Council's assets valued by the cost approach have been assessed by applying a condition rating to each asset in accordance with a condition rating scale. Detailed field inspections are undertaken to identify and confirm assets and identify any redundant or obsolete assets. The condition rating adopted for each asset has been determined from observation or indication by Cardno staff. Any change in condition of assets could impact on their value.

### 5.3 Valuation Technique and Process

The valuation technique and process employed for valuing Douglas Shire Council assets is as follows:

#### Asset category: Buildings and Other Structures

Type of assets valued:	Community facilities, meeting halls, administration buildings, sports structures, swimming pools, public toilets, clubhouses, bus shelters, playground equipment, park barbeques. Shade structures and park lighting.
Valuation technique:	Cost approach. The cost approach is replacement cost new less physical deterioration, less functional obsolescence, less economic obsolescence = value. This technique is used if there are no comparable assets or no identified income stream on which to draw. Buildings with limited alternative uses (the majority of Douglas Shire Council buildings) will be valued by the cost approach. The condition of the buildings inspected is examined to establish their consumed obsolescence.
Fair value hierarchy level:	Level 3.
Fair Value inputs:	<p>Observable data available were published construction cost manuals such as "Rawlinson's Construction Handbook 2020"; recent projects undertaken by Douglas Shire Council; data from other assignments carried out by Pickles Valuations and various other publications/papers on building costs.</p> <p>Complex buildings where components have materially different lives were valued separately due to differences in consumed economic benefit/obsolescence. The components were identified and depreciated separately so as to provide more reliable and relevant information to users of the financial statements and asset managers.</p> <p>The replacement cost data of buildings could be considered an observable input (level 2) however the condition rating, useful life and remaining useful life are considered unobservable inputs (level 3) which are based on professional judgement.</p>



## Asset category: Land

Type of assets valued:	Land.
Valuation technique:	<p>Market approach. Those assets from which prices and other relevant market data derived from observed transactions for the same or similar assets.</p> <p>AASB 13 <i>Fair Value Measurement</i> states “the market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business”.</p>
Fair value hierarchy level:	Level 2.
Fair Value inputs:	<p>Sales transactions for similar assets with reference to observable market data derived from property sales data subscription services (Domain PriceFinder) Queensland’s Valuer-General land valuations, (Department of Natural Resources), land valuation data on the Queensland Globe, sales listings and property data generally available online and with local real estate agents.</p> <p>Land vested in and under control of Council held for public benefit (community service obligations) has been valued based on assumptions market participants would use when pricing the asset. Values have been extrapolated from land sales and adjusted to reflect these assumptions. Examples of community use assets include showgrounds, drainage reserves, parks, and open spaces etc.</p> <p>NCAP 3 considers the nature of the restriction of an asset. Where a restriction is effectively a characteristic of the asset, market participants would take the restriction into account when pricing the asset, and so it should be taken into account in determining fair value. For example, if an asset is subject to legislative restriction that substantively prevents alternative uses of the asset, the highest and best use for the asset may be its current use.</p> <p>Price variances for land values in Douglas Shire Council differ from one area/suburb to another. For example, some pockets (close to the water) have risen in value whilst other areas have fallen in value.</p>

## Asset category: Land Improvements

Type of assets valued:	Land improvements including drainage, fencing, paths, car parks and vegetation.
Valuation technique:	Cost approach. The cost approach is replacement cost new less physical deterioration, less functional obsolescence, less economic obsolescence = value. This technique is used if there are no comparable assets or no identified income stream on which to draw or if the subject asset is specialised.
Fair value hierarchy level:	Level 3.
Fair Value inputs:	<p>Observable cost data available from published construction cost manuals such as “Rawlinson’s Construction Handbook 2020”, Douglas Shire Council’s own historical data on costs incurred, and data sourced from other council valuations and projects.</p> <p>The replacement cost data could be considered an observable input (level 2) however the condition rating, useful life and remaining useful life are based on professional judgement and are considered unobservable inputs (level 3).</p>

## 6. Valuation

The total fair value of the building and other structures, land and land improvement assets contained in Douglas Shire Councils Fixed Asset Registers as at 30 June 2021 are as follows:

Asset Class	Input Level	Valuation Technique	Replacement Cost	Fair Value
Buildings	3	Cost approach	\$41,189,400.82	\$26,637,161.60
Other Structures	3	Cost approach	\$13,733,785.09	\$9,081,185.53
Sub Total			\$54,923,185.91	\$35,718,347.13
Land	2	Market approach		\$21,890,460.00
Land Improvements	3	Cost approach	\$5,511,802.66	\$3,973,825.24
Total			\$60,434,988.57	\$61,582,632.37

Values for individual assets in the Fixed Asset Registers are provided in an electronic version of Microsoft Excel.

- Valuation of building (Client 10.05.2021).xlsm
- Land Assets (Client 11.12.2020).xlsx
- Valuation of land improvement (Client 6.05.2021).xlsx

For and on behalf of Pickles Valuations



Kim Adams BA, AAPI, CPV, ASA (M&TS)

QLD Registered Valuer No:2124

Certified Practising Valuer

Senior Valuer

Pickles Valuations

## 7. Qualifications

### 7.1 Impartiality

In respect of the Queensland Government, it is recognised that Pickles Valuations is in no position to obtain financial advantage from this opinion other than remuneration by way of normal professional fees and accordingly is not deemed to be a related party.

Furthermore, the valuers have no pecuniary interest that could reasonably be regarded as capable of impeding their respective ability to provide an unbiased opinion of value.

Pickles Valuations conducts its own research and analysis free of government interference and persuasion and consequently offers impartial advice and a confidential and professional valuation service.

### 7.2 Disclaimer

This opinion is for financial reporting purposes only and is not to be used by any party for any other purpose. The client agrees that in the event that it does communicate to a third party the whole or any part of this valuation, it shall take all reasonable steps to ensure that the third party receives the report on a confidential basis only for a use as stated in this disclaimer.

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Neither the whole nor any part of this opinion nor any reference thereto may be included in any document, circular or statement without our approval of the form and context in which it will appear.

This opinion has been prepared on the basis that full disclosure of all information and facts which may affect the opinion has been made to us, and that information provided for the purpose of this opinion is accurate and reliable.

## Valuation Uncertainty

The market that the property/asset is transacted and/or valued in is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation we consider that there may be market uncertainty resulting in valuation uncertainty.

Market uncertainty is not measurable as the uncertainty arises from the inability to observe and reconcile the impact of the event(s) on market prices as at the valuation date.

The values assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value.

Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

## **Attachment 6.2.2**

# Report

## Valuation of Water Assets 2021

3608-59

Prepared for  
Douglas Shire Council

12 May 2021



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1	07/05/2021	Draft for review	Tom Sitprasert, James Calos	Stephen Walker
2	12/05/2021	Final	Tom Sitprasert	Stephen Walker

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Our report is based on information made available by the client. The validity and comprehensiveness of supplied information has not been independently verified and, for the purposes of this report, it is assumed that the information provided to Cardno is both complete and accurate. Whilst, to the best of our knowledge, the information contained in this report is accurate at the date of issue, changes may occur to the site conditions, the site context or the applicable planning framework. This report should not be used after any such changes without consulting the provider of the report or a suitably qualified person.



## Executive Summary

Cardno was engaged by Douglas Shire Council (DSC) to undertake a fair value valuation of its water assets as at 30 June 2021.

The following is a summary of the water assets valuation results.

Table 1-1 Summary of valuation results

Description	Replacement Cost	Fair Value	Accumulated Depreciation	Future Annual Depreciation
Water Intakes	\$2,549,328.48	\$1,873,235.72	\$676,092.76	\$84,444.98
Reservoirs	\$18,247,639.59	\$11,792,463.47	\$6,455,176.11	\$243,220.69
Water Pump Stations	\$2,405,946.84	\$1,677,156.05	\$728,790.79	\$99,242.27
Water Treatment Plants	\$26,222,982.49	\$16,240,487.15	\$9,982,495.33	\$979,520.25
Water Mains	\$98,509,227.97	\$56,733,638.05	\$41,775,589.92	\$1,299,075.44
Water Meters	\$2,252,080.66	\$660,097.39	\$1,591,983.28	\$150,138.71
<b>Total</b>	<b>\$150,187,206.03</b>	<b>\$88,977,077.83</b>	<b>\$61,210,128.19</b>	<b>\$2,855,642.35</b>

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# 1 Introduction

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## 1.1 Overview

Cardno was engaged by Douglas Shire Council (DSC) to undertake a fair value valuation of its water infrastructure assets as at 30 June 2021.

This report presents the results and the methodology adopted for the valuation of these assets.

## 1.2 Objective

The primary objectives of revaluing DSC's water assets were to:

- > Provide DSC with an updated asset register;
- > Provide fair values as well as annual depreciation of assets owned by DSC as at 30 June 2021; and
- > Place DSC in a position to pass an external audit for asset valuation without qualification.

## 1.3 Scope of Work

The scope of work includes the valuation of the following asset types:

Active assets:

- > Water Intakes
- > Reservoirs
- > Water Pump Stations
- > Water Treatment Plants

Passive assets:

- > Water Mains
- > Water Meters

## 2 Statutory and Legislation Framework for Valuation

In developing an appropriate methodology for the valuation of DSC's assets, there is a range of statutory requirements relevant to public sector agencies which need to be taken into consideration. These include the following Australian Accounting Standards:

- > AASB116 "Property Plant and Equipment";
- > AASB13 "Fair Value Measurement"; and
- > AASB136 "Impairment of Assets".

### 2.1 AASB116 – "Property Plant and Equipment"

#### 2.1.1 Fair Value

Fair value is defined in AASB116 as follows:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

#### 2.1.2 Revaluation Model

Section 31 of AASB116 states the following:

"After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period."

#### 2.1.3 Depreciation

AASB116 defines depreciation as such:

"Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life".

AASB116 requires that each significant part of an item of property, plant and equipment be depreciated separately. Infrastructure assets are broken down into significant components with similar physical and operating characteristics. A separate useful life is applied to each component and they are depreciated separately.

The depreciable amount of an asset is allocated on a systematic basis over its useful life. The remaining useful life (RUL) of an asset is to be reviewed at least at the end of each annual reporting period and, if expectations differ from previous estimates, and if impacts on the carrying amount are significant, appropriate adjustments to accounts are made.

### 2.2 AASB13 – "Fair Value Measurement"

AASB13 defines fair value as follows:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price). A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use."

AASB13 identifies three valuation input levels as follows:

- > Level 1 inputs are quoted prices in active markets for identical assets.
- > Level 2 inputs are inputs other than quoted market prices included within Level 1. Those inputs are observable to the asset either directly or indirectly.
- > Level 3 inputs are unobservable inputs for the asset, such as where there is little or no market activity for the asset at the measurement date. Most public infrastructure is valued using this level of input.

AASB13 also requires disclosure of the actual inputs used and their categorisation as level 1, 2 or 3 inputs.

AASB13 paragraph 29 states the following:

“Highest and best use is determined from the perspective of market participants, even if the entity intends a different use. However, an entity’s current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.”

AASB13 Appendix A defines observable inputs as the “Inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability” and unobservable inputs as “Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.”

## **2.3 AASB136 – “Impairment of Assets”**

AASB136 requires that an entity assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

## 3 Valuation Methodology

### 3.1 Overview

The objective of the valuation methodology was to generate relevant and reliable information on which to base DSC's statutory reporting, financing decision-making, budgeting, business investments, and calculations of costs.

To achieve this, the methodology was required to ensure that the valuation was objectively determined (preferably by reference to third party transactions or benchmarked against comparable assets) and was readily verifiable by auditors.

Nominated assets were valued in accordance with the requirements of the relevant accounting standards and DSC's valuation principles. The valuations were carried out based on "Fair Value".

### 3.2 Highest and Best Use

DSC's water assets have no market due to their specialised nature. As a result, their current use is their highest and best use.

### 3.3 Level of Input

As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data it has been determined that the overall data level applying to the valuation of DSC's assets is Level 3.

### 3.4 Valuation methodology

The valuation methodology for the water assets is described in the following sections.

#### 3.4.1 Collections and Review of Asset Information

DSC provided Cardno with the following data:

- > Financial asset registers;
- > Geographic information files (GIS) files containing asset information;
- > Drinking water quality management plan report;
- > Contract data for new water assets; and
- > Knowledge of any assets that will be decommissioned, replaced or potentially re-activated in the next 5 years

#### 3.4.2 Condition Assessments

Visual inspections were undertaken on all WTPs, WPS, intakes, and reservoirs, including those assets which are potentially re-activated or were decommissioned. Further detail on these items is included in the water media library. The purposes of the inspections were to:

- > Confirm the existence and extent of the assets as indicated by records;
- > Confirm details and measurements;
- > Obtain further information on the assets;
- > Confirm validity of the conditions collected for the last comprehensive revaluation; and
- > Determine current condition.

A condition assessment has three important outputs:

- > It indicates how the infrastructure assets are contributing to the current performance (level of service) in achieving the designated standards of service;

- > It determines Fair Value and the RUL for valuation purposes; and
- > It provides input into the strategic asset management process; in particular, the prioritisation of renewal programs.

Cardno's condition scoring explanations and effect on the remaining useful life (RUL) is described in Table 3-1.

Table 3-1 Effect of condition scoring on RUL

Condition Rating Scores		
Score	Condition Rating	% Remaining Life
1.00	Excellent	95%
1.25		91%
1.50		88%
1.75		81%
2.00	Very Good	75%
2.25		69%
2.50		63%
2.75		56%
3.00	Fair	50%
3.25		44%
3.50		38%
3.75		31%
4.00	Poor	25%
4.25		19%
4.50		13%
4.75		9%
5.00	Unserviceable	5%

### 3.4.3 Update Asset Data

The condition ratings collected were then allocated to the asset categories within each asset class and any additional attributes found were recorded against the relevant assets.

### 3.4.4 Update Cardno's Unit Rate Models

Cardno's unit rates were then updated, taking into consideration any standard drawings relevant to DSC. Cardno's rates are derived from the following:

- > Cardno databases;
- > Scheduled rates for construction of an asset or similar assets;
- > Cost curves derived by Cardno;
- > Building Price Index tables;
- > Rates from Rawlinson's Australian Construction Handbook;
- > Supplier's quotations.

The applied unit rates are presented in the project's valuation spreadsheets.

### 3.4.5 Overheads

Valuation unit rates (replacement costs) were increased by 20% to allow for DSC'S project overheads comprising four elements as follows:

Survey, Environmental, Investigation	6.0%
Engineering Design	5.0%
Engineering Supervision	3.0%
Project Management	<u>6.0%</u>
	20.0%

### 3.4.6 Review Useful Lives

Useful lives for each asset class were reviewed and agreed on with DSC. The useful lives applied in the valuation are presented in Appendix A.

### 3.4.7 Remaining Useful Lives (RUL)

Remaining useful lives were based on one of the following methods and order:

- > Conditions collected by Cardno in 2020-21 for active assets
- > Age based for passive assets

### 3.4.8 Fair Value

Fair value was calculated based on either condition or on age (as per section 3.4.7).

### 3.4.9 Depreciation

The "straight line" methodology was used to determine depreciation.

### 3.4.10 Valuation Results

Table 3-2 summarises the results of the valuations. Detailed digital copies of the valuations have been provided to DSC.

Table 3-2 Valuation results

Description	Replacement Cost	Fair Value	Accumulated Depreciation	Future Annual Depreciation
Water Intakes	\$2,549,328.48	\$1,873,235.72	\$676,092.76	\$84,444.98
Reservoirs	\$18,247,639.59	\$11,792,463.47	\$6,455,176.11	\$243,220.69
Water Pump Stations	\$2,405,946.84	\$1,677,156.05	\$728,790.79	\$99,242.27
Water Treatment Plants	\$26,222,982.49	\$16,240,487.15	\$9,982,495.33	\$979,520.25
Water Mains	\$98,509,227.97	\$56,733,638.05	\$41,775,589.92	\$1,299,075.44
Water Meters	\$2,252,080.66	\$660,097.39	\$1,591,983.28	\$150,138.71
<b>Total</b>	<b>\$150,187,206.03</b>	<b>\$88,977,077.83</b>	<b>\$61,210,128.19</b>	<b>\$2,855,642.35</b>



## 4 Qualifications

Table 4-1 lists the qualifications of Cardno's staff members who were involved in this project.

Table 4-1 Qualifications of Cardno's staff members

Name	Position	Qualification	Memberships
Rula Atweh	Senior Financial Consultant/ Principal-Valuations	BSc Business Administration	
Trevor Chiang	Asset Management Engineer	BE Chemical Engineering (Hons)	GradIEAust
Tom Sitprasert	Engineer	PhD Chemical Engineering, MEng, BEng (Hons) Mechanical	MIEAust

APPENDIX

A

USEFUL LIVES

Reservoirs Useful Lives	
Asset Category	Useful Life
Structure - Concrete	80
Roof - Concrete	80
Roof - Metal	30
Pipework	80
Metalwork	30
Valves	30
Telemetry and Controls	15
Earthworks	150
Building - Metal (For gas dosing)	30
Building - Metal (Roof)	30
Fencing and Landscaping	20
Security Lighting	10
Chemical Dosing System	20
Roads and Drainage - Gravel	20
Roads and Drainage - Concrete	50
Roads and Drainage - Bitumen	20
Roads and Drainage - Retaining wall	60
Mechanical	20
Electrical	20
Generator	20

WPS Useful Lives	
Asset Category	Useful Life
Structure	80
Structure - Pipework	80
Mechanical	20
Electrical	20
Pipework	50
Valves	30
Telemetry and Controls	15
Earthworks	150
Generators	20
Buildings - Masonry	60
Buildings - Metal	30
Buildings - Metal (Roof)	30
Chemical Dosing System	20
Fencing and Landscaping	20
Roads and Drainage - Gravel	20
Roads and Drainage - Concrete	50
Roads and Drainage - Bitumen	20

Water Intakes Useful Lives	
Asset Category	Useful Life
Structure	80
Mechanical	20
Electrical	20
Pipework	80
Valves	30
Metalwork	25
Telemetry and Controls	15
Roads and Drainage	5

WTP Useful Lives	
Asset Category	Useful Life
Structure - Concrete	80
Structure - Metal	40
Structure - Fibreglass	40
Structure - Other	20
Roof - Concrete	80
Roof - Steel	40
Mechanical	20
Electrical	20
Pipework and Metalwork	50
Valves	30
Telemetry and Controls	15
Chemical Dosing System	20
Buildings - Masonry	60
Buildings - Metal	30
Generators	20
Fencing and Landscaping	20
Roads and Drainage	20
Roads and Drainage - Bitumen	20
Roads and Drainage - Concrete	50
Licence	10
Modules/Membrane	10

Water Mains - Useful Lives		
Material	Description	Useful Life
AC	Asbestos Cement	80
CI	Cast Iron	60
CICL	Cast Iron Cement Lined	60
CONC	Concrete	80
CO	Concrete	80
CU	Copper	80
DICL	Ductile Iron Cement Lined	80
DI	Ductile iron pipe	80
FRC	Fibre Reinforced Concrete	50
GI	Galvanised Iron	40
HDPE	High-Density PolyEthylene	80
MDPE	Medium Density Polyethylene	80
MSCL	Mild Steel Cement Lined	80
PE	PolyEthylene	80
PVC	Poly Vinyl Chloride	70
SS	Stainless Steel	80
STEEL	Steel	50
UPVC	Unplasticised Poly Vinyl Chloride	70

Water Meters - Useful Lives	
Asset Type	Useful Life
Water Meter	15

APPENDIX

# B

UNIT RATES

Rate : WATER MAINS INCL FITTINGS 2021			
Diameter	Modern Equivalent Material	Rural Soil Rate	Urban Soil Rate
32	PVC	\$93	\$107
40	PVC	\$93	\$107
50	PVC	\$96	\$111
63	PVC	\$113	\$130
80	PVC	\$134	\$154
100	PVC	\$234	\$269
150	PVC	\$257	\$295
200	PVC	\$303	\$349
225	PVC	\$343	\$394
250	PVC	\$371	\$427
300	PVC	\$442	\$508
375	DICL	\$677	\$779
450	DICL	\$816	\$939
500	DICL	\$1,003	\$1,154
600	DICL	\$1,152	\$1,325
660	MSCL	\$2,040	\$2,346
675	MSCL	\$2,033	\$2,338
700	MSCL	\$2,056	\$2,364
750	MSCL	\$2,199	\$2,529
800	MSCL	\$2,469	\$2,839
1000	MSCL	\$3,086	\$3,549

The rates above include 20% overheads

The rates above include hydrants

Rate : WATER METERS 2021		
Size (mm)	Water meter unit rate incl. OH	Magflow meter unit rate incl. OH (Pit excluded)
20	\$487.42	
25	\$584.15	
32	\$675.31	
40	\$828.20	
50	\$1,011.77	
80	\$1,404.47	
100	\$1,654.91	\$6,034.44
150	\$2,257.99	\$6,387.17
200	\$3,641.23	\$8,300.47
225	\$4,298.22	\$8,965.20
375		\$13,874.24

### **6.3 QAO UPDATE**

#### **REPORT AUTHOR**

Tara Killeen, Chief Financial Officer

#### **RECOMMENDATION**

**That the Audit Committee receive and note the QAO Report.**

---

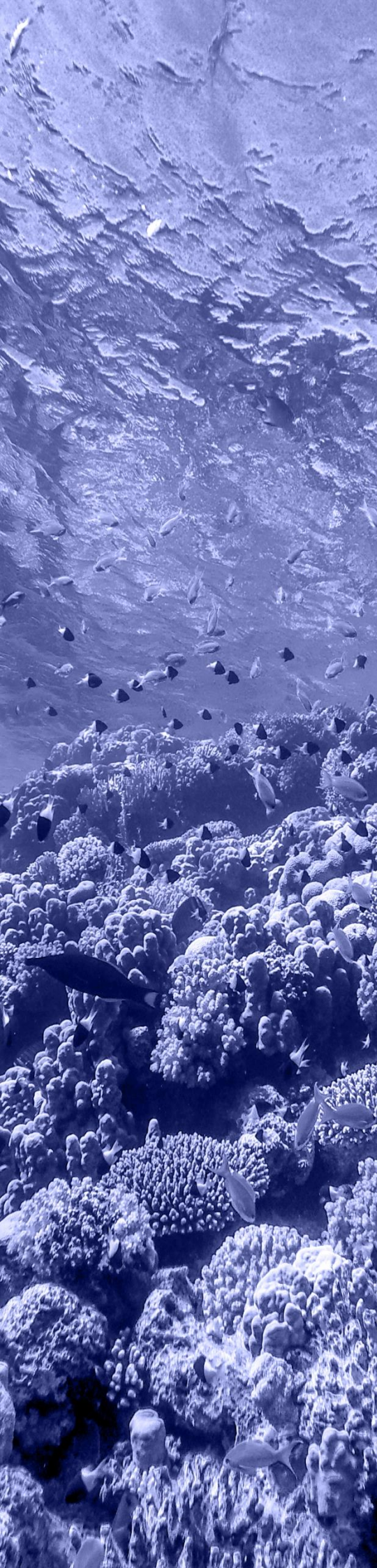
To be Tabled.

#### **ATTACHMENTS**

1. Interim Management Report [6.3.1]



### **Attachment 6.3.1**



# Douglas Shire Council

## 2021 Interim report to the Mayor

09 June 2021

---

Your ref:

Our ref: 2021-4139  
Sri Narasimhan 3149 6208

09 June 2021

Councillor M Kerr  
Mayor  
Douglas Shire Council  
PO Box 723  
MOSSMAN QLD 4873

Dear Councillor Kerr

**2021 Interim report**

We present to you our interim report for Douglas Shire Council for the financial year ending 30 June 2020. This report details the results of our interim work performed to 30 April 2021. In this phase we assess the design and implementation of your internal controls, and whether they are operating effectively. We have also undertaken work over the areas of audit significance that was communicated in our external audit plan. To date our work has identified one significant deficiency in your internal controls. Details of this deficiency were reported in our external audit plan.

Please note that under section 213 of the Local Government Regulation 2012, you must present a copy of this report at your council's next ordinary meeting.

The *Auditor-General Act 2009* requires the Auditor-General to report to parliament on an issue raised during an audit if he considers it to be significant. The results of your entity's audit will be included in our report to parliament on results of Local Government Entities.

If you have any questions or would like to discuss the audit report, please contact me on 3149 6208 or Noreen Romero on 3149 6076.

Yours sincerely



Sri Narasimhan  
Director

Enc.

cc. Mr M Stoermer, Chief Executive Officer  
Mrs T Killeen, Chief Financial Officer

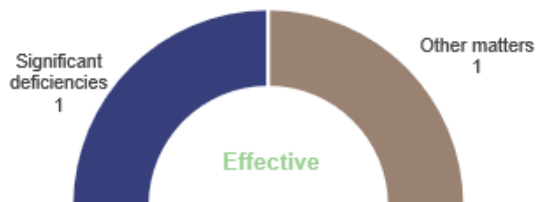
# 1. Summary



We have completed our audit planning phase and an external audit plan was issued on 22 April 2021.

This report details our audit findings from the work performed on the key controls over revenue, expenditure, and payroll that were identified during the audit planning phase.

## Summary of findings — Action required



A significant deficiency was identified in relation to payment file security. Appropriate and timely action has been taken by management to resolve this issue.

Details of our audit findings are explained further in this report. Refer to the sections on *Internal control* and *Financial reporting issues and other matters*

Based on the results of our testing completed to date and the resolution of prior year issues, we have determined your internal control environment supports an audit strategy that can rely upon these controls.

## Areas of audit focus - On track

In addition to the above, we have also performed work over the areas of audit focus that were identified in the external audit plan.











Our progress against the areas of audit focus is on track.



## 2. Internal control deficiencies



The following table summarises our reporting on deficiencies in internal controls. Refer to [Section 4](#) for the status of prior year deficiencies.

Internal control issues by COSO element		Number of significant deficiencies		Number of deficiencies		Rating
		Current year issues	Prior year unresolved issues	Current year issues	Prior year unresolved issues	
	<b>Control environment</b> Structures, policies, attitudes and values that influence daily operations					
	<b>Risk assessment</b> Processes for identifying, assessing and managing risk					
	<b>Control activities</b> Implementation of policies and procedures to prevent or detect errors and safeguard assets					
	<b>Information and communication</b> Systems to capture and communicate information to achieve reliable financial reporting					
	<b>Monitoring activities</b> Oversight of internal controls for existence and effectiveness					



### Effective

No significant deficiencies identified



### Partially effective

One significant deficiency identified



### Ineffective

More than one significant deficiency identified





### Significant deficiency

#### 21EAP-1 Payment file security and access to secure drives

When EFT payments are made to suppliers and employees, an Accounts Payable (AP) officer or payroll officer creates a payment file (\*.ABA) from Authority and saves this to their personal drive (Q drive). The payment file is subsequently transferred to a secure network drive (F drive). Another officer performs a check to ensure the total of the payment file in the F drive agrees to the total in Authority prior to upload into Commbiz. This officer then manually uploads the file into the Commbiz portal.

We have identified the following deficiencies within this process:

1. The payment file is editable throughout the entire process.
2. All Council employees can access other employees' Q drives. This only occurred when platforms were changed in November 2020. Once discovered in March 2021, Q drives for relevant officers were locked down.
3. Eight officers from the finance team (for supplier payments) and 13 officers from the HR team (for payroll payments) have edit access to the F drive. In addition, two user groups also have this access. The first group consists of 21 admin users who are Council IT staff and external IT service providers - 14 of the 21 users were active. The second group consists of 26 Council employees of which 10 were active. We noted that management removed access for the second group.

#### Implication

The large number of users with access to the payment file creates a heightened risk of unauthorised changes to bank account and payment details occurring whilst the payment file is in transit to the Commbiz portal. As only the total of the file is checked to Authority, these changes will not easily be detected.

#### QAO recommendation

We recommend the following:

1. Investigate whether the payment file can be encrypted to ensure it cannot be edited once it is created from Authority.
2. Save the payment file directly to the secure network drive (F Drive).
3. Reduce the number of users with edit access to the payment file.
4. Review the list of 21 admin users and reduce to only those who specifically need access.

#### Management response

Agree with QAO recommendations.

Council have lodged a request with Civica requesting Authority create the bank file directly into a folder (which we can secure with file server permissions to prevent editing)—from which it can be directly uploaded to Commbiz. This improvement is the topic of Civica ticket #662604.

We wish to note, under the existing process, the (\*.ABA) file is uplifted expediently to Commbiz, once created.

Prior to 20 Nov 2020 when the servers were cloud hosted, employees could not access each other's Q Drives. The issue was created by the Authority vendor, when they built our on-premise Authority instance. This had not been identified as a security risk by the IT or Finance teams, prior to the audit. This issue was rectified for relevant officers on the date the issue and its consequence were brought to our attention by QAO staff.

For the user groups that have edit access to the F drive, the first group consists of Domain Admins where 14 of the 21 users were active. The remainder were expired or disabled. For the second group of 26 Council employees, this was not an issue prior to 20 Nov 2020 when the servers were cloud hosted. The issue was created by our Infrastructure Service provider, when they were building our on-premise server environment. This was a design flaw introduced without Council's knowledge.



## 2. Internal control deficiencies (cont.)



### 21EAP-1 Payment file security and access to secure drives

#### Management response

This issue was rectified on the date the issue was brought to our attention by QAO staff by removing this group from the file in question. Note only 10 of the 26 users were active.

We believe it is common / legitimate for system administrators to have access to the systems that they administer, i.e. Surebridge administer our file servers and therefore they have a legitimate reason to have access to this serve / file system.

The opportunity for improvement here is to reconfigure the access for other service providers, such that they only have access to the systems they administer. This improvement is the topic of Spiceworks ticket #31219. This will see the membership of "Domain Admins" fall dramatically.

Also note that the number of active Surebridge accounts is also controlled by a secondary process. This limits the active accounts to only those Surebridge staff members who are legitimately working on our account at any given time.

Responsible officer:	Chief Financial Officer
Status:	Resolved pending QAO verification

#### QAO Update

Access to drives has been restricted and a support call was lodged with the service provider to further enhance the controls within the system.





3. Financial reporting issues and other matters

🏠

This table summarises our financial reporting and business improvement opportunities (other matters) identified in the current year. Refer to [Section 4](#) for the status of prior year financial reporting and other matters.

Our risk ratings are as follows—refer to [Our rating definitions](#) for more detail.

📄 High

📄 Medium

📄 Low

	Financial reporting issues—risk ratings			Other matters*
	High	Moderate	Low	
Current year				
Unresolved				1
Resolved				
Prior year				
Unresolved				
Resolved				2

\*Queensland Audit Office only tracks resolution of other matters where management has committed to implementing action.





## 3. Financial reporting issues and other matters (cont.)



### Other matters

#### 21EAP-2 Risk register not presented to councillors since June 2019

During the planning phase of the 2020–21 audit engagement, we identified that the corporate risk register had not been presented at either a councillors workshop or Council meeting since June 2019.

In the absence of presenting key risks to those charged with governance, Council will not be aware of the risks, including external factors, that may impede its ability to deliver on objectives. Council will also not be aware of how management plan to manage these risks.

#### QAO recommendation

We recommend that key risk registers be presented and discussed at Council workshops or Council meetings and Audit Committee meetings at least annually.

#### Management response

Although not presented to Council for review, The Risk Management Policy and Register was presented to the Audit Committee on Saturday 26 February 2021. This was a workshop with the full committee (Chair, external member, Mayor and Deputy Mayor). This was presented in hard copy. At this workshop the Risk Register was discussed with the main emphasis being the Daintree Ferry. The audit Committee also have a risk management checklist that was tabled at the first Audit Committee Meeting

Responsible officer:	Manager, Governance
Status:	Work in progress
Revised action date:	29 June 2021

#### QAO Update

The Risk Policy is on the June Ordinary Council Meeting agenda. The policy and risk register are currently being reviewed and updated.



## 4. Prior year issues



The following table summarises the status of deficiencies and other matters reported in prior years.

Reference	Issue	Status
	<b>Internal control deficiencies</b>	
	Deficiencies	
20CR-1	<p>No conflicts of interest policy in place</p> <p>We identified that Council did not have a policy in place that governs the conflicts of interest registers.</p>	<p>Resolved</p> <p>The Council adopted the Conflicts of Interest Policy on 25 May 2021.</p>
	<b>Other matters</b>	
20CR-2	<p>Related party declarations – timing of completion</p> <p>We made a recommendation to bring forward the completion of key management personnel related party declarations, so that they align with preparation of the financial statements.</p>	<p>Resolved</p> <p>Related party declarations are completed before the preparation of the financial statements.</p>



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[Suggest a performance audit topic](#)

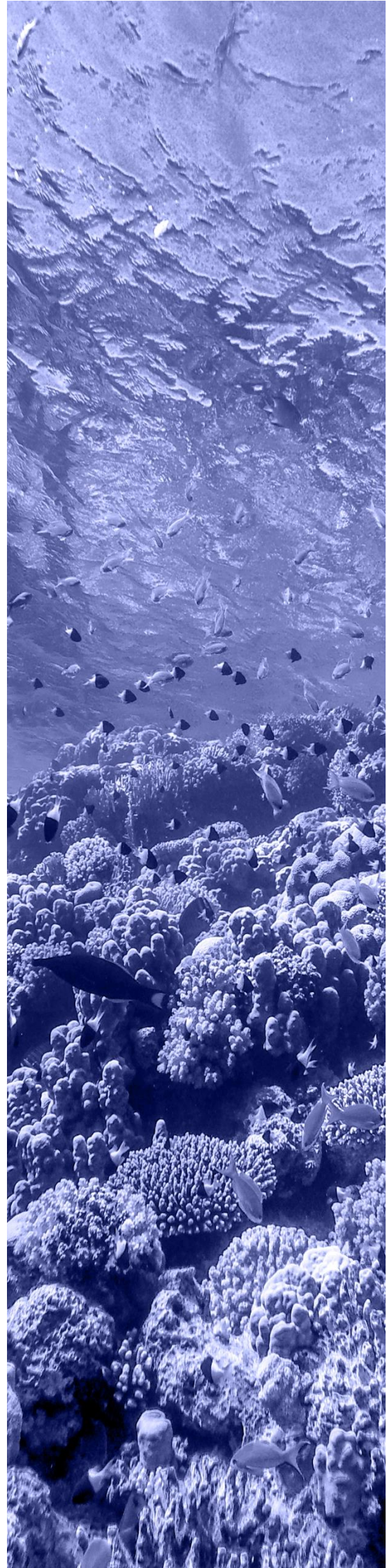
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## **6.4 INTERNAL AUDIT PROGRESS REPORT**

**REPORT AUTHOR** Carolyn Eagle, Pacifica

### **RECOMMENDATION**

**That the Audit Committee receive and note the report titled Internal Audit Progress Report.**

---

### **EXECUTIVE SUMMARY**

Carolyn Eagle from Pacifica presents the attached report on Internal Audit Progress.

### **ATTACHMENTS**

1. Environmental Management Systems Final Report **[6.4.1]**
2. Corporate Cards, Fuel Cards, Standing Accounts and Staff Reimbursements Final Report **[6.4.2]**
3. Customer Request Experience Review Final Report **[6.4.3]**
4. Internal Audit Progress Report – June 2021 **[6.4.4]**

#### **Attachment 6.4.1**

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# CONFIDENTIAL REPORT



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## Review of Environmental Compliance Processes and Management Systems

---

November 2020

Distribution	
<b>For action:</b> Mr Peter Tonkes, Manager Water & Wastewater Mr Paul Hoyer, Manager Environment & Planning Mr Scott Hahne, Manager Projects Ms Juanita Holden, Manager Governance (Internal Audit Sponsor)	<b>For information:</b> Chief Executive Officer Executive Management Team Audit Committee

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Appendix 1 – Risk rating classifications .....	10

### **Inherent limitations:**

*The statements and conclusions provided in this report are given in good faith and in the belief that such statements are not false or misleading. Our conclusions are based on the information provided by Douglas Shire Council management and personnel. Neither Pacifica nor any member or employee thereof undertakes responsibility in any way whatsoever to any person in respect to errors in this report arising from incorrect information provided by Douglas Shire Council, its consultants, contractors or third parties*

*In preparation of this report, we have relied upon and considered information believed, after due enquiry, to be reliable and accurate. We have no reason to believe that any information supplied to us was false or that any material information has been withheld from us. We do not imply, and it should not be construed, that we verified any of the information provided to us, or that our enquiries could have identified any matter, which more extensive examination might disclose. We have however evaluated the information provided to us through enquiry, analysis and examination and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report.*

*Because of the inherent limitations of any internal control structure and/or underlying business practices, it is possible that errors and/or irregularities may occur and not be detected during an internal audit or consulting assignment process. Our procedures are not designed to detect all weaknesses in control procedures or business practices, as it is not performed continuously throughout the period. Assessment of key internal control effectiveness to address fraud and social engineering threats was performed predominantly through process walk-throughs, observations and interviews. Our recommendations and conclusions are made on this basis.*

*Any control procedures that may have been in place and their future effectiveness is subject to the risk that the procedures may be altered, circumvented, become inadequate due to changes in conditions or that the degree of compliance with them may deteriorate.*

*The procedures we have agreed to perform do not constitute an audit in accordance with the Australian Auditing Standards.*

*The procedures we have agreed to perform do not provide or represent complete coverage of the risks to which the organisation may be exposed or provide assurance that any risk treatments proposed by management are sufficient or effective. The responsibility for adequate and effective risk management and internal control effectiveness within the organisation rests with management; this includes responsibility for detecting suspicious or potentially fraudulent activity.*

### **Relative responsibilities:**

*The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed by us is that of the Internal Audit Sponsor. The procedures we perform are solely to assist Douglas Shire Council.*

*Our report containing our conclusions, observations and findings is not to be used for any other purpose and is solely for your information. Other than our responsibility to Douglas Shire Council and its management, neither Pacifica nor any member or employee of Pacifica undertakes responsibility arising in any way from reliance placed on our report by a third party. Any reliance placed is the responsibility solely of that party.*

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## 1. Executive summary

### 1.1 Background to the review

Council's Strategic Plan and residents' expectations demonstrate the importance of environmental stewardship and decision-making that conserve the region's natural assets.

To preserve the unique natural environment, Council must have effective environmental compliance processes, practices and management systems in place to monitor licences and approvals and prevent hazards and incidents.

Council is a provider of essential services, some of which are Environmentally Relevant Activities (ERAs). These come with significant environmental compliance obligations in the form of licenses, approvals and applications, (amongst others) both internally and through third parties.

### 1.2 Summary of objective and approach

This project examined the adequacy, implementation and effectiveness of compliance management systems, processes, procedures and practices to gain assurance that environmental compliance management practices across Council are at an appropriate level.

This review will focus on the effectiveness of business processes, management systems, practices and tools used to ensure expected compliance activities are completed to a sufficient standard to maintain all environmental compliance obligations.

The specific objectives, scope and approach of this Internal Audit were agreed in advance of the commencement of fieldwork. The internal audit work was performed in consultation with the Manager Water & Wastewater, Manager Project Works, Manager Environment & Planning, and other officers. The fieldwork commenced in October 2020.

### 1.3 Overall conclusion

Council has procedures that are generally effective and adequate in certain of its operational practices where its environmental compliance requirements are being monitored. However, the matters noted in this report suggest that further improvements are required to strengthen Council's overarching environmental framework and in the monitoring of external activities in its area of responsibility.

Our view of the internal control environment (established from our examination of current policies, procedures and practices) is assessed as **FAIR**, showing areas of improvement in the form of four (4) Moderate and two (2) Low findings.

#### FAIR

Control procedures exist and appear to be operating at some level. However, inadequacies and inconsistencies are evident. The procedures should prevent or detect non-complex or routine errors, anomalies or risks impacting the reliability and integrity of information, processes and functions.

#### Overview of key findings:

The main findings arising from this review were:

- Council does not have a current, Council-wide Environment Management System (EMS). Without a current Council-wide EMS, departments with strict environmental compliance requirements are required to prepare their own specific Environmental Management Plans, nor can Council demonstrate that it has an EMS covering all its activities.
- There is no organisation-wide process to show consistency when dealing with contractors and environmental obligations and whether contractors have been advised of and adhere to Council or State environmental compliance policies.
- There is insufficient evidence to confirm that there is monitoring of the environmental licenses and permits relating to current construction works. Environmental Licensing & Permit monitoring practices at Council rely on observations to ensure that both Council and Contractor controlled work sites remain compliant. However, resources may, at times, be unable to make visual inspections.
- Whilst the Manager Environment & Planning is an appropriately qualified Environmental Officer, it is not possible for this position to cover every environmentally sensitive activity within Council to determine whether there is a potential environmental impact. The lack of direction from a trained Environmental Officer compounds Council's environmental and reputational risk.



## 2. Overview of key findings

### 2.1 Work practices and controls

As part of the review, we performed process walkthroughs, reviewed documentation, and made enquiries and observations of the environmental compliance management processes, procedures and practices in place, relevant to the agreed project scope. We observed the following appropriate practices:

- Council's Water and Sewerage departments prepare and keep updated their departmental specific Environmental Management Plans.
- Council's potable water treatment plant and infrastructure is monitored electronically and supported by manual testing. Although it may be considered a duplication of effort, the manual and electronic testing are used to ensure that the results are cross-checked, and any obvious errors can be quickly corrected.
- The electronic monitoring system (SCADA) ensures that management and on-call service providers are immediately advised of system malfunctions.
- All Council's Water and Wastewater treatment sites that have an environmental or health impact are monitored by SCADA systems.
- Except for ad hoc Capital Works and Operational Maintenance, Council has obtained a single permit for all its Environmentally Relevant Activities (ERA). This makes it easier to maintain control over the renewal process, is more efficient and reduces the duplication of effort and paperwork.
- All renewals of licences and permits for the food and health sector are conducted on the same day each year. This ensures that field officers need only remember a single date of renewal when conducting compliance inspections.
- While using external contractors does not absolve Council from its legal obligations in respect of environmental legislation, Council's requirement that contractors prepare an Environmental Plan reduces the administrative burden on Council officers.
- The constituents of Douglas Shire are environmentally sensitive and quick to report anything that appears to threaten the environment. However, this enthusiasm may result in reports or actions taken on issues that are not necessarily legislative environmental breaches and should not be relied on by Council as detective measure.

### 2.2 Summary findings and severity ratings

The findings arising from this internal audit are presented in the summary table below, together with the risk severity ratings applied.

Detailed findings and the recommendations suggested to improve internal controls and operations are included in *Section 3 – Internal Audit Findings*.

FINDINGS	RISK SEVERITY RATING
3.1. Council Environmental Management System (EMS)	MODERATE
3.2. Management of contractors	MODERATE
3.3. Management of licenses and permits for Council initiated project works	MODERATE
3.4. Suitably qualified Environment Officer	MODERATE
3.5. Site inspections	LOW
3.6. Maintenance of Council's Animal Register	LOW

Classification of risk severity ratings assigned to each of the internal audit findings are detailed in Appendix 1.

### 2.3 Management comment on Report

The findings and recommendations presented in this report were discussed with Manager Environment & Planning during fieldwork and prior to the release of this document.

The findings in this report have been generally accepted, unless otherwise noted, and management has either agreed action plans to address the recommendations, presented alternative methods to resolve the findings noted, or accepted the potential risks associated with the findings having regard to the cost-benefit of control and the likelihood and consequences of the risks to the organisation.

### 3. Internal audit findings

These Internal Audit findings are reported on an exception basis only. Commentary on the effective internal controls noted during this Internal Audit is included in *Section 2.1 – Work practices and controls*.

#### 3.1 Council Environmental Management System (EMS)

**Risk Rating:** MODERATE

Council's current Environmental Authority Permit from the Department of Environment & Heritage Protection (Permit renewed annually 01 October 2019) requires the organisation to have an integrated Environmental Management system (EMS).

Council does not yet have an entity-wide integrated EMS. This means Council is unable to demonstrate it has an EMS covering all its activities.

As a compensating control, several higher risk departments (such as Water & Wastewater and Environment & Planning) have independent Site Management Plans (SMP) as required by legislation. These Plans were found to be comprehensive; implemented in day-to-day activities as expected; and were well known to the operators interviewed.

None-the-less they were specifically designed by each department and do not consider the balance of Council.

Beyond the legislative compliance risks, there are other risk exposures to Council:

- Environmental risks and impacts may not be appropriately identified, measured and managed in smaller, less regulated departments with minimal resources for environmental monitoring activities.
- The Executive Management Team may not receive complete reports about whether environmental compliance measures are operating, current non-compliances are being dealt with, and potential non-compliances are identified for ongoing scrutiny.

##### **Management initiative:**

Management and personnel within the key Environmental Compliance areas recognise that Council is not yet at the maturity level of an integrated EMS. It is acknowledged that if an officer with sufficient technical experience were recruited, Council would have the resources to track and monitor environmental activities; support departments to more efficiently deal with environmental compliance aspects of project delivery (currently Council relies on contractors to manage environmental compliance on the majority of its

worksites); identify and correct deficiencies in practices and procedures across the organisation; and create a council-wide EMS.

##### **Recommendations:**

It is recommended that management:

- 3.1.1 Prioritise setting up a Council-wide EMS with input from key, experienced officers from each department to coordinate all Council's environmental procedures.
- 3.1.2 To the extent possible, standardisation of documents and templates should be adopted to avoid duplication, allow ease of transfer of knowledge and provide consistency for officers.
- 3.1.3 Essential guidance on an EMS is available from International Standard ISO 14001:2004 Environmental Management Systems. Even though Council is not compliant with ISO 14001, this an important reference source and would enable Council to consider forward planning towards ISO14001 compliance.
- 3.1.4 Establish a cross-representative steering group with environmental and other key officers across Council to share knowledge and track compliance.

In addition to the above, and to the extent that expenditure permits:

- 3.1.5 Develop a business case for the recruitment of a skilled Environmental Officer (EO) and ensure the role includes development of a Council-wide EMS, takes carriage of environmental compliance matters and supports staff in the organisation to understand and apply compliant environmental practice, where relevant.

All of the recommendation from 3.1.1 – 3.1.4 would be best completed by a dedicated EO resource.

##### **Management response:**

- 3.1.1 Management agree and accept the recommendation and will prioritise establishing a Council Wide EMS.

**Responsibility:** Management Team

**Target Implementation Date:** December 2022

**3.1.2** Management agree and accept the recommendation and a review of the documents and templates will be conducted.

**Responsibility:** Management Team

**Target Implementation Date:** December 2022

**3.1.3** Management agree and accept the recommendation.

**Responsibility:** Management Team

**Target Implementation Date:** December 2022

**3.1.4** Management agree and accept the recommendation.

**Responsibility:** Management Team

**Target Implementation Date:** December 2022

**3.1.5** Management agree and accept the recommendation and will develop a business case for the recruitment of a skilled Environmental Officer.

The outcome of the above recommendations is dependent on the availability of future resources.

**Responsibility:** Management Team

**Target Implementation Date:** December 2022

## 3.2 Active management of Contractors' environmental compliance obligations

**Risk Rating:** MODERATE

Council uses Contractors for its Capital Works projects and for its larger, operational maintenance requirements.

Currently, Council does not have a qualified environmental officer other than the Manager Environment & Planning. Consequently, Council's projects team relies on the Contractors to ensure that all required permits are obtained (by planners and construction units) and that they maintain compliance with all environmental requirements throughout the project.

Contractors may create environmental impacts when performing work on Council's behalf, which could result in potential reputational, environmental, health & safety and financial implications for Council.

To mitigate this, Council contracts include clauses that place the onus on Contractors to ensure compliance with relevant environmental legislation and that Contractors develop an Environmental Impact Plan and a Safety Plan.

A high-level examination of selected Council contracts indicated that Environmental Management Plans (EMP) were not always attached to construction contracts. Further, it was noted that although the contract for operating the Killaloe Waste Transfer Station includes paragraphs that use the phrase "*Contractor is responsible for...*", there are no specific provisions that address the restitution to Council in the event of an environmental breach.

Clear, consistent and standardised documentation and organisation-wide procedures are required to direct Contractors to adhere to State and Federal environmental compliance policies; and ensure Contractors know, and have documented, their environmental obligations and compliance plans. The absence of such protocols increases Council's exposure to environmental compliance breaches and among other risks.

It should be noted that, while in practice Council is expecting to pass environmental obligations on to Contractors, the reality is that regardless of culpability, Council (as the environmental steward) is unable to transfer its entire environmental responsibility or risk to another party.

### Recommendations:

It is recommended that management:

- 3.2.1 Consider obtaining the services of a qualified Environmental Officer or identify and contract the services of an external consultant to assist Council by reviewing internal project planning. It would also be necessary for the independent consultant to conduct reviews of all project planning to ensure that appropriate consideration is given to compliance with the relevant environmental legislation.
- 3.2.2 Where possible, identify an officer from within the organisation to 'shadow' the independent consultant and, over time, develop sufficient skill to perform elements of the process internally.
- 3.2.3 Provide additional training to the Projects Team Leaders to improve their basic knowledge and understanding of the requirements of the Environmental Act and relevant licenses/permits.
- 3.2.4 Create a checklist for non-environmental trained staff (primarily project managers) to cover when doing contractor evaluations prior to appointment, contract negotiation, pre-start and during delivery.
- 3.2.5 Amend the position description of the contract administrator role to include the requirement to examine and verify the environmental licenses held by the

contractors or employees. The checklist would include specified intervals when the permits or licenses, are inspected throughout the project. The checklist will also include the procedures for the issuing of work improvement notices and the escalation or cancellation of the notices.

- 3.2.6 Obtain legal advice as to whether the contract, as it stands, does in fact place the burden of an environmental breach on the contractor, and the extent of evidence Council would need to prove proof or balance of probability.
- 3.2.7 Ensure that all construction contracts awarded by Council contain a condition that an EMP is to be completed at the time of tendering and is required as a contract condition.

**Management response:**

- 3.2.1 Management agree and accept the recommendation. To an extent, Council is performing a number of tasks inhouse with Project Managers. Available resources will determine the recruitment of an independent EO.

**Responsibility:** Management Team

**Target Implementation Date:** December 2021

- 3.2.2 Management agree and accept the recommendation. Available resources will determine the recruitment of an independent EO and identifying an inhouse officer to "Shadow".

**Responsibility:** Management Team

**Target Implementation Date:** December 2021

- 3.2.3 Management agree and accept the recommendation. Training to be identified and tailored to suit the organisation.

**Responsibility:** Manager Projects and Manager Environment and Planning

**Target Implementation Date:** March 2022

- 3.2.4 Management agree and accept the recommendation. Checklists to be created.

**Responsibility:** Manager Projects

**Target Implementation Date:** December 2021

- 3.2.5 Management agree and accept the recommendation. Position Descriptions to be reviewed and incorporated into position requirements.

**Responsibility:** Manager Projects and Manager Environment and Planning

**Target Implementation Date:** December 2021

- 3.2.6 Management agree and accept the recommendation. Legal advice to be obtained.

**Responsibility:** Management Team

**Target Implementation Date:** December 2021

- 3.2.7 Management agree and accept the recommendation. Project Manager to liaise with Procurement department for inclusion in all tender documentation.

**Responsibility:** Manager Projects

**Target Implementation Date:** December 2021

### 3.3 Management of licenses and permits for Council initiated project works

**Risk Rating:** MODERATE

At the time of the review, Council did not have a complete Register (or Listing) of the environmental licenses and permits related to current construction works.

As a result, there is limited assurance to confirm that Contractors engaged on Council's behalf and/or Council works groups are appropriately licenced, have necessary permits and are aware of their environmental responsibilities.

The environmental compliance checks are not performed at regular intervals. Usually, they are performed when a concern is identified by an environmentally diligent officer or raised via a customer request or a complaint.

Environmental Licensing & Permit monitoring practices at Council rely on observations to ensure that both Council and Contractor controlled work sites remain compliant. However, resources may, at times, be unable to make visual inspections.

**Recommendations:**

It is recommended that management:

- 3.3.1 Undertake a completeness audit to identify and list all current environmental licenses and permits at Council relating to development or construction projects. This will also highlight if there are ongoing or potential developments that require inspections or updates to their licenses or permits.
- 3.3.2 From this audit, create a more structured, centralised Register that includes key information and conditions from the licences or permits, including the types of reporting and any specific compliance requirements. This information should be regularly updated.

A Register would provide a point of reference (for the Projects Team to verify that the licences and permits that have been issued to Council and/or their contractors) to enable early detection of any potential risk of environmental breaches and support the Project Team in expanding their knowledge of environmental requirements.

- 3.3.3 Attached as part of the register should be a spreadsheet of all development applications with an anticipated date of commencement of the development. In addition, the applicant should be advised to inform Council of the commencement date of the development. This will allow Council officers to conduct appropriate site inspections.

**Management response:**

- 3.3.1 Management agree and accept the recommendation.

**Responsibility:** Manager Environment and Planning and Manager Projects  
**Target Implementation Date:** July 2022

- 3.3.2 Management agree and accept the recommendation.

**Responsibility:** Manager Environment and Planning and Manager Projects  
**Target Implementation Date:** December 2022

- 3.3.3 Management agree and accept the recommendation.

**Responsibility:** Manager Environment and Planning  
**Target Implementation Date:** December 2022

### 3.4 Suitably qualified Environment Officer

**Risk Rating:** MODERATE

While the Manager Environment & Planning is an appropriately qualified Environmental Officer, it is not possible for this position to cover every environmentally sensitive activity within Council to determine whether there is a potential environmental impact.

Further, the absence of an officer with recognised environmental qualifications and the decentralised approach that divests responsibility for environmental compliance to lesser qualified personnel, there is a risk that inadvertent non-compliance could arise.

It is possible that officers will use personal knowledge or research, rather than contacting State Agencies, to progress projects to delivery milestones. The lack of a centralised

register and source of information for officers, or direction from a trained Environmental Officer, also compounds Council's risk exposure (environmental risk and reputational risk).

Despite best efforts by officers, the current process raises concerns that Council has not adequately identified all environmentally sensitive activities across the region, and if necessary, implemented appropriate preventative measures.

**Recommendation:**

It is recommended that management:

- 3.4.1 As noted in 3.2.1, scope the role and business case for a fully qualified Environmental Officer, and determine whether a full time Environment Officer should be recruited to support the Manager Environment & Planning.

It is recognised that, due to the specialised nature of an Environment Officer role, it may not be possible to recruit a suitable individual to Mossman in the immediate future. Council should identify and source local, qualified consultants that can be engaged as a short-term bridging solution.

**Management response:**

- 3.4.1 Management agree and accept the recommendation. As noted in 3.2.1

**Responsibility:** Manager Environment and Planning and Management Team  
**Target Implementation Date:** June 2022

### 3.5 Site inspections of locations approved for Development

**Risk Rating:** LOW

Periodic inspections of the locations that have been approved for Development do not appear to occur other than on an ad hoc basis. Unless the development project is high profile or notified by the developer as having been commenced, these sites will only be inspected if a complaint or customer request is reported to Council.

To some extent this is compounded by the inherent nature of the planning process, where development planning approvals may be granted several years before a development commences, and some are still held by Cairns Regional Council (previous amalgamated Council decisions).

Further, there is limited evidence kept that regular inspections of construction sites are being carried out by officers, nor is there any evidence that these sites are reassessed for environmental risks.

**Recommendation:**

It is recommended that management:

- 3.5.1 Establish procedure for periodic inspections of all active development sites and locations and known potential development sites at least once a year to ensure that no unknown development has taken place and to determine whether there are any changes to the environment that would need to be addressed (such as new growth following a recent clearing may require an extension of the planning conditions).

**Management response:**

- 3.5.1 Management agree and accept the recommendation. Manager to establish procedures and implement into roles and responsibilities.

**Responsibility:** Manager Environment and Planning

**Target Implementation Date:** December 2021

### 3.6 Maintenance of Council's Animal Register

**Risk Rating:** LOW

The Animal Register is an important source of evidence that domesticated animals have been properly registered with Council and the appropriate fees have been paid.

A review of the register showed that there were several animals that are listed but their licence fees have not been paid. The animal control officers were certain that the animals were no longer within Council boundaries, but as neither the "Date of Death" nor "Dog Gone" fields had been completed, there was no assurance that this was correct.

If this database is not accurately maintained, there is the risk that Council's control over domesticated animals will be diluted, revenue could be lost, or time wasted on sending renewal invoices and visiting properties for local law enforcement when no longer necessary.

**Recommendation:**

- 3.6.1 Whenever an animal is no longer held in the facility, the date should be recorded in the register in either the "Date of Death" or "Dog Gone" fields. Officers can then use the register to more effectively to identify and pursue owners for unpaid registrations.

**Management response:**

- 3.6.1 Management agree and accept the recommendation. The register is being updated.

**Responsibility:** Manager Environment and Planning

**Target Implementation Date:** July 2021



## Appendix 1 – Risk rating classifications

Pacifica has developed the following framework for internal audit severity ratings to prioritise internal audit findings according to their relative significance having regard to the potential or known impact on the organisation's business process.

### Control Effectiveness Ratings

Douglas Shire Council requires each Internal Audit Report to present an overall assessment of the control effectiveness rating of the business processes, when considered holistically. The following is the agreed control effectiveness rating scale:

<b>POOR OR UNABLE TO ASSESS</b>	Control procedures are not adequate or are not appropriately designed. The procedures will not prevent or detect errors, anomalies or risks impacting the reliability and integrity of financial information.
<b>MARGINAL</b>	Control procedures exist in some form and/or are partially effective. The procedures may partially prevent or detect errors, anomalies or risks impacting the reliability and integrity of financial information, in some circumstances.
<b>FAIR</b>	Control procedures exist and appear to be operating at some level. However, inadequacies and inconsistencies are evident. The procedures should prevent or detect non-complex or routine errors, anomalies or risks impacting the reliability and integrity of information, processes and functions.
<b>MATURING</b>	Control procedures exist and are operating effectively, with minor inadequacies and inconsistencies being evident. The procedures appear mostly adequate and appropriately designed to prevent or detect errors, anomalies or risks impacting the reliability and integrity of financial information under all typical conditions. Efficiencies in controls design and/or to ensure threats created from non-traditional risk exposures may require further review.
<b>EXCELLENT</b>	Control procedures exist and are operating effectively. The procedures appear adequate and appropriately designed to prevent or detect errors, anomalies or risks impacting the reliability and integrity of financial information under all conditions.

### Internal Audit Findings – Risk Severity Ratings

Each of the individual internal audit findings contained in this report has been assessed against the risk severity matrix below and rated according to Internal Audit's professional judgement:

<b>EXTREME</b>	Risk is considered extreme if both preventive and detective controls for a specific process or objective are inadequate and the impact of these inadequacies is significant. Unless corrected, these deficiencies could expose the organisation to critical business risks. A formal action plan should be developed within 30 days of the report issue date. Corrective action should begin immediately with the full support of the Executive Management Team.
<b>HIGH</b>	Risk is considered High if either preventive or detective controls for a specific process or objective are inadequate and appropriate compensating controls are not in place. Unless corrected, these deficiencies could negatively impact on the results of the organisation. Firm plans for corrective action should be incorporated into the formal management response within this report. Corrective action to commence within one month of the report issue date.
<b>MODERATE</b>	Risk is considered Moderate if controls are in place but there is a possibility that internal control deficiencies could expose the organisation to some financial or business risk. The internal control improvements suggested would ensure that these risk levels are managed, and an appropriate internal control structure established. Firm plans for corrective action should be incorporated into the formal management response within this report. Corrective action to commence within two months of the report issue date.
<b>LOW</b>	Risk is considered Low if control deficiencies exist, however, financial or operational risk exposure is currently not significant. The recommendations suggested will further improve controls with little or no additional time or cost to the operations. Firm plans for corrective action should be incorporated into the formal management response within this report. Corrective action to be complete within six months of the report issue date.

## **Attachment 6.4.2**



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# CONFIDENTIAL REPORT



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## Review of Corporate Cards, Fuel Cards, Standing Accounts and Staff Reimbursements

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May 2021

Distribution	
<b>For action:</b> Ms Juanita Holden, Manager Governance (Internal Audit Sponsor) Ms Tara Killeen, Chief Financial Officer Ms Jo Nicholson, Team Leader Financial Accounting Ms Georgette Davren, AP Officer Ms Denice Assman, Storesperson Admin	<b>For information:</b> Mark Stoermer Chief Executive Officer Executive Management Team Audit Committee

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### **Inherent limitations:**

*The statements and conclusions provided in this report are given in good faith and in the belief that such statements are not false or misleading. Our conclusions are based on the information provided by Douglas Shire Council management and personnel. Neither Pacifica nor any member or employee thereof undertakes responsibility in any way whatsoever to any person in respect to errors in this report arising from incorrect information provided by Douglas Shire Council, its consultants, contractors or third parties.*

*In preparation of this report, we have relied upon and considered information believed, after due enquiry, to be reliable and accurate. We have no reason to believe that any information supplied to us was false or that any material information has been withheld from us. We do not imply, and it should not be construed, that we verified any of the information provided to us, or that our enquiries could have identified any matter, which more extensive examination might disclose. We have however evaluated the information provided to us through enquiry, analysis and examination and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report.*

*Because of the inherent limitations of any internal control structure and/or underlying business practices, it is possible that errors and/or irregularities may occur and not be detected during an internal audit or consulting assignment process. Our procedures are not designed to detect all weaknesses in control procedures or business practices, as it is not performed continuously throughout the period. Assessment of key internal control effectiveness to address fraud and social engineering threats was performed predominantly through process walk-throughs, observations, and interviews. Our recommendations and conclusions are made on this basis.*

*Any control procedures that may have been in place and their future effectiveness is subject to the risk that the procedures may be altered, circumvented, become inadequate due to changes in conditions or that the degree of compliance with them may deteriorate.*

*The procedures we have agreed to perform do not constitute an audit in accordance with the Australian Auditing Standards.*

*The procedures we have agreed to perform do not provide or represent complete coverage of the risks to which the organisation may be exposed or provide assurance that any risk treatments proposed by management are sufficient or effective. The responsibility for adequate and effective risk management and internal control effectiveness within the organisation rests with management; this includes responsibility for detecting suspicious or potentially fraudulent activity.*

### **Relative responsibilities:**

*The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed by us is that of the Internal Audit Sponsor. The procedures we perform are solely to assist Douglas Shire Council.*

*Our report containing our conclusions, observations and findings is not to be used for any other purpose and is solely for your information. Other than our responsibility to Douglas Shire Council and its management, neither Pacifica nor any member or employee of Pacifica undertakes responsibility arising in any way from reliance placed on our report by a third party. Any reliance placed is the responsibility solely of that party.*

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## 1. Executive summary

### 1.1 Background to the review

Corporate cards and other reimbursable and standing account arrangements can improve procurement and payment efficiency. However, due to their inherent susceptibility to fraud, these require rigorous internal controls and monitoring. It is important that they are effectively managed to reduce the risk of improper application or unauthorised use.

The effectiveness of controls over Douglas Shire Council's (Council) corporate cards, standing accounts, staff reimbursements and fuel cards are worthy of review to support fraud control measures and to confirm adherence to and appropriateness of business practices and controls.

### 1.2 Summary of objective and approach

The review assessed the processes in place in relation to management and control over these activities to ensure that all corporate card transactions, and standing accounts and reimbursable expenses, are approved, required for Council business and are within Council's Policies and Procedures.

Internal Audit examined, on a sample basis, the nature of corporate card and like transactions to determine whether cardholders (credit and fuel) and other reimbursable and standing account arrangements are compliant with Council policy.

The specific objectives, scope and approach of this Internal Audit were agreed in advance of the commencement of fieldwork.

The internal audit work was performed in consultation with the Chief Financial Officer, Manager Governance, Team Leader Financial Accounting and other officers.

## 2. Overall conclusion

Council generally has satisfactory controls in place to manage the use of credit and fuel cards, standing purchase orders and staff reimbursements. The review did not find any inappropriate use of these payment methods.

Based on the work performed using internal audit techniques including process walkthroughs, observations, interviews, documentation review, validation, and data analytics and in using our professional judgement we assessed the internal control environment to be:

### MATURE

Control procedures exist and are operating effectively, with minor inadequacies and inconsistencies being evident. The procedures appear mostly adequate and appropriately designed to prevent or detect errors, anomalies or risks impacting the reliability and integrity of information under all typical conditions. Efficiencies in controls design and/or to ensure threats created from non-traditional risk exposures may need to be strengthened.

None-the-less, there is a small number of minor opportunities to improve Council practices. The improvement opportunities have been discussed with management and, because of the absence of internal control deficiencies, have been reported in *Section 5 – Summary of observations and improvements*. The improvement opportunities noted were:

- Timely reconciliation of credit card transactions and reimbursement claims.
- Levels of approval required for reimbursement claims.
- Strengthen segregation of duties in credit card transactions approval and review.
- The number of officers with a credit card. As of audit review date, there are 52 cardholders, 22% of which were noted to have a low usage.
- Reporting provided to management regarding variances or inconsistencies in credit card and fuel card transactions and the use of standing purchase orders.
- Enhancement to Corporate Credit Card Policy

## 3. Overview of key controls in place

Based on interviews, review of documentation and examination of work practices at the time of fieldwork, most of the expected internal controls were evident. The following internal controls and business practices were in place:

- Council has appropriate policies and administrative systems in place for corporate credit cards, fuel cards, standing purchase orders and staff reimbursements.
- It was observed through interviews and validated through testing and process walkthrough that the organisation has a strong understanding of the proper use of corporate cards, fuel cards, and staff reimbursements. Officers interviewed demonstrated a clear understanding and awareness of the procedures and guidelines set out in Council's Credit Card Policy and Procurement Policy.
- For corporate cards, cardholders are required to complete a cardholder agreement.

- Data analysis performed by internal audit showed no inappropriate weekend or leave transactions for corporate cards. A small number of weekend transactions were noted on fuel cards (3.7% of total transactions between January 2020 to February 2021) for on-call fleet for Infrastructure Water & Wastewater activities. Credit card transactions appeared to be for Council-related purchases.
- Current practices require that staff reimbursements be supported by a Payment Request Form signed by the requestor. All staff reimbursements processed from July 2020 to 03 March 2021 have a completed Payment Request Form.
- For staff reimbursements, requestor's bank account details in the request form are compared against the bank account details saved in Authority.
- No duplicate payments were noted for reimbursement requests of employees who have credit cards.
- Reasonable controls are in place to ensure that corporate cards, fuel cards, standing purchase orders and staff reimbursements comply with the Credit Card Policy and Procurement Policy. These controls include:
  - Credit card usage is reviewed by Finance on a regular basis.
  - System-enforced limits are in place to ensure that there is proper segregation of duties when reconciling and approving credit card transactions prior to reporting them in the GL.
  - Work instructions and detailed process steps to reconcile fuel usage exist. Reconciliation is performed on a weekly basis by a designated officer.
  - Staff reimbursements are required to be supported by a Payment Request Form signed by the requestor and approved by another officer other than the requestor.
- Documents examined supporting staff reimbursement requests indicated that Finance checks and ensures that requests for reimbursements have corresponding receipts.
- Credit card transactions are not formally allocated by Finance to the appropriate expense accounts unless invoices and receipts supporting the transactions are attached in Authority. Fuel dockets are matched against invoices. Invoices are scanned and attached to Authority prior to payment.
- Council ensures that cardholders do not commit breach/misuse of credit card through:
  - Within Finance, officers ensure that knowledge is shared among team members on how to spot invoice splitting.

- HR conducts training on fraud awareness and gives examples of what actions can be considered as fraudulent use of corporate cards.

#### 4. Management response

The shortcomings in this report have been generally accepted, unless otherwise noted, and management has either agreed action plans to address the recommendations, presented alternative methods to resolve the findings noted, or accepted the potential risks associated with the findings having regard to the cost-benefit of control and the likelihood and consequences of the risks to the organisation.

## 5. Summary of observations and improvement opportunities

The Internal Audit findings are reported on an exception basis only. Commentary on the effective internal controls noted during this Internal Audit is included above at *Section 3 – Overview of controls in place*. Based on our observations, the findings presented include activities and business practices that could be further refined. Our assessment of the key internal control activities in the asset management function examined were:

### 5.1 Timely reconciliation of credit card transactions and reimbursement claims

**Risk Rating:** LOW

The Credit Card Policy states that transactions should be reconciled within 30 days from transaction date. Analysis of credit card dataset for the period January 2020 to February 2021 showed that 66% of transactions were reconciled within 30 days, while 34% were reconciled beyond the 30-day requirement. Unreconciled transactions are not allocated and are booked in a suspense account.

A similar analysis was performed on staff reimbursement and found that of the 13 reimbursement claims processed between June 2020 to March 2021, 3 (23%) were raised more than six (6) months after transaction date. Of the 3, 1 was from the Mayor, and 2 from employees.

Currently there is no timeframe within which requests for reimbursement by employees should be raised. It should be noted that for Councillors, the *Expense Reimbursement – Councillors Policy* states that all monthly claims of the Mayor should be submitted monthly to the CEO.

Setting a timeframe is important as it helps ensure timely recording and allocation of transactions to the appropriate expense accounts, identify any erroneous or inappropriate transactions, and minimise the risk of losing transaction receipts and invoices supporting the purchase.

#### **Recommendation:**

- 5.1.1 Further efforts and greater commitment from cardholders are needed to ensure that transactions are reconciled within the required period as per Credit Card Policy.
- 5.1.2 Reimbursement claims should be processed as soon as practicable. Clarify the work procedures for employee reimbursements and set a definite timeframe for when requests should be raised. For Councillor reimbursements, reinforce adherence to the *Expense Reimbursement – Councillor Policy*.

#### **Management response:**

- 5.1.1 Management agree and accept the recommendation. Periodic reviews are currently done every three months, this will be improved by adding a step to the end of month checklist for monthly reviews.

**Responsibility:** Team Leader Financial Accounting

**Target Implementation Date:** September 2021

- 5.1.2 Management agree with the recommendation and the timeframe will be revised when the next review is carried out on the *Expense Reimbursement – Councillor Policy*.

**Responsibility:** Manager Governance and Chief Financial Officer

**Target Implementation Date:** December 2021

### 5.2 Levels of approval required for reimbursement claims and segregation of duties for credit card transactions approval and review

**Risk Rating:** LOW

The following were observed:

- During interviews officers stated that employees requesting for reimbursement are required to complete a Payment Request Form and have the form approved by the requestor's immediate supervisor/manager.

Our examination of the reimbursement claims processed in the last nine months showed 2 of the 13 reimbursement claims were approved by officers who were not immediate supervisors/managers of the payee. This is contrary to the assertions made during interviews that requests are approved by requestor's supervisor/manager.

This exception was raised to the Financial Accounting Team Lead, and the response obtained was that the transactions were within the approver's financial delegation limit.

- While most of the credit card transactions observed the principle of segregation of duties (i.e., reconciliation is approved by an officer other than cardholder and reviewed by Finance), the following were noted:
  - Cardholder transactions were reconciled by another officer (not the cardholder), approved by the officer's manager, and reviewed by the same officer who reconciled the transaction.
  - Transactions were reviewed by officers other than members of the Finance Team.

**Recommendations:**

It is recommended that:

- 5.2.1 Management provide greater clarity on the roles and responsibilities, particularly on levels of approval required for staff reimbursement. If it is an accepted practice that employees at officer level have authority to perform this act to a certain \$-level (and not necessarily the payee's direct supervisor), this should be clarified to ensure consistency in the process.
- 5.2.2 Consider if the system (Authority) can limit the review function to Finance Team members only.

**Management response:**

- 5.2.1 Management agree and accept the recommendation. A review of the form will be conducted.

**Responsibility:** Chief Financial Officer, Team Leader Financial Accounting, AP Officer

**Target Implementation Date:** July 2022

- 5.2.2 Management generally agree with the recommendation. This is a known instance with one officer (officer had left the organisation) had Credit Card transaction transferred to another officer to finalise. When reconciled, transactions went to the Team Leader for approval. Once approved by Team Leader, transactions appeared back on officer's task list. The officer again reviewed and processed unknowingly. This was rectified.

**Responsibility:** Chief Financial Officer and Team Leader Financial Accounting

**Target Implementation Date:** July 2022

**5.3 Number of officers with credit cards**

**Risk Rating:** Improvement Opportunity

Council's Credit Card Policy states that credit cards will be issued to each manager, CEO, and Mayor. The CEO may likewise delegate authority for other employees to be issued with credit card for operational purposes.

Currently there are 52 cardholders (26% of total employees), including 7 managers, the CEO, and the Mayor. The remaining 43 (83%) are composed of officers from various departments.

Of the 52, 44% were noted to have a low credit card usage of less than 12 transactions during the 12-month period ending 31 December 2020. This suggests that these cardholders may not have a need for a purchasing card, and credit cards are not being utilised to their full advantage.

**Opportunity:**

An opportunity exists for Council to reduce the number of credit cardholders to a level that reflects the spending pattern of employees. Consider revoking credit cards that are seldom used or have a low aggregated monthly spend.

**Management response:**

- 5.3.1 Management note the recommendation and will consider the potential risks against the benefits Council receives in efficiencies and effectiveness from the use of Corporate Cards.

**Responsibility:** Chief Financial Officer, Team Leader Financial Accounting

**Target Implementation Date:** 31 December 2021

**5.4 Reporting provided to management regarding credit and fuel cards usage, and invoices from standing purchase orders**

**Risk Rating:** Improvement Opportunity

There is no formal reporting provided to management regarding variances or inconsistencies in credit cards and fuel card transactions. However, reports from Authority can be extracted if variance analysis is needed. While officers appear to know what to ask/look for when performing the review function prior to allocating credit card transactions to the correct expense accounts/GL codes, formal data analysis is not used.

It was also raised during interviews that there appears to be repetitive orders/requests to purchase bolts & nuts and similar items by different business units. Consequently, multiple invoices must be processed by the AP team for a single supplier which drives administrative inefficiencies.

**Opportunity:**

Management may consider doing further analyses such as:

- Frequency of credit card usage by cardholder.
- Use Benford Analysis to analyse data and identify fraud red flags.
- As part of fleet management, regular comparison of fuel card to fleet to ensure that fleet that are no longer in service (i.e., sold, decommissioned, etc) have their corresponding fuel card cancelled.
- Credit card transactions when cardholder is on leave.
- Ageing analysis of credit card transactions that are not yet reconciled and are sitting in the suspense account (see related improvement opportunity discussed in 5.2 of this section).
- Monthly statistics on the number of invoices raised for repeat orders for standing PO's (e.g., how many times in a week orders are raised for the same items). This can be used to highlight efficiency gains - instead of ordering the same stock three/four times a week (with three/four different invoices), perhaps the stores can just make one requisition for that week, so there are less invoices to process for payment.

**Management response:**

**5.4.1** Management agree and accept the recommendation and will look at resources to see if there's opportunity for this to be added to an end of month process.

**Responsibility:** Chief Financial Officer and Team Leader Financial Accounting

**Target Implementation Date:** July 2022

## 5.5 Matters for inclusion in Council's Corporate Credit Card Policy

**Risk Rating:** Improvement Opportunity

Council's Credit Card Policy sets out the procedures and expected controls regarding the use of corporate cards, and covers matters such as controls over issuing, approving, reconciling transactions, as well as prohibitions against card misuse or breaches.

To further strengthen the Policy the following are recommended for inclusion:

- Clarification/guidance regarding the return of card when cardholder is on extended leave.
- Use of PayPal, After Pay or any payment service that requires a credit card to be linked to it. This creates an increased risk as the credit card is required to be linked to a PayPal or After Pay account, which could result in the cardholder's personal expenses being recorded with the entity's transactions.
- While not observed at Council, it will be beneficial if guidance can be included the Policy. Either expressly prohibit linking corporate card to PayPal or After Pay accounts or provide a detailed guidance if these platforms are used for certain purchases in the future.
- Use of reward programs, particularly from grocery stores like Woolworth or Coles. Public sector guidelines on gifts, benefits and hospitality require that purchasing cards should not be used to gain private advantage through the transaction. When rewards programs are used in conjunction with government purchasing cards, there is an increased risk of individuals making purchases through a particular supplier to gain a private advantage.

**Management response:**

**5.5.1** Management agree and accept the recommendation and will consider implementing when policy is next updated.

**Responsibility:** Chief Financial Officer and Team Leader Financial Accounting

**Target Implementation Date:** July 2022



## Appendix 1 – Minor operational and inherent risks identified

This section deals with minor deficiencies or inherent risks that were noted during process walkthroughs, interviews, and observations. When assessed in the context of the operational and functional processes in place, possible compensating controls and the “cost of control” to address these matters, they were not considered significant enough to warrant detailed findings.

The following matters came to our attention during the review of the organisation’s corporate and fuel cards, standing accounts and staff reimbursements. They are reported here for completeness and to enable relevant officers to monitor them and/or institute corrective action, if required:

- **Reimbursement claims for a previously paid expense** – While the likelihood of it happening is slim because of the existing controls in place when processing claims for reimbursements, there is an inherent risk that officers may miss potential correlations between expenses previously paid for through credit card and employee reimbursements, i.e., employee used a corporate credit card for a transaction then claim reimbursement for the same expense.
- **Fuel cards being used for a different vehicle for which it has been allocated** – Fuel requisitions for a different vehicle other than the designated vehicle on the card is dependent on the fuel provider and beyond Council’s control and can occur. Internal Audit recognises that there is a verbal instruction to the fuel provider to match the fuel cards to vehicle, however this does not give Council the full control over the fuel cards so that they are used for the correct purpose.

[ SECTION ENDS ]



## Appendix 2 – Risk rating classifications

Pacifica has developed the following framework for internal audit severity ratings to prioritise internal audit findings according to their relative significance having regard to the potential or known impact on the organisation's business process.

### Control Effectiveness Ratings

Douglas Shire Council requires each Internal Audit Report to present an overall assessment of the control effectiveness rating of the business processes, when considered holistically. The following is the agreed control effectiveness rating scale:

<b>POOR OR UNABLE TO ASSESS</b>	Control procedures are not adequate or are not appropriately designed. The procedures will not prevent or detect errors, anomalies or risks impacting the reliability and integrity of financial information.
<b>MARGINAL</b>	Control procedures exist in some form and/or are partially effective. The procedures may partially prevent or detect errors, anomalies or risks impacting the reliability and integrity of financial information, in some circumstances.
<b>FAIR</b>	Control procedures exist and appear to be operating. However, inadequacies and inconsistencies are evident in some areas. The existing procedures should prevent or detect non-complex or routine errors, anomalies or risks impacting the reliability and integrity of information or outcomes.
<b>MATURE</b>	Control procedures exist and are operating effectively, with minor inadequacies and inconsistencies being evident. The procedures appear mostly adequate and appropriately designed to prevent or detect errors, anomalies or risks impacting the reliability and integrity of information under all typical conditions. Efficiencies in controls design and/or to ensure threats created from non-traditional risk exposures may need to be strengthened.
<b>EFFECTIVE</b>	Control procedures exist and are operating effectively. The procedures appear adequate and appropriately designed to prevent or detect errors, anomalies or risks impacting the reliability and integrity of financial information under all conditions.

### Internal Audit Findings – Risk Severity Ratings

Each of the individual internal audit findings contained in this report has been assessed against the risk severity matrix below and rated according to Internal Audit's professional judgement:

<b>EXTREME</b>	Risk is considered extreme if both preventive and detective controls for a specific process or objective are inadequate and the impact of these inadequacies is significant. Unless corrected, these deficiencies could expose the organisation to critical business risks. A formal action plan should be developed within 30 days of the report issue date. Corrective action should begin immediately with the full support of the Executive Management Team.
<b>HIGH</b>	Risk is considered High if either preventive or detective controls for a specific process or objective are inadequate and appropriate compensating controls are not in place. Unless corrected, these deficiencies could negatively impact on the results of the organisation. Firm plans for corrective action should be incorporated into the formal management response within this report. Corrective action to commence within one month of the report issue date.
<b>MODERATE</b>	Risk is considered Moderate if controls are in place but there is a possibility that internal control deficiencies could expose the organisation to some financial or business risk. The internal control improvements suggested would ensure that these risk levels are managed, and an appropriate internal control structure established. Firm plans for corrective action should be incorporated into the formal management response within this report. Corrective action to commence within two months of the report issue date.
<b>LOW</b>	Risk is considered Low if control deficiencies exist, however, financial, or operational risk exposure is currently not significant. The recommendations suggested will further improve controls with little or no additional time or cost to the operations. Firm plans for corrective action should be incorporated into the formal management response within this report. Corrective action to be complete within six months of the report issue date.

### **Attachment 6.4.3**

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## CONFIDENTIAL REPORT



Douglas Shire Council

### Customer Request Experience review

Issued: April 2021

Distribution	
<b>For action:</b> Juanita Holden, Manager Governance [Internal Audit Sponsor] Tara Killeen, Chief Financial Officer Mary Graham, Team Leader Integrated Services Tracey Miller, Team Leader Frontline Services	<b>For information:</b> Chief Executive Officer Management Team Audit Committee Members

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### **Inherent limitations:**

*The statements and conclusions provided in this report are given in good faith and in the belief that such statements are not false or misleading. Our conclusions are based on the information provided by Douglas Shire Council management and personnel. Neither Pacifica nor any member or employee thereof undertakes responsibility in any way whatsoever to any person in respect to errors in this report arising from incorrect information provided Douglas Shire Council, its consultants, contractors or third parties*

*In preparation of this report we have relied upon and considered information believed, after due enquiry, to be reliable and accurate. We have no reason to believe that any information supplied to us was false or that any material information has been withheld from us. We do not imply, and it should not be construed that we verified any of the information provided to us or that our enquiries could have identified any matter, which more extensive examination might disclose. We have however evaluated the information provided to us through enquiry, analysis and examination and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report.*

*Because of the inherent limitations of any internal control structure and/or underlying business practices, it is possible that errors and/or irregularities may occur and not be detected during an internal audit or consulting assignment process. Our procedures are not designed to detect all weaknesses in control procedures or business practices, as it is not performed continuously throughout the period. Our recommendations and conclusions are made on this basis.*

*Any control procedures that may have been in place and their future effectiveness is subject to the risk that the procedures may be altered, circumvented, become inadequate due to changes in conditions or that the degree of compliance with them may deteriorate.*

*The procedures we have agreed to perform do not constitute an audit in accordance with the Australian Auditing Standards.*

*The procedures we have agreed to perform do not provide or represent complete coverage of the risks to which the organisation may be exposed or provide assurance that any risk treatments proposed by management are sufficient or effective. The responsibility for adequate and effective risk management and development of a strong ethical culture within the organisation rests with management; this includes fraud and corruption risk management.*

### **Relative responsibilities:**

*The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed by us is that of the Internal Audit Sponsor. The procedures we perform are solely to assist Douglas Shire Council.*

*Our report containing our conclusions, observations and findings is not to be used for any other purpose and is solely for your information. Other than our responsibility to Douglas Shire Council and its management, neither Pacifica nor any member or employee of Pacifica undertakes responsibility arising in any way from reliance placed on our report by a third party. Any reliance placed is the responsibility solely of that party*

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## 1. Executive summary

### 1.1 Background to review

Customer Request and Complaints Management is an essential part of Douglas Shire Council's (Council) service responsibility. It requires a systematic approach to ensure effective community-facing customer service and community engagement.

Community members and third parties can contact Council in numerous ways to request information or action from Council (Requests) and/or register complaints (Complaints).

The accuracy, effectiveness and timeliness of Council's response to these Requests and Complaints is reliant on the effectiveness of the end-to-end Customer Request Management (CRM) process, adherence to Council's External and Internal Customer Service Charters, the Administrative Action Complaints Management Policy and Procedures, other related documents and the associated work practices.

Council currently uses the Civica Authority for CRM purposes, while Complaints Management is handled through the Records Management System and a manual Excel register maintained by the Manager Governance.

Council has a designated Frontline Team (Front Desk) in place to ensure all Requests and Complaints received are understood, captured, summarised and assigned to the relevant work groups. Each work group is then responsible for the actioning, recording and communication of actions taken on matters raised back to the external parties.

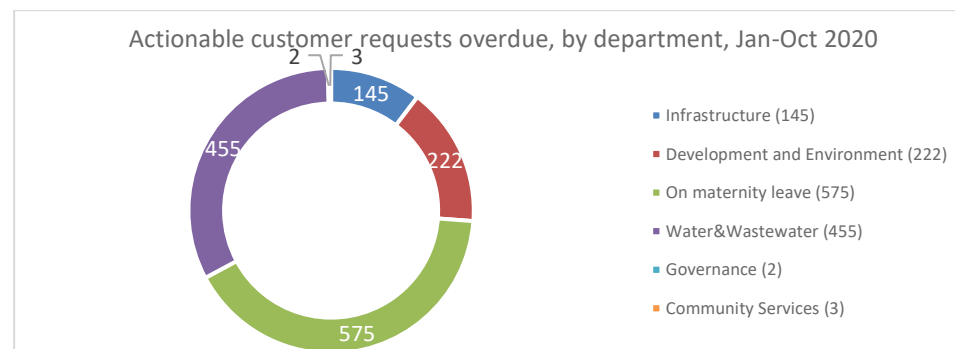
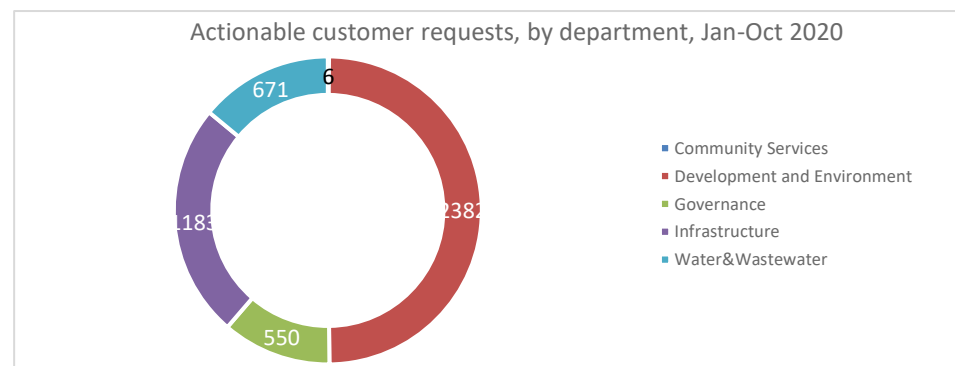
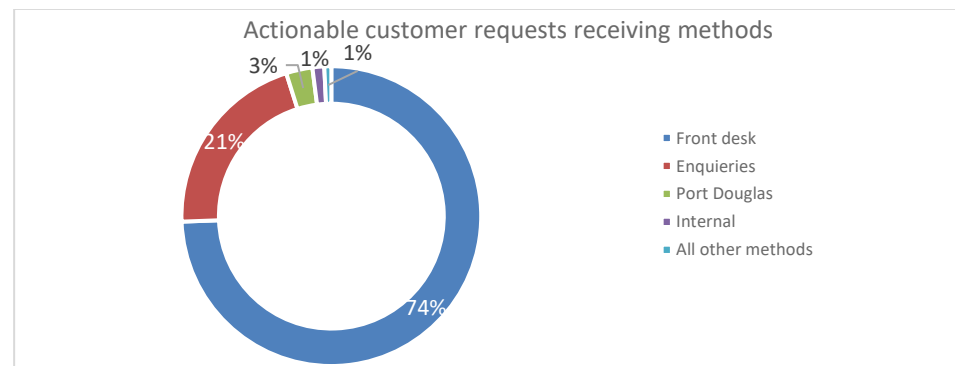
Council has obligations pursuant to the Local Government Act (LGA09) and Local Government Regulations (LGR12) with respect to Administrative Actions Complaints. These complaints may relate to a decision, action, or inaction by Council. Management recognise that Council's ongoing reputation, professionalism and performance is influenced by the organisation's effectiveness in addressing and resolving Requests for Service, minimising complaints and meeting the community's needs.

### 1.2 Overview of the nature and volume of Customer Requests

Council registered 11,080 customer requests between 1 January – 2 October 2020:

- 4,792 (~43%) customer requests were input into the CRM system for action.
- 6,288 (~57%) customer requests were registered as statistics (calls and customer requests for information).

The following charts provide an overview of the volumes of the customer requests for action (total of 4,792 between 1 January 2020 – 2 October 2020) captured through the CRM system by receiving methods and departments.

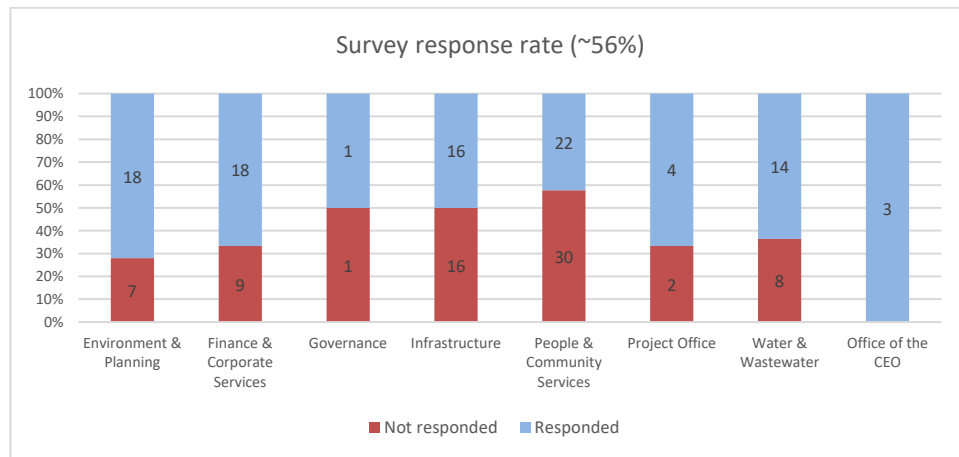


### 1.3 Summary of objective and approach

The objective of this internal audit project was to determine whether Council's existing systems, business practices and locations are effective to ensure that external customers receive a positive, effective and responsive customer experience when interacting with Council.

The internal audit work was performed in consultation with the Integrated Services Team Leader, Frontline Team Leader, Manager Governance and Officer, Team Leaders and Managers of various departments responsible for actioning customer requests.

The review focused on Customer Requests (CR), Complaints and Councillor Requests for Information (RFI). To support the fieldwork and provide depth to the observations, a survey was also sent to 176 Council Officers.



## 2. Overall conclusion

Council has established processes and implemented a Customer Request Management system for recording and routing of customer requests.

It was evident from the work performed that enhancements to business practices in certain areas were improving, providing Council with greater surety that reported Customer Requests are progressed in line with Council objectives.

Officers recognised that the complaints management practices and customer request management practices at Council were still developing. Informal, yet generally suitable

and appropriate, work practices were noted to be in place, and these appeared reasonable despite being somewhat key person dependent.

The findings and business improvement opportunities noted in the review aim to further strengthen the underlying systems, processes and work practices to ensure they are operating consistently and reliably throughout the organisation.

The internal control environment, established from our examination of current policies, procedures and practices, is assessed as:

<b>FAIR</b>	Control procedures exist and appear to be operating. However, inadequacies and inconsistencies are evident in some areas. The existing procedures should prevent or detect non-complex or routine errors, anomalies or risks impacting the reliability and integrity of information or outcomes.
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### 2.1 Summary findings and severity ratings

The findings arising from this internal audit are presented in the summary table below together with the risk severity ratings applied.

Classification of *Risk Severity Ratings* assigned to each of the internal audit findings are detailed in Appendix 1.

FINDINGS	RISK RATING
3.1 Customer request management documentation	<b>MODERATE</b>
3.2 Knowledge of the customer request system functionality	<b>MODERATE</b>
3.3 Using off-system methods to deal with customer requests	<b>MODERATE</b>
3.4 Requests for Information by Councillors are not fully understood	<b>MODERATE</b>
3.5 Managers' involvement when analysing CRs	<b>LOW</b>
3.6 Forms and clarity on questions to ask customers when noting CRs	<b>LOW</b>
3.7 Inconsistent feedback to customers	<b>LOW</b>
3.8 Reporting function of the CRM system is not properly utilised	<b>LOW</b>
3.9 Consistency and reliability of the information in the CRM system	<b>LOW</b>
3.10 Adherence to LGR12 and Complaints Management Policy	<b>LOW</b>

The report sets out areas of improvement in the form of four (4) moderate and six (6) low findings. The more significant matters that came to our attention were:

- Council does not have a formal Customer Request Management Policy.
- At the time of our review there were 1,402 (29%) Customer Requests (CRs) reported as being outside the specified response times. There are no defined escalation or accountability protocols in place for those open tasks that are not addressed within reasonable timeframes.
- Inconsistent and inefficient use of the CRM system.
- There is inconsistency in timeframes to close out CRs. Some team leaders close the CR when the action is recorded in the work plan; others, on providing feedback to customers that the CR has been performed; or CRs are kept open as a monitoring tool.
- Lack of clarity as to whose is responsible for creating CRs in the CRM system.
- There is no agreement on when customers should be provided with feedback regarding actions planned or taken to address CRs.
- Officers use off-system methods to capture or deal with CRs. Consequently, there is inconsistency between the CR recorded in the system and the fact of the CR when attended by officers.
- Council Managers have little to no involvement in managing and monitoring CRs.
- Requests for Information by Councillors are sometimes treated as requests for action.
- There are inconsistencies in the types of information captured by the Front Desk officers when lodging a CR.
- The CRM system has a versatile reporting function, but this is not fully utilised by Council.
- The difference between a customer request and a customer's request for information is not clearly understood by Council Officers.
- Customer requests can be changed after they have been closed. No monitoring of the system-generated audit trail is performed.

These shortcomings are supported by the survey results received from those Council Officers who returned the survey. The survey results were provided to management under separate cover.

Detailed findings and the recommendations formulated to improve internal controls and operations are included in the body of this report.

## 2.2 Overview of controls in place

As part of the review we performed process walkthroughs of CRM, Complaints Management and operations and systems work practices. The following necessary controls were found to be in place and working effectively:

- Most officers interviewed during fieldwork view themselves as providers of customer service, have an opinion that Council addresses CRs well and that the process has improved substantially within the last several years.
- Council has adopted a Customer Service Charter (External Charter) and advertised it on their website.
- All logged CRs are held centrally in the CRM system.
- Requests for information by customers are logged as "statistics".
- There is a system-defined workflow routing based on the Category of the CR.
- Front desk officers:
  - were seen to possess a strong customer focus.
  - take customer contact details when capturing a CR (although not always directly entered into the system).
  - check with customers if they logged a customer request already.
  - are skilled in determining which category should be assigned to the CRs. When CRs are assigned an incorrect category (57 out of 4,792 CRs between 1 Jan-2 Oct 2020), they are quickly reallocated to the correct officer.
  - have an understanding as to what constitutes a complaint.
  - utilise CRM system's ability to pin CR topics and share them amongst all officers when several customers call Council about the same matter in a short time period.
  - the routing of phone calls through to a centralised phone system enables call volumes to be managed collectively by officers on duty.
- Officers get an email notification when a CR is allocated to them.
- Software is in place to provide a central point for the recording of customer requests.
- There are policies in place governing the complaints and RFIs processes.

- Complaints are centrally captured and dealt with by the Manager Governance, who ensures that all relevant divisions and officers provide the necessary information and address the complaints.
- Queensland Ombudsman office reviewed several complaints regarding the outcomes of Council's process of addressing the complaints and dismissed them. This means that Council's processes when dealing with the complaints were sufficient and correct.
- Customers can contact Council through various means and media (in writing, in person, over the phone, via email, through a website form).
- A strong Customer Request "after-hours" service is available to the community and delivers information about CRs to Council.
- Reporting on Complaints is provided in Annual Reports as legislatively required.
- Each request logged generates a Request Number that is provided to the customer if they choose to know it.
- Council's Administrative Action Complaints Management Policy and Procedures document defines a complaint distinctly from the more commonly received Requests for Service. The policy also establishes how Council shall interact with customers and respond to official complaints. This document can be readily accessed by employees and external parties.
- There are Acceptable Request Guidelines to assist Councillors and Council employees about the way in which a Councillor may ask a Council employee for advice or information to help the Councillor carry out his or her responsibilities and the reasonable limits on requests that a Councillor may make.

### 2.3 Management comment on Report

Management has noted the findings, business improvement opportunities and any inherent risks associated with the control environment outlined in this report.

Management has advised they will consider the feasibility of the suggestions and will introduce appropriate improvements.

**[SECTION ENDS]**



### 3. Internal Audit findings

These Internal Audit findings are reported on an exception basis only. Commentary on the effective internal controls noted during this Internal Audit is included in the *Section 2.2: Overview of controls in place*.

#### 3.1 Customer request management documentation

**Risk Rating:** MODERATE

Council has not developed a Customer Request Management Policy. This leads to lack of clarity and inconsistencies between officers and departments when attending to customer requests. As such, Officers have differing viewpoints of what constitutes a CR or a complaint.

Also, Council officers need guidance on escalation protocols when a customer becomes vexatious., e.g., how to properly close such CR and escalate the enquiry to be dealt with by the management as a complaint.

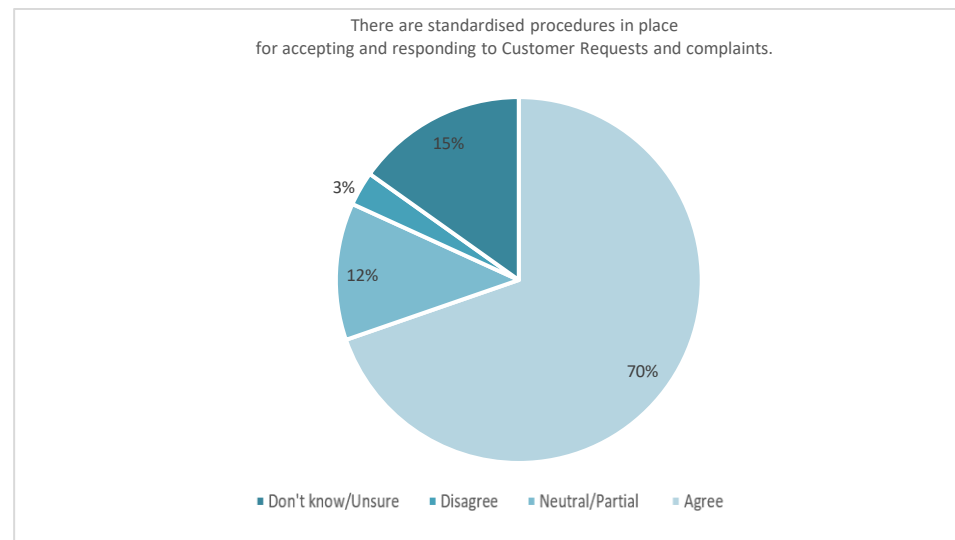
Council's External Charter, published on the website, has services with fewer days compared to the Internal Charter and one (1) service not in the external charter:

#	Service	# of days in Internal Charter	# of days in External Charter
1	Acknowledge community engagement emails	15	1
2	Acknowledge receipt of grant application	5	1
3	Inter-library loans	4	Service not present
4	Roads (sweeping, slashing, potholes, etc.)	35-40	3-8 weeks (also, different descriptions)

Moreover, officers other than the Front Desk, do not refer to the Customer Service Charter.

Procedures regarding Authority CRM system are not up to date, have references and screenshots from an old system and are not known or used by Officers. Council has not officially approved all procedure documents provided to Internal Audit.

The survey results indicate that 30% of respondents either did not know or did not agree that "There are standardised procedures in place for accepting and responding to Customer Requests and complaints."



#### Recommendations:

To address the findings, it is recommended that management:

- 3.1.1 Develop, approve, adopt and circulate a Customer Request Management Policy. This will help officers to fully understand the difference between CRs and complaints, provide guidance in knowing how and when to properly close a CR and/or refer the customer to the Complaints Management process, etc.
- 3.1.2 Check and correct the timeframes across the Internal and External Charters to ensure that customers' expectations align with Council's promises.
- 3.1.3 Plan and provide occasional trainings and workshops to refresh officers' knowledge of the Customer Service Charter.
- 3.1.4 Update and approve CRM system procedures.

**Management Response:**

- 3.1.1** Management agree and accept the recommendation and will establish a CRM Policy.

**Responsibility:** Manager Governance

**Target Implementation Date:** December 2021

- 3.1.2** Management agree and accept the recommendation and will review timeframes and ensure that all align.

**Responsibility:** Manager Governance and Chief Financial Officer

**Target Implementation Date:** December 2021

- 3.1.3** Management agree and accept the recommendation. Training/refreshers can be undertaken once Charter is reviewed and updated.

**Responsibility:** Manager Governance and Chief Financial Officer

**Target Implementation Date:** Ongoing

- 3.1.4** Management agree and accept the recommendation. Procedures to be reviewed.

**Responsibility:** Team Leader Integrated Services and Chief Financial Officer

**Target Implementation Date:** July 2022

**3.2 Knowledge of the customer request system functionality**

**Risk Rating:** MODERATE

Field officers expressed their desire to receive refresher training in the proper and efficient use of the CRM system. In particular:

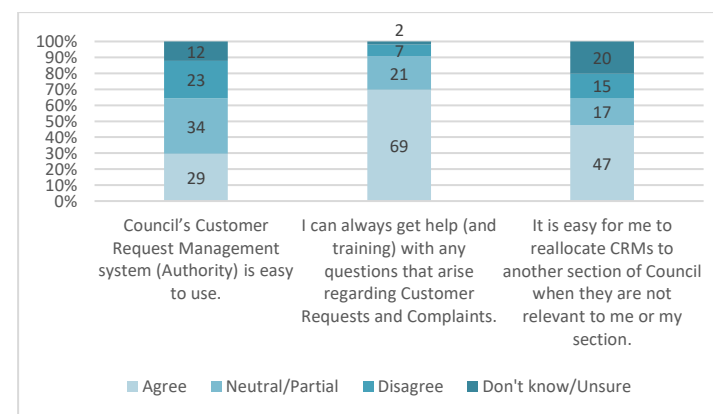
- how to look through closed CRs.
- how to add a new customer to the CRM system.
- how to redirect CRs in the system rather than forwarding the CR notification emails to the appropriate Council officer.
- why and how the timeframes for actioning CRs are set up in the CRM system. Some officers believe the dates are entered randomly when creating a CR. This leads to the belief that CR due dates are not important and do not require adherence.

There is inconsistency about the timing of closure of CRs. Some team leaders close the CR when they record the action in the work plan. Others keep CRs open because they disappear from their notification area once they are closed; they add notes for reference purposes, for example "Closed on [date]. Get back to the customer and check in a week".

Officers are not clear on who should create CRs in the CRM system: some field officers expect the Front Desk to create CRs, while the Front Desk officers instruct field officers to create CRs themselves if received directly from a customer. Some departments and teams are better equipped to create their own CRs in the system as they have dedicated administration officers while field officers may not possess the necessary knowledge to create a CR.

CRs may be actioned appropriately, in a timely manner and fulfil Council and community expectations. However, our examination of the commentary in the CR task fields showed that at times insufficient information on the action taken to resolve the matter is recorded. Approximately 22% of closed CRs (1,019 out of 4,562 actionable CRs closed between 1 January – 2 October 2020) had no comments. Moreover, discussions with officers indicated that some officers were not utilising the CRM system as the main CR management tool and were instead using off-system methods to record CR status and more detailed comments.

Survey results supporting the need for training included:

**Recommendations:**

To address the finding it is recommended that management:

- 3.2.1** Consider having a CR champion in each team or department to support those officers with less skill in the functionality of the CR system, or
- 3.2.2** Provide ongoing training to officers (including field officers) who handle CRs. The training should include information about the Customer Service Charter, information on timeframes set up in the CRM system, how to create and close CRs correctly and how to redirect a CR to a relevant officer.

However, it is recommended that Front Desk or Rating officers create the new customers in the system, when needed.

- 3.2.3 Consider whether the CRM system is capable of retaining CRs in the officers' tasks list (or other area) after being closed so that completed actions do not remain open past due date while waiting for a follow up inspection only. This will also help officers to consider due dates as important and encourage adherence.
- 3.2.4 Establish formal internal timeframes for closing-out the task in the CRM system after the action has been completed.
- 3.2.5 Clarify and document Council's expectations for lodging Customer Requests received. Given the diversity of Council's operations and the nature of its workforce, these points will need to be defined to reflect specific business unit work methods, access to IT systems and data entry capabilities, and form clear direction to all officers.
- 3.2.6 Clarify directions, including the responsibility for recording, communicating and logging exceptions to the regular workflow into the system (e.g. direct customer contacts) should be provided to those officers and Elected Members most exposed to ad hoc requests from the community.
- 3.2.7 The development of procedural documentation for the Customer Request workflows and practices should clarify and provide direction to officers on what to do if customers contact them directly, and the importance of recording the CR in the system (themselves or via referral to the Front Desk).

The procedural documentation should also include explanation of importance of entering the date ahead of each comment as to better track the action items.

#### **Management Response:**

- 3.2.1 Management agree and accept the recommendation. Department Champions will be investigated.

**Responsibility:** Team Leader Integrated Services and Chief Financial Officer  
**Target Implementation Date:** December 2021

- 3.2.2 Management agree and accept the recommendation. Training is to be provided on an as required basis and will be reviewed once Policy is in place and Procedures are updated.

**Responsibility:** Team Leader Integrated Services  
**Target Implementation Date:** Ongoing

- 3.2.3 Reports can be generated to provide this information.

**Responsibility:** Team Leader Integrated Services  
**Target Implementation Date:** July 2022

- 3.2.4 Management agree and accept the recommendation. Timeframes will be reviewed and updated after consultation with Management.

**Responsibility:** Chief Financial Officer, Manager Governance, Team Leader Integrated Services, Team Leader Frontline  
**Target Implementation Date:** July 2022

- 3.2.5 Management agree and accept the recommendation. Will be incorporated in the process review.

**Responsibility:** Chief Financial Officer, Manager Governance, Team Leader Integrated Services, Team Leader Frontline  
**Target Implementation Date:** July 2022

- 3.2.6 Management agree and accept the recommendation. Will be incorporated in the process review.

**Responsibility:** Chief Financial Officer, Manager Governance, Team Leader Integrated Services, Team Leader Frontline  
**Target Implementation Date:** July 2022

- 3.2.7 Management agree and accept the recommendation. Will be incorporated in the process review.

**Responsibility:** Chief Financial Officer, Manager Governance, Team Leader Integrated Services, Team Leader Frontline  
**Target Implementation Date:** July 2022

### **3.3 Using off-system methods to action customer requests**

**Risk Rating:** MODERATE

Front Desk officers use pen and paper to capture information about CRs. The main reason for using pen and paper was advised as the CRM system timing out and not saving the information if it takes too long to enter a CR.

Using pen and paper does not allow officers to fully utilise the functionality of the CRM system, such as instant check of correctness of customer details and whether the CR has been previously logged. (The CRM system contains comments such as "wrong contact

details"). It also creates duplication of effort in the Front Desk officers' work when the information is subsequently entered into the CRM system.

Rather than always asking customers if the CR has already been lodged, Front Desk officers often rely on their memory to determine whether the customer request has already been logged. Moreover, observation and inquiries of Front Desk officers showed a preference for creating new CRs so that the field officers get notifications via email. A CRM system export confirms that CRs are at times duplicated.

Some areas of Council, such as the Water Reticulation team in Water & Wastewater, keep their own registers in Excel. This is to allow more control over items captured in the CR system and reporting as per legislative requirements as it is not sure the CRM system can construct the reports required.

A comparison between the Water Reticulation team's Excel register and the CRM system showed that out of 577 CRs closed between 1 January – 2 October 2020:

- 410 (~71%) CRs were addressed five (5) days or earlier compared to the closing date in the CRM system.
- 17 (~3%) CRs were noted in their Excel register five (5) or more days earlier compared to the registration date in the CRM.
- three (3) CRs were present in their Excel register, but not in the CRM system.

#### **Recommendations:**

To address the findings, it is recommended that management:

- 3.3.1 Enforce the requirement that customer requests are to be entered live into the CRM system, while the customer is making the call. This will allow the Front Desk officers to ask the correct questions to ensure that Council's database information is correct, and that sufficient information is gained from the customer for correct routing. This will also free up time of the Front Desk officer by eliminating the duplicated effort. Consider the possibility of extending the timeout limit when lodging a CR in the system.

Benefits of inputting a CR directly into the CRM system, without writing them on paper first, should be fully considered and explained. These benefits include, but are not limited to:

- utilisation of the CRM system to its full potential
- time saving of not capturing the same information twice

- Greater accuracy in recording customer request details. (refer 3.10 below)

- 3.3.2 At least annually, perform a Council-wide enquiry to determine which departments and teams continue to use their own registers instead of or alongside the CRM system, and consider their necessity and impact on dealing with customer requests.

- 3.3.3 For those parts of Council that need to have separate registers to deal with CRs, management and IT should consider whether the CRM system can be configured to meet their needs.

#### **Management Response:**

- 3.3.1 Management agree and accept the recommendation. Discuss with IT and review Frontline CRM procedure.

**Responsibility:** Chief Financial Officer and Team Leader Integrated Services

**Target Implementation Date:** December 2021

- 3.3.2 Management agree and accept the recommendation. Discuss with IT.

**Responsibility:** Chief Financial Officer

**Target Implementation Date:** July 2022

- 3.3.3 Management agree and accept the recommendation. Discuss with IT.

**Responsibility:** Chief Financial Officer

**Target Implementation Date:** July 2022

### **3.4 Requests for Information by Councillors are not fully understood**

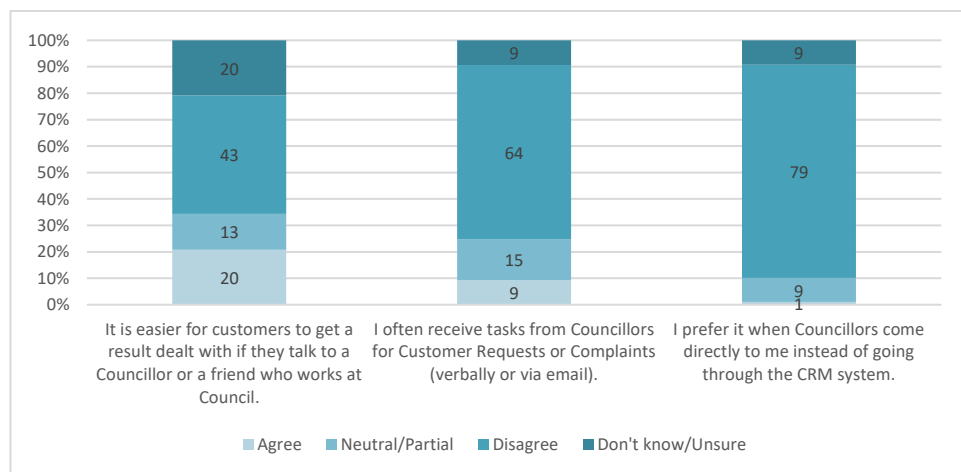
**Risk Rating:** MODERATE

Although Council has implemented the Acceptable Request Guidelines to manage the Request for Information (RFI) process, there seems to be misconceptions about the purpose of RFIs:

- RFIs are often used to trigger actions, even where the customer has not yet lodged a customer request.
- All Councillors have access to the electronic RFI mailbox and receive information about all RFIs lodged by other Councillors. However, interviews and testing showed that some Councillors did not appear to know that.

- A review of a sample of RFIs revealed that Councillors often do not refer to the previous RFIs, opting to create new ones. This led for several RFI responses to have such statements as “like it was stated in the previous RFI XX lodged by XX, ....”, and causes duplication of effort.
- Although, there are few administrative action complaints at Council (15-30 per year), there are many RFIs lodged from Councillors (2-3 per week), some of which may be interpreted as complaints.

Consequently, and importantly, circumventing proper channels to address customer requests and complaints only reinforces the community’s expectation that favoured treatment can be garnered by direct contact with Councillors outside their “work” environments. Results of the survey questions relating to Councillor Requests for Information are presented in the following graph:



#### Recommendations:

To address the finding it is recommended that management:

- 3.4.1 Provide Councillors training / seminars on the RFI process and clarify existing misconceptions. This should include examples of incorrect use of RFIs to action customer requests.

#### Management Response:

- 3.4.1 Management agree and accept the recommendation. Review the Acceptable Request Guidelines with Management and Councillors at Councillor Workshops.

**Responsibility:** Manager Governance  
**Target Implementation Date:** July 2022

### 3.5 Managers’ involvement in analysis of CRs

**Risk Rating:** LOW

Council Managers did not appear to be involved in managing or analysing CRs. During the interviews, Managers showed general knowledge of CRs and full reliance on their officers to deal with them.

Therefore, Council Managers do not monitor and analyse CRs to identify:

- recurring matters from the same customers (i.e. growing unhappiness with how Council addressed the matter)
- consistently recurring similar matters from different customers, to consider the matter at a higher level and address similar matters in bulk (e.g. by posting something on Council’s Facebook page, website, etc.)
- causes / reasons why customers escalate their CRs into complaints or RFIs
- rerouting of CRs (which resets the clock for a customer request task). – no one tells the customer if it is rerouted and thus time for actioning and closure has had to be extended. There is a specific code for rerouting, and it is possible to set up a report. However, only 57 out of 4,792 actionable CRs were rerouted.
- reasons for CRs consistently being overdue (e.g. training needed, due dates need to be changed)

#### Recommendations:

To address the finding it is recommended that management:

- 3.5.1 Establish, clarify and document Council’s expectations and directions from managers regarding CRs, including the responsibility for monitoring, analysis and review of CRs.
- 3.5.2 Perform quarterly surveying of relevant Council managers and officers about what information has been missing from the CRs they have been receiving. This will ensure relevant information is obtained by the Front Desk officers from customers when lodging CRs.
- 3.5.3 From the results of the surveying, update the CRM system to include a list of information that is needed for the relevant type of CRs.

**Management Response:**

**3.5.1** Management agree and accept the recommendation. Incorporate into Policy/Procedure.

**Responsibility:** Manager Governance

**Target Implementation Date:** December 2021

**3.5.2** Management agree and accept the recommendation.

**Responsibility:** Team Leader Integrated Services

**Target Implementation Date:** July 2022

**3.5.3** Management agree and accept the recommendation.

**Responsibility:** Team Leader Integrated Services

**Target Implementation Date:** July 2022

**3.6 Forms and clarity on questions to ask customers when noting CRs**

**Risk Rating:** **LOW**

Although Front desk officers are skilled in gathering information from customers, the concern was raised that not enough information is being captured when lodging a CR. This often leads to inefficient and incomplete actioning of CRs by field officers.

For example, when capturing CRs regarding rates, there is a list of information that needs to be captured at the top of the CRM system window. Water & Wastewater also have a form for a part of their services. All other CRs are captured according to the Customer Service Charter's advice: "gather as much information as possible".

**Recommendations:**

To address the finding it is recommended that management:

**3.6.1** Perform quarterly surveying of relevant Council officers about what information has been found missing from the CRs they have been receiving and advise the Front Desk officers.

**3.6.2** From the results of the surveying, update the CRM system, if necessary, to include a list of information that is needed for the relevant type of CRs.

Note that some of these issues will be mitigated by requiring Front Desk officers to directly enter the customer request into the system at the time of the call (refer 3.3.1).

**Management Response:**

**3.6.1** Management agree and accept the recommendation.

**Responsibility:** Team Leader Integrated Services

**Target Implementation Date:** July 2022

**3.6.2** Management agree and accept the recommendation.

**Responsibility:** Team Leader Integrated Services

**Target Implementation Date:** July 2022

**3.7 Inconsistent feedback to customers**

**Risk Rating:** **LOW**

There is inconsistency in approach of providing feedback to customers regarding actions planned or taken to address CRs.

By way of testing, Internal Audit lodged CRs with Council through Council's website and afterhours phone number. In one of CRs, a full description of the matter was provided. Feedback was not provided, despite a request for same.

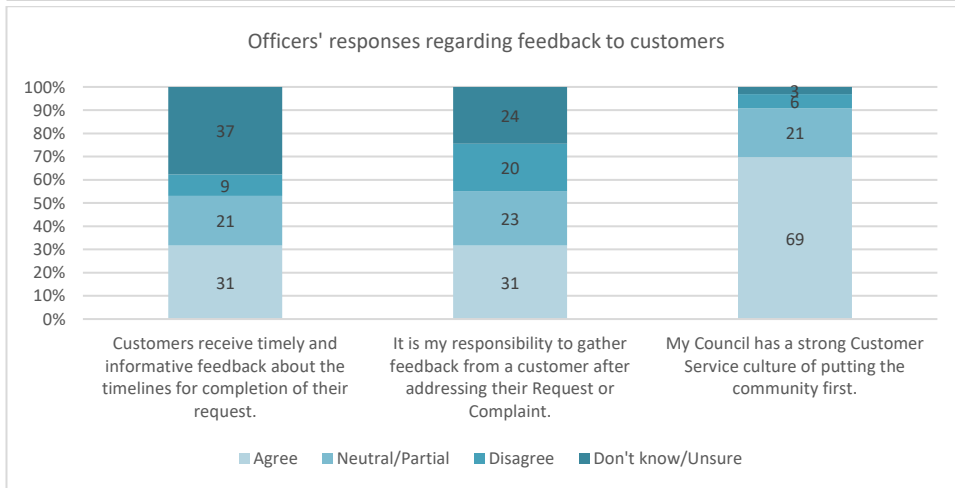
Customers lodging a CR through Council's website or email (~21% of total number of CRs received between 1 January – 2 October 2020) receive an automated generic response and, depending on the category, no acknowledgement of any action for several months. Where it is not a Council matter, customers might not hear back from Council at all despite Council officers knowing which external body to which the Customer should be referred.

The CRM system can send an automatic "update comment to a customer" regarding their CR. This capability has not been fully considered by Council.

Council officers do not encourage customers to look at Council's Complaints management policy or complaints fact sheet, which can provide more information to customers and help Council save time.

The following survey results indicate that many Council Officers do not see themselves as providers of customer service.





### Recommendations:

To address the findings, it is recommended that management:

- 3.7.1 Clarify and document expectations of officers regarding their responsibility to record actions taken and the feedback provided to the customer.
- 3.7.2 Once established, educate customers more actively about Council's policies, services it provides and does not provide, and designated response times for the planned activities each time a customer makes contact. Active communication will ensure customer expectations are managed, using the following channels:
- Website
  - Phone or in-person (Counter) contacts
  - Councillors
- 3.7.3 Consider when and where Council should provide customers with statements about not contacting them, unless specifically requested. For example:
- a tick box when enquiring from the website
  - Front Desk officers should advise customers that they will not be provided with feedback unless requested.
  - Council's website should have the statement (e.g. next to the contact phone number).
  - External Charter and the proposed CRM Policy should contain the statement.

3.7.4 Update the automated response to include more information, such as:

- a statement that Council will not get back to the customer unless specifically requested to do so.
- reference to the matters with which Council does not deal and whom to contact instead of expecting a response from Council.

3.7.5 Consider utilising the CRM system capabilities to provide automatic feedback to customers about their CRs.

3.7.6 Officers' and Councillors' training should include references to publicly available documents (Council's Complaints management policy, complaints fact sheet, list of services not provided, and issues not addressed by Council and whom customers should contact instead).

### Management Response:

3.7.1 Management agree and accept the recommendation. Incorporate into Policy/Procedure.

**Responsibility:** Manager Governance

**Target Implementation Date:** December 2021

3.7.2 Management agree and accept the recommendation. Investigate options of this information being included in Council's fortnightly newsletters, website, social media and training for Staff and Councillors.

**Responsibility:** Chief Financial Officer, Manager Governance

**Target Implementation Date:** February 2022

3.7.3 Management agree and accept the recommendation. Incorporate into Policy/Procedure, website and Charter.

**Responsibility:** Chief Financial Officer, Manager Governance

**Target Implementation Date:** February 2022

3.7.4 Management agree and accept the recommendation. Explore capability of system.

**Responsibility:** Chief Financial Officer and Team Leader Integrated Services

**Target Implementation Date:** July 2022

3.7.5 Management agree and accept the recommendation. Explore capability of system.

**Responsibility:** Chief Financial Officer and Team Leader Integrated Services

**Target Implementation Date:** July 2022

**3.7.6** Management agree and accept the recommendation. Include in training and staff intranet.

**Responsibility:** Chief Financial Officer and Manager Governance

**Target Implementation Date:** July 2022

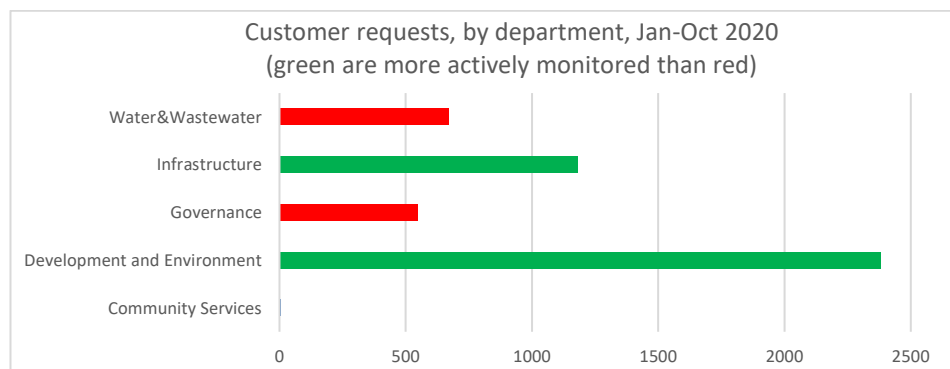
### 3.8 Reporting function of the CRM system is not fully utilised

**Risk Rating:** **LOW**

The CRM system has a versatile reporting function which can be tailored to the needs of Management and the CEO. This functionality is not being utilised to its full potential. Only three (3) reports are generated occasionally, and the areas for the existing reviews from the reports are limited:

- Two (2) reports with the CRs summary are compiled quarterly and are presented in the CEO report.
- A report to show “completed” but not “closed” CRs is run occasionally by Team Leader Integrated Services and relevant officers are reminded to close their “open” CRs.

Moreover, not all Council departments are covered by the existing reports. The monitoring of CRs in the CRM system focuses on the Infrastructure and Development & Environment departments (e.g. Water & Wastewater have 671 CRs, see the chart below).



We acknowledge that some parts of Council deal with fewer CRs compared to others.

#### Recommendations:

To address the finding it is recommended that management:

**3.8.1** Review and update the unused reports in the CRM system, and introduce additional reports as required.

For example, some reports that were initially set up in the CRM system and may be useful include: “Requests by category”, “Requests statistics by Category”, “Outstanding activity by officer”.

We recommend capturing all Council departments by the compiled reports. The frequency of reports for different departments may differ.

**3.8.2** Ensure that there is monitoring of the overall Council’s customer requests and that reports generated by the CRM system can cover all Council departments.

#### Management Response:

**3.8.1** Management agree and accept the recommendation. A review to be undertaken with the assistance of IT department.

**Responsibility:** Team Leader Integrated Services, Chief Financial Officer and Manager Governance

**Target Implementation Date:** July 2022

**3.8.2** Management agree and accept the recommendation. A review to be undertaken with the assistance of IT department.

**Responsibility:** Team Leader Integrated Services, Chief Financial Officer and Manager Governance

**Target Implementation Date:** July 2022

### 3.9 Consistency and reliability of the information in the CRM system

**Risk Rating:** **LOW**

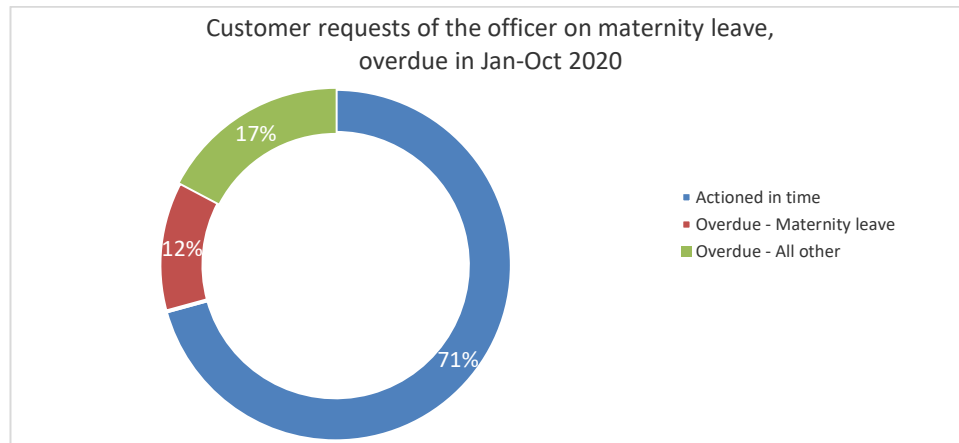
Officers across Council expressed uncertainty as to what should be recorded in the CRM system as a CR and what should be captured as statistics (call / request for information log). This may lead to unreliability of the information held in the system.

Customer requests closing dates can be backdated to allow for any possible discrepancies between actual closing date and when the officers got to the CR in the system. However, our review revealed that officers can change CRs at any point in time, including after they were closed. 144 (out of 4,792 actionable CRs) between 1 January and 2 October 2020 were amended 5 or more days after the closing date. Although the trace of all actions performed



on a CR is being saved in the CRM system as audit trail, no review of the audit trail is being performed.

In addition, an Officer that has been on extended leave since the beginning of 2020 remains present in the CRM system and is accountable for customer requests. These CRs constitute 41% (575 out of 1,402) of all overdue CRs. (See the chart below.) Although another officer also receives a copy of an email with the CR to action it, this set up may diminish the importance of addressing CRs in time and skew figures on overdue customer requests.



#### Recommendations:

To address the findings, it is recommended that management:

- 3.9.1 Clarify what should be recorded in the CRM system as CRs and what should be captured as statistics.  
We recommend that all customer requests of Council, that need to be redirected to another officer be recorded as a CR.
- 3.9.2 Restrict the ability of officers to backdate CRs to certain levels (e.g. only divisional managers).
- 3.9.3 Alternatively, consider occasional reviews of samples of audit trails of CRs, which were changed after closure date.
- 3.9.4 Change responsible officers for CR categories and subcategories, where responsible officers are on an extended leave, such as maternity leave.

#### Management Response:

- 3.9.1 Management agree and accept the recommendation. Incorporate into Policy/Procedure and training.  
**Responsibility:** Manager Governance and Team Leader Integrated Services  
**Target Implementation Date:** July 2022
- 3.9.2 Management agree and accept the recommendation. Confirm with IT if system has this capability.  
**Responsibility:** Team Leader Integrated Services, Manager Governance  
**Target Implementation Date:** December 2021
- 3.9.3 Management agree and accept the recommendation. Confirm with IT if there is a report to show this information.  
**Responsibility:** Team Leader Integrated Services, Manager Governance  
**Target Implementation Date:** December 2021
- 3.9.4 Management agree and accept the recommendation. Confirm with IT on system capabilities. Look into the Availability Memo function in authority.  
**Responsibility:** Team Leader Integrated Services  
**Target Implementation Date:** December 2021

#### 3.10 Adherence to LGR12 requirements

**Risk Rating:** LOW

The following shortcomings were noted in relation to Council's adherence to LGR12 requirements:

- The Governance Manager has not been reporting information about complaints and Council's compliance with the Complaints management policy to the Management Team on a quarterly basis.
- The Governance Manager has not performed an annual review of the Complaints management system.

#### Recommendations:

It is recommended that:

- 3.10.1 Quarterly reporting to the Management Team on complaints and Council's compliance with the Complaints Management Policy resumes.

3.10.2 Annual reviews of the Complaints Management System are performed.

**Management Response:**

**3.10.1** Management agree and accept the recommendation. The Manager Governance verbally updates the Management Team regularly on any major Complaints that have been received and are being worked on. This is minuted in MT Meetings. Reporting each quarter in the CEO Report has been improved to show the number of complaints and the response time regarding benchmarks. To date there have been no formalised quarterly basis reporting presented to the Management Team, however this is being introduced.

**Responsibility:** Manager Governance

**Target Implementation Date:** October 2021

**3.10.2** The Manager Governance has performed internal reviews on the complaints management system over the past 12 months. This is by way of reviewing the complaints register, the templates for the letters, and the way in which the decision notices are written. Improvements to these templates happen internally and are used by the Governance team. An annual review of the Complaints Management System has not been performed and has been identified as a FY2021/22 Operational Plan Governance initiative.

**Responsibility:** Manager Governance

**Target Implementation Date:** July 2022

**[SECTION ENDS]**

#### 4. Efficiencies, minor operational matters noted, and inherent risks identified in existing activities

This section deals with efficiency or effectiveness opportunities, minor deficiencies or inherent risks that were noted during process walkthroughs, interviews and observations. These matters are not significant and fall below Council's risk tolerance. They are reported here for completeness and to enable relevant officers to monitor them and institute corrective action as appropriate:

- 4.1 Team Leader Integrated Services suggested that the timelines for certain areas to action CR categories / subcategories be longer, due to the nature of the requests. Internal Audit supports this initiative.
- 4.2 When considering longer dates for actioning CRs, sending updates to customers should be incorporated into the process.
- 4.3 Once a CR is actioned, to close it in the system officers need to "complete it" and then "close it". None of the officers interviewed could explain the benefit of, or reason for, doing two (2) separate actions to close a CR. "Complete" but not "closed" CRs are monitored by Team Leader Integrated Services. In September 2020, there were 91 completed CRs, which were left open unintentionally. Council should eliminate the unnecessary step in closing CRs. Alternatively, Council should investigate the necessity of the extra step and properly utilise it, if needed.
- 4.4 There is no integration between the CRM system and InfoXpert Document Management System. This could not be done previously because Council's Authority was in the Cloud. However, recently Council has switched to the local version of Authority and Council's IT team disclosed that integrating the two (2) systems are in the planning.
- 4.5 When creating a CR, there is a flag "it is a duplicate" that pops up if the system noticed the same issue having been documented already. However, the flag is quite unnoticeable, and officers confirmed that it is easy to miss. Council officers' training should include the observation and acknowledgement of the "duplicate" flag.
- 4.6 While examining CRs and RFIs in the InfoXpert Document Management System, it was noted that there were more than 2,000 tasks overdue in October 2020. Although this is not directly related to CRs, it may be worth investigating the status of these overdue tasks.

[SECTION ENDS]

## Appendix 1 – Risk rating classifications

Pacifica has developed the following framework for internal audit severity ratings to prioritise internal audit findings according to their relative significance having regard to the potential or known impact on the organisation's business process.

### Control Effectiveness Ratings

For Douglas Shire Council, we have developed an overall assessment of the control effectiveness rating for the exiting business process, when considered holistically.

The control effectiveness rating scale is:

<b>POOR OR UNABLE TO ASSESS</b>	Control procedures are not adequate or are not appropriately designed. The procedures will not prevent or detect errors, anomalies or risks impacting the reliability and integrity of information or outcomes.
<b>MARGINAL</b>	Control procedures exist in some form and/or are partially effective. The procedures may partially prevent or detect errors, anomalies or risks impacting the reliability and integrity of information or outcomes, in some circumstances.
<b>FAIR</b>	Control procedures exist and appear to be operating. However, inadequacies and inconsistencies are evident in some areas. The existing procedures should prevent or detect non-complex or routine errors, anomalies or risks impacting the reliability and integrity of information or outcomes.
<b>MATURE</b>	Control procedures exist and are operating effectively, with minor inadequacies and inconsistencies being evident. The procedures appear mostly adequate and appropriately designed to prevent or detect errors, anomalies or risks impacting the reliability and integrity of information under all typical conditions. Efficiencies in controls design and/or to ensure threats created from non-traditional risk exposures may need to be strengthened.
<b>STRONG</b>	Control procedures exist and are operating effectively. The procedures appear adequate and appropriately designed to prevent or detect errors, anomalies or risks impacting the reliability and integrity of information or outcomes, under all conditions.

### Internal Audit Findings – Risk Severity Ratings

Each of the individual internal audit findings contained in this report has been assessed against the risk severity matrix below and rated according to Internal Audit's professional judgement:

<b>Extreme</b>	Risk is considered extreme if both preventive and detective controls for a specific process or objective are inadequate and the impact of these inadequacies is significant. Unless corrected, these deficiencies could expose the organisation to critical business risks. A formal action plan should be developed within 30 days of the report issue date. Corrective action should begin immediately with the full support of the Executive Management Team.
<b>High</b>	Risk is considered high if either preventive or detective controls for a specific process or objective are inadequate and appropriate compensating controls are not in place. Unless corrected, these deficiencies could negatively impact on the results of the organisation. Firm plans for corrective action should be incorporated into the formal management response within this report. Corrective action to commence within one month of the report issue date.
<b>Moderate</b>	Risk is considered to be moderate if controls are in place but there is a possibility that internal control deficiencies could expose the organisation to some financial or business risk. The internal control improvements suggested would ensure that these risk levels are managed, and an appropriate internal control structure established. Firm plans for corrective action should be incorporated into the formal management response within this report. Corrective action to commence within two months of the report issue date.
<b>Low</b>	Risk is considered to be low if control deficiencies exist, however, financial or operational risk exposure is currently not significant. The recommendations suggested will further improve controls with little or no additional time or cost to the operations. Firm plans for corrective action should be incorporated into the formal management response within this report. Corrective action to be complete within six months of the report issue date.

#### **Attachment 6.4.4**

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CONFIDENTIAL REPORT



# DOUGLAS SHIRE COUNCIL

## INTERNAL AUDIT PROGRESS REPORT

**JUNE 2021**

### Distribution

**For information:**

Audit Committee Members

Mark Stoermer, Chief Executive Officer

Juanita Holden, Manager Governance (Internal Audit Sponsor)

## 1. Background

The Internal Audit function represents an integral part of Douglas Shire Council's governance framework. It is designed to provide the organisation's stakeholders with assurance that business processes are operating appropriately and effectively.

The Internal Audit function is legislatively required to assess and evaluate the control measures the organisation has adopted, or plans to adopt, to manage the operational risks to which the Local Government operations is exposed.

In accordance with Section 207 of the Local Government Regulation 2012, Local Government is required to assess compliance with the Annual Internal Audit Plan. To do this Douglas Shire Council is required to provide its Audit Committee with a status report on Internal Audit work performed and work to be undertaken.

This Internal Audit Progress Report presents an overview of the work performed by Internal Audit to 17 June 2021.

## 2. Progress of Internal Audit activity to 17 June 2021

The following represents an overview of the status of Internal Audit's activity.

### 2.1. Final reports issued since the inception of this Audit Committee

- FY2021 Project 1 – Corporate Cards, Standing Accounts, Staff Reimbursements & Fuel Cards Review
- FY2021 Project 2 - Environmental Management Systems Review
- FY2021 Project 3 – Customer Request Experience Review

### 2.2. Draft reports in progress or presented to management

- Nil

### 2.3. Fieldwork underway

- Nil

## 3. Annual Internal Audit Plan

The following five (5) project milestones have been established to track and report internal audit progress to the Audit Committee. The five (5) project milestones are:

1. Project planning and scope development underway
2. Preliminary meeting(s) held / project scope approved
3. Fieldwork underway
4. Draft report in progress or presented to management
5. Final report issued and to be considered by Audit Committee

### 3.1 Current FY2020-2021 Annual Internal Audit Plan

No.	Project	Department	Status	Project Milestones				
				1	2	3	4	5
1.	Corporate Cards, Standing Accounts, Staff Reimbursements & Fuel Cards Review	Finance	COMPLETED					
2.	Environmental Management Systems Review	Infrastructure Services	COMPLETED					
3.	Customer Request Experience Review	Delivery Services	COMPLETED					

[ ENDS ]

## 6.5 GOVERNANCE REPORT

### REPORT AUTHOR

Juanita Holden, Manager Governance

### RECOMMENDATION

**That the Audit Committee receive and note the report titled Governance Report.**

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### EXECUTIVE SUMMARY

Douglas Shire Council has a number of plans, strategies, policies and procedures in place which reflect Council's compliance with its legislative obligations and provide governance assurance to all Council's stakeholders.

### BACKGROUND

Governance is a cornerstone of good practice and impacts across all of society. Governance encompasses the system by which an organisation is controlled and operates, and the mechanisms by which it and its people are held to account. Ethics, Risk, Management, compliance, and administration are all elements of governance.

### COMMENT

#### **Register of Interests**

As required under the Local Government Act 2009, all Councillors, the Chief Executive Officer and senior executive officers must complete a register of interests. The register of interests allows potential conflicts of interest to be identified.

Councillor's registers of interest are available on Council's website and must be updated with any changes within 30 days. Councillors must also update their register of interests within 30 days of the end of the financial year. Councillors will be reminded of this legislative requirement and provided with the appropriate links to the Departments website for assistance in completing the appropriate forms.

Under the Local Government Act (Section 289), the Chief Executive Officer is required to maintain the register of interests for Senior Executive Employees of Council. The procedure into the maintenance of such registers has not been updated for some time.

A Register of Interest Policy is currently being drafted for Management comment. This policy will be presented to the Audit Committee for comment at the August Committee Meeting.

#### **Conflict of Interests**

Councillors must declare conflicts of interests at Council and Committee meetings to ensure transparency, accountability and integrity. Any declaration will be noted in the minutes and further entered into the Register. It is a standard item of every Council and Committee agenda.

The QAO has highlighted that Council does not have a policy to capture Conflicts of Interest for Employees. To date, employees have identified and managed conflict of interests as they come up. This policy has been developed to ensure conflicts of interests are identified, reported and managed in a way that allows council to conduct its business with integrity, honesty and fairness.



A procedure and a declaration form have also been developed. A register has been developed to capture the conflicts. This is being implemented from 1 July 2021. All staff will receive access to the Policy and Procedure. Governance Department will provide sessions with all departments across Council over the months of July and August. Reporting on the Conflicts will be provided to the Audit Committee, Management Team and Council on a quarterly basis.

Conflicts of Interest for Employees Policy is attached.

### **Complaints Management**

Council is committed to delivering quality customer service and communicating effectively with our community. Despite our best efforts, people may not be happy with an administrative action of Council and may make an administrative action complaint.

Section 268(2) of the Local Government Act defines an “administrative action complaint” as a complaint about an administrative action of Council made by an affected person.

Governance Manager is participating in Qld Ombudsman Training – Internal Reviews in June and following up with training on Good Decisions in July.

The Administrative Action Complaints Policy and the overall Complaints Management Process is a 2021/22 Operational Plan Initiative. This will involve sessions with the Management Team to look at what we are currently doing, opportunities for improvement, reviewing the AAC Policy, developing a clear set of guidelines / procedures for dealing with complaints and providing educational material for members of the community.

### **Delegations**

Chapter 7, Part 5 of the Local Government Act includes relevant provisions in respect of the delegation powers and functions granted on Council. This Chapter also provides that Council, the Mayor and the Chief Executive Officer may delegate their powers as follows:

Council may delegate powers to the Mayor, Chief Executive Officer, Standing Committee, chairperson of a Standing Committee or another local government for the purposes of a joint government activity.

- The Mayor may delegate his/her powers to another Councillor
- The Chief Executive Officer may delegate his/her powers to an appropriately qualified employee or contractor of Council.

These delegations include conditions and limitations on the delegated power and there are some powers that cannot be delegated. A delegation from Council to the Chief Executive Officer must be reviewed annually by Council. This delegation register was presented to Council for adoption in March 2021.

Governance Team are currently reviewing the Delegations from Chief Executive Officer to Employees. This requires a complete review of the current delegations to staff, cross checking with the appropriate act for changes to the legislation and reviewing current instruments of appointments.

## **ATTACHMENTS**

1. Conflicts of Interest Policy for Employees [6.5.1]

## **Attachment 6.5.1**

## 82. CONFLICTS OF INTEREST FOR EMPLOYEES POLICY

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### Purpose

The purpose of this policy is to ensure conflicts of interests are identified, reported and managed in a way that allows Council to conduct its business with integrity, honesty and fairness. This policy promotes transparency in Council business and ensures employees operate in a way that aligns with the fundamental ethics principles detailed in the Douglas Shire Council Code of Conduct.

### Scope

This policy applies to Douglas Shire Council employees. This policy does not apply to Councillors as they are captured under the *Local Government Act 2009* and Code of Conduct for Councillors in Queensland.

### Policy Content

Council is committed to conducting its business in a way that aligns with the fundamental ethics principles as detailed in the Code of Conduct. This is, being guided by behaviours that ensure integrity and impartiality; the promotion of public good; a commitment to the system of government; and accountability and transparency.

Conflicts of Interest; whether actual, perceived or potential; may diminish the public's trust in the way Council does business. This policy provides guidance to ensure all employees undertake their duties and responsibilities in a manner which places the public interest above their personal interests.

### Conflicts of Interest

A conflict of interest occurs when there is a conflict, there appears to be a conflict, or a conflict may arise in the future between official duties and responsibilities in serving the public interest and personal interests.

Conflicts may arise in a variety of situations including, but not limited to:

- (a) Family and close personal relationships
- (b) Previous, secondary and future employment
- (c) Financial interests
- (d) Memberships in clubs, associations or parties
- (e) Asset ownership including property ownership

The existence of a conflict is not an issue in itself and is often inevitable. It is a requirement that any conflict, whether actual, perceived or potential; be appropriately identified, reported and managed to ensure Council is able to undertake business in a transparent and impartial manner.

Deliberate non-disclosure of a conflict of interest or lack of adequate management of a conflict of interest may amount to a reasonable suspicion of corrupt conduct. Council has a zero tolerance approach and is committed to eliminating and/or minimising the potential of any corrupt conduct within Council.

### **Actual Conflict of Interest**

An actual conflict of interest occurs when there could be a direct conflict between current official duties and responsibilities with Council and existing personal interests.

### **Perceived Conflict of Interest**

A perceived conflict of interest occurs when there is a potential for a personal interest to reasonably be perceived as being in conflict with official duties and responsibilities of Council. This perception can occur irrespective of whether the conflict is real or not.

### **Potential Conflict of Interest**

A potential conflict of interest occurs when it is reasonable to believe a conflict may arise in the future between official duties and responsibilities with Council and personal interests.

### **Pecuniary and non-Pecuniary Interests**

Conflicts may arise from pecuniary and non-pecuniary interests. A pecuniary interest occurs when there is a financial gain or loss; or potential for a financial gain or loss; in relation to a conflict. A non-pecuniary interest occurs when there is a personal benefit or detriment caused; or the potential for a personal benefit or detriment to be caused; which is not financial in relation to an interest.

## **Dealing with Conflict of Interest**

Conflicts of Interest may arise from time to time and in some instances are unavoidable. All employees are responsible for ensuring conflicts are appropriately identified, reported and managed in accordance with the Conflict of Interest Procedure.

### **Identifying Conflict of Interest**

It is the responsibility of each individual to identify when a conflict; whether actual, perceived or potential; has or may arise between their personal interests and their official duties and responsibilities.

### **Reporting Conflicts of Interest**

All conflicts; whether actual, perceived or potential; must be declared on a Conflict of Interest Declaration Form by the affected employee to be given to their supervisor. This declaration must be made as soon as the conflict is identified or when any change to a conflict occurs. If it is unclear if a conflict exists, the matter must be declared to allow a determination to be made.

It is acknowledged by declaring a conflict of interest an employee may be required to disclose personal information. Such information will be captured and stored in accordance with Council's Privacy Policy. All employees have an additional responsibility to report any suspicion of conflicts of interest; whether actual, perceived or potential; about others to their supervisor.

### **Managing Conflicts of Interest**

Once a conflict has been declared and determined as a conflict of interest, the affected employee must remove themselves from any and all decision-making processes relating to the conflict until such time as the conflict has been resolved.

It may be necessary for additional processes to be put in place either as an interim measure or permanent measure to ensure Council can continue to conduct business in a transparent and impartial manner. Ultimately, the determination as to whether a conflict exists or not; and how the conflict is to be managed;

rests with the Chief Executive Officer or delegated Manager. Confirmed conflicts of interest will be recorded and maintained in Council's Conflicts of Interest Register.

## Transparency

Transparency involves the disclosure of personal interest that could compromise, the unbiased performance of an employee's official duties and maintaining appropriate records of all actions and decisions taken in managing conflicts of interest.

## Risk

Areas within Council that pose a higher risk regarding conflicts of interest include:

- Recruitment and selection process;
- Procurement, entering into contracts and contract management;
- Allocating donations, grants, sponsorships and financial incentives;
- Entering into partnerships;
- Regulatory roles including:
  - inspecting, testing, regulating or monitoring standards, business, equipment or premises;
  - issuing, or reviewing the issue of, fines or other sanctions;
  - issuing permits, qualifications or licences;
- Where concurrent or other employment occurs (for example board positions, part-time, casual employment and voluntary positions);
- Complaints management; and
- The exercise of discretionary power in decision making, such as planning decisions.

## Roles and Responsibilities

### Mayor and Councillors

Responsible for demonstrating leadership for good governance of the Council and decision-making that is made in the public interest.

### Chief Executive Officer and Management Team

The Chief Executive Officer and the Management Team are required to provide leadership with regard to disclosing, managing and monitoring conflicts of interest; and ensure policies, procedures and other work instructions requiring reference to this policy and any supporting procedure or processes are in place, in particular, for higher risk areas of Council.

### Supervisors

All employees who also have supervisory responsibilities must:

- ensure employees who they manage, disclose, manage any conflicts of interest and take appropriate action, where an employee has not done so; and
- monitor any management approach that is required to be taken by their direct reports for any conflicts of interest that may exist.

### **All Employees**

Responsible for:

- regularly considering the relationship between their personal interests and official duties in order to proactively identify any actual, perceived or potential conflicts of interest that may influence any actions or decisions made while carrying out official Council duties;
- being honest, open and transparent in their disclosure of conflict of interest; and
- following internal procedures relating to the identification, disclosure, self-management and monitoring of their conflicts of interest.

### **Governance Department**

Responsible for:

- ensuring clear policy and procedures are in place for Council employees to follow, to identify, disclose and manage conflicts of interest;
- maintaining a confidential centralised system for the disclosure, management and monitoring of conflicts of interest for Council employees;
- proactively educating all staff on their responsibilities with regard to conflicts of interest, and focussing on areas within Council that pose a higher risk with regard to conflicts of interest;
- the confidential management of employee conflicts of interest. Conflicts of interest records may be the subject of applications under the Right to Information Act 2009 and/or the Information Privacy Act 2009, where a decision may be made on whether it is in the public interest to release information relating to employee conflicts of interest; and
- confidential case by case basis, for the management of employees who may have conflicts of interest, due to their personal interests.

### **People and Community Services Department**

Responsible for training and awareness initiatives.

### **Audit Committee**

Responsible for ongoing monitoring of processes to ensure accountability of employees and Council.

### **Monitoring and Evaluation**

- Conflicts of interest systems, procedures and processes are established and maintained;
- Conflicts of interest are being disclosed by employees and management plans are in place; and
- Participation rates at conflicts of interest training and awareness initiatives.

### **Review Process**

The following will be consulted during the review process:

- Management Team;
- Governance Department;
- People and Community Services Department; and
- Audit Committee.

## Internal Register of Interest

Identified senior employees have an additional responsibility to fully disclose their and their associated persons interests to be included in an Internal Register of Interests. This is to ensure the Code of Conduct ethics principles and the *Local Government Act 2009* principles are upheld.

Identified senior employees must provide or update; as required; an Internal Register of Interests with information as outlined in Schedule 5 of the Regulation and in accordance with the Internal Register of Interest Procedure.

## Employment Outside of Council

Employees must seek approval for any employment undertaken outside of their official duties with Council. Council does not intend to limit employees from holding secondary employment, provided the other employment or business does not:

- (a) Create or develop a conflict of interest;
- (b) Effect the performance of official Council duties, including safety related matters;
- (c) Bring Council's reputation into disrepute; or
- (d) Involve Council resources.

## Breaches of Policy

Breaches of this policy, including requirements detailed in the Code of Conduct, may result in disciplinary action being taken in accordance with the Performance, Misconduct and Disciplinary Procedures.

## Definitions

To assist in interpretation, the following definitions apply:

TERM	DEFINITION
<b>Associated Person</b>	Persons associated with an identified senior employee: <ul style="list-style-type: none"><li>(a) Spouses</li><li>(b) Dependent children</li><li>(c) Any person that is totally or substantially dependent</li><li>(d) Any person whose affairs are so closely connected with the affairs of an identified senior that a benefit derived by the person, or a substantial part of it, could pass to the identified senior employee.</li></ul>
<b>CEO</b>	Chief Executive Officer A person who holds an appointment under section 194 of the Local Government Act 2009. This includes a person acting in this position.
<b>Conflict of Interest</b>	A conflict – whether actual, perceived or potential between official duties in serving the public interest and personal interests.
<b>Corrupt Conduct</b>	As defined in the Crime and Corruption Act 2001, <ul style="list-style-type: none"><li>(1) <b>Corrupt conduct</b> means conduct of a person regardless of whether the person holds or held an appointment, that<ul style="list-style-type: none"><li>(a) Adversely affects, or could adversely affect, directly or indirectly, the performance of functions, or the exercise of powers of –<ul style="list-style-type: none"><li>(i) A unit of public administration; or</li><li>(ii) A person holding an appointment; and</li></ul></li></ul></li></ul>

TERM	DEFINITION
	<p>(b) Results, or could result, directly or indirectly, in the performance of functions or the exercise of powers mentioned in paragraph (a) in a way that –</p> <p>(i) Is not honest or is not impartial; or</p> <p>(ii) Involves a breach of the trust placed in a person holding an appointment, either knowingly or recklessly; or</p> <p>(iii) Involves a misuse of information or material acquired in or in connection with the performance of functions or the exercise of powers of a person holding an appointment; and</p> <p>(c) Is engaged in for the purpose of providing a benefit to the person or another person or causing a detriment to another person; and</p> <p>(d) Would, if proved, be</p> <p>(i) A criminal offence; or</p> <p>(ii) A disciplinary breach providing reasonable grounds for terminating the person's services, if the person is or were the holder of an appointment.</p> <p>(2) Without limiting subsection (1), conduct that involves any of the following could be corrupt conduct under subsection (1)—</p> <p>(a) abuse of public office;</p> <p>(b) bribery, including bribery relating to an election;</p> <p>(c) extortion;</p> <p>(d) obtaining or offering a secret commission;</p> <p>(e) fraud;</p> <p>(f) stealing;</p> <p>(g) forgery;</p> <p>(h) perverting the course of justice;</p> <p>(i) an offence relating to an electoral donation;</p> <p>(j) loss of revenue of the State;</p> <p>(k) sedition</p> <p>(l) homicide, serious assault or assault occasioning bodily harm or grievous bodily harm;</p> <p>(m) obtaining a financial benefit from procuring prostitution or from unlawful prostitution engaged in by another person;</p> <p>(n) illegal drug trafficking;</p> <p>(o) illegal gambling.</p>
<b>Council</b>	Douglas Shire Council
<b>Councillor/s</b>	The Mayor and Councillors of Council, within the meaning of the <i>Local Government Act 2009</i> .
<b>Employee</b>	Means any person employed directly by Douglas Shire Council, regardless of their employment status (full time, part time, casual, volunteer) and contractors, undertaking duties on behalf of Council.
<b>Interest</b>	Means anything that can have an impact on an individual or group. It includes anything that can bring a benefit or disadvantage to an employee, or others an individual may wish to benefit or disadvantage.
<b>Private or Personal Interests</b>	Private, Professional or Business Interests that can benefit or disadvantage employees, or others an individual may wish to benefit or disadvantage. They also include the personal, professional and business interests of individuals or groups with whom employee's associate. Private interests include a wide range



TERM	DEFINITION
	of external activities including financial and economic interests, family or private businesses and interest groups and involvement in other employment.
<b>Public Interest</b>	The collective interest of the entire community, not the sum of individual interests nor the interest of a particular group.

## Related Legislation

*Crime and Corruption Act 2001*

*Information Privacy Act 2009*

*Human Rights Act 2019*

*Local Government Act 2009*

*Local Government Regulation 2012*

*Public Interest Disclosure Act 2010*

*Public Sector Ethics Act 1994*

*Right to Information Act 2009*

## Related Documents (Local Laws, Policies, Forms)

Benefits, Gifts and Prizes Guidelines

Code of Conduct

Conflict of Interest Procedure

Conflict of Interest Register

Conflict of Interest Declaration Form

Delegations Register

Performance, Misconduct and Disciplinary Procedures

Privacy Policy

Recruitment Selection Procedure

Related Party General Policy

## Policy Review

This policy is to be reviewed every two years, or when there is a legislative change and/or at the direction of the Chief Executive Officer.

## Policy Details

<b>Policy Name</b>	Conflicts of Interest for Employees Policy
<b>Policy Number</b>	82
<b>Policy Version</b>	1
<b>Document Number</b>	1011168
<b>Endorsed by</b>	Chief Executive Officer
<b>Policy Type</b>	Council
<b>Approval Authority</b>	Council
<b>Date Adopted</b>	25/05/2021

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Time Period	2 Years
Review Date	01/04/2023
Policy Department	Governance
Link to Corporate Plan	Robust Governance and Efficient Service Delivery
Revoked/Superseded	N/A

This policy is to remain in force until otherwise determined by Council.

## **6.6 DAINTREE FERRY UPDATE REPORT**

### **REPORT AUTHOR**

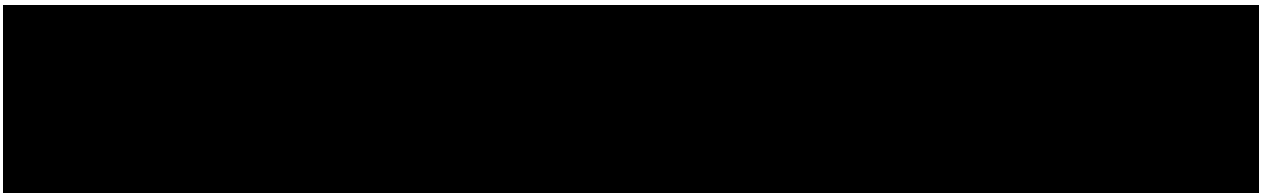
Mark Stoermer, Chief Executive Officer

### **RECOMMENDATION**

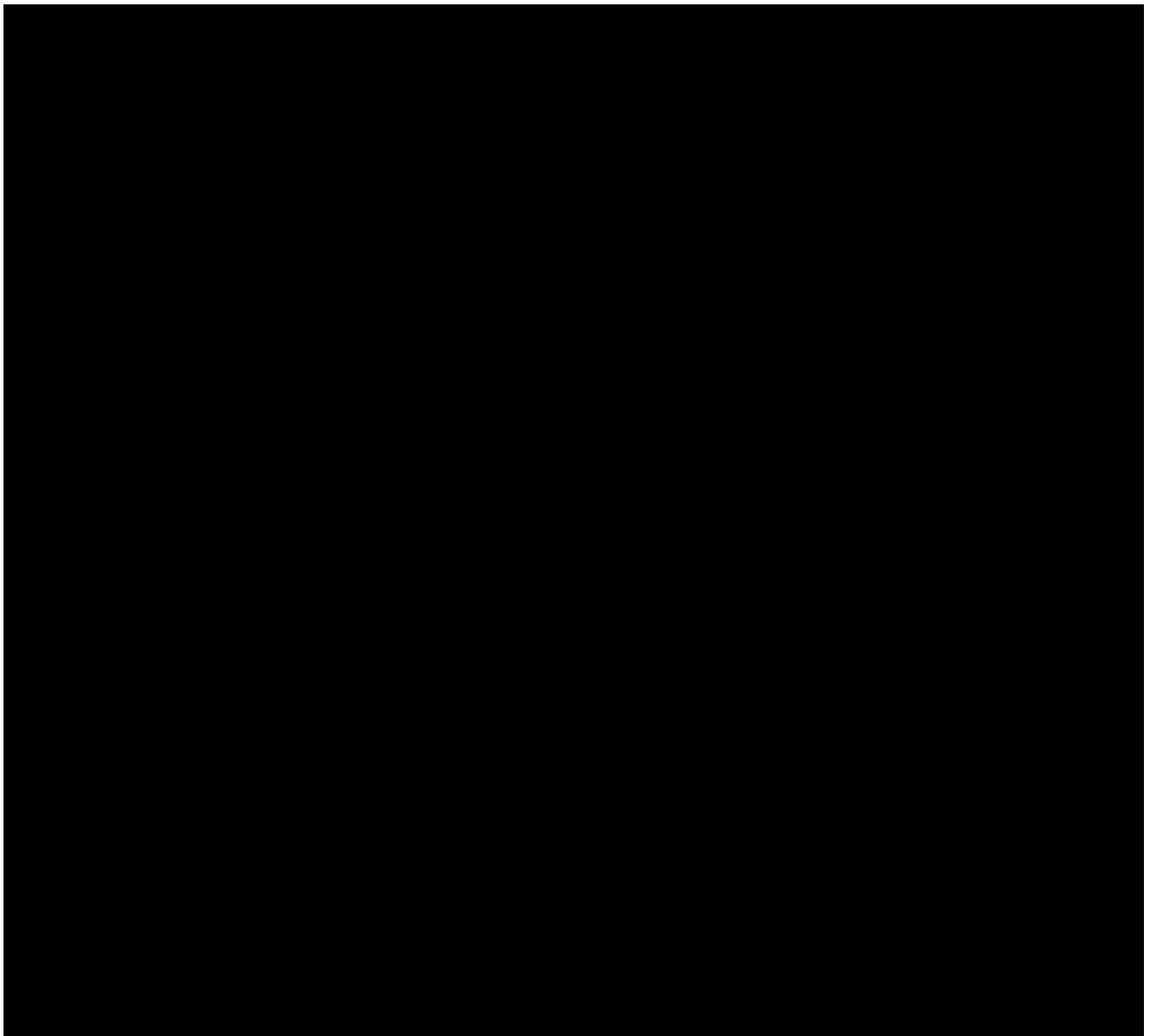
That the Audit Committee receive and note the report titled Daintree Ferry Update Report.

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### **EXECUTIVE SUMMARY**

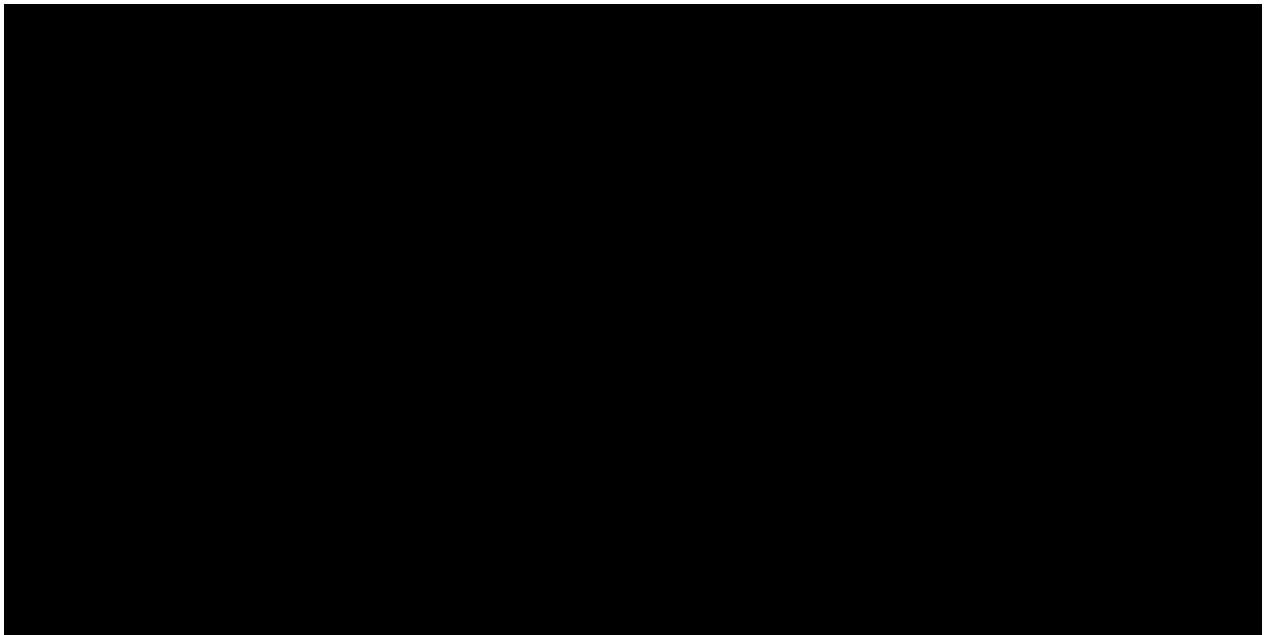


### **BACKGROUND**





#### **COMMENT**



#### **ATTACHMENTS**

Nil

## **6.7 RISK MANAGEMENT**

### **REPORT AUTHOR**

Juanita Holden, Manager Governance

### **RECOMMENDATION**

**That the Audit Committee receive and note the report titled Enterprise Risk Management Report.**

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### **EXECUTIVE SUMMARY**

Managing risk is an essential component of an organisation's operations to ensure that the corporate goals and objectives can be achieved. The review and update of Council's Risk Management Policy and accompanying Risk Register confirms Council's commitment to the ongoing maintenance of a robust risk management culture within the organisation.

### **BACKGROUND**

The Australian Standard AS ISO 31000:2018 'Risk Management Guidelines' is the tool of choice for risk managers in establishing a risk management framework. An integral part of the risk management framework is to establish the organisation's Risk Management Policy Framework and Registers.

### **COMMENT**

The Enterprise Risk Management Policy and Register has been reviewed and updated and will be presented to Council at the June 2021 Ordinary meeting for adoption.

### **ATTACHMENTS**

1. Enterprise Risk Management Policy [6.7.1]
2. Risk Register [6.7.2]

## **Attachment 6.7.1**

## 17. ENTERPRISE RISK MANAGEMENT POLICY

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### Intent

This policy demonstrates that Douglas Shire Council understands and manages risk and seeks to ensure that there is consistency to the methods used in assessing, monitoring and communicating risks across the organisation.

Council will maintain a program of strategic and operational risk management to ensure that the community and the Council are protected against loss by adding clarity to decision making. This will place Council in a position to capitalise on opportunities by providing a better understanding of the implications of decision over the long term.

### Scope

This policy applies to all areas across Council and applies to Councillors, employees, contractors and to any person or organisation that acts for or represents Douglas Shire Council.

Risk Management will be:

- Integrated into corporate and operational planning;
- Used as a critical business tool in decision making; and
- Used as a critical part of project management.

Key drivers for risk management include sound governance, legislative frameworks, decision making, environmental sustainability, social sustainability and financial sustainability.

### Policy Statement

Risk is inherent in all Council's business activities, programs, services, projects, processes and decisions. Douglas Shire Council is committed to the identification and management of all risks associated with the performance of Council functions and the delivery of Council services and embedding Enterprise Risk Management (ERM) as part of Council's governance framework to protect its employees, the general public, assets and the environment.

Council's approach to ERM is based on the Australian/New Zealand and International Standards AS/NZS ISO 31000:2018.

Douglas Shire Council recognises it has responsibility to identify and address all threats and opportunities associated with:

- a) The provision of a safe and healthy operating environment for all employees, the general public and other stakeholders involved with the provision and use of Council services and infrastructure; and
- b) The prudent management of Council property and resources on behalf of ratepayers; and
- c) The achievement of Council's corporate objectives to provide effective service to the public.

## Risk Management Principles

Management and employees must assume responsibility for ERM facilitated by the following guiding principles:

- a) **Adoption of a governance framework** – The Enterprise Risk Management Framework and Enterprise Risk Management Process Procedure outlines accountabilities and obligations and guides the implementation and ongoing monitoring of ERM throughout Council.
- b) **Adds Value** – Alignment and integration with Council's Corporate and Operational Planning and budget deliberation processes.
- c) **ERM is an integral part of organisation processes** – Management endorsed integration in all business processes.
- d) **ERM informs all decision making** – Decision makers are making informed decisions cognisant of relative risks.
- e) **ERM promotes a safer work environment** – Risk Management integrated with Council's Workplace Health and Safety, promoting safe work practices and a safer work environment.
- f) **Explicitly addresses uncertainty** – taking account of uncertainty, the nature of uncertainty and how it can be addressed.
- g) **Systematic, structured, timely and tailored.**
- h) **Based on best available information and experience** – Utilisation of generally accepted risk mitigation techniques for managing risks.
- i) **Transparent, inclusive and responsive to change** – Timely involvement of stakeholders.

## Definitions

TERM	DEFINITION
<b>CEO</b>	Chief Executive Officer A person who holds an appointment under section 194 of the <i>Local Government Act 2009</i> . This includes a person acting in this position.
<b>Contractor</b>	A person, organisation or entity that performs a specific act or acts including the provision of services and/or materials to another person, organisation or entity under an agreement enforceable by law.
<b>Council</b>	Douglas Shire Council
<b>Employee</b>	Local Government Employee: (a) The Chief Executive Officer; or (b) A person holding an appointment under section 196 of the <i>Local Government Act 2009</i> .
<b>Enterprise Risk Management (ERM)</b>	Enterprise risk management encompasses all the major risk categories (including financial, environmental, health and safety, fraud, information technology, compliance, security and business continuity) and includes the coordination, integration, consolidation and consistency of reporting by the various Council functions with identified risks.
<b>Enterprise Risk Management Framework</b>	Councils adopted systems, processes and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving ERM throughout Council. The Framework provides an expression of intent on what, why and how risk is to be managed and shows how Council provides capacity to manage risks according to the intent.



TERM	DEFINITION
<b>External Stakeholders</b>	Any individual or organisation that can impact, be impacted by, or perceive themselves impacted by, Council's objectives. For example: Council suppliers.
<b>Risk</b>	A risk to the business is any action or event that has an effect of uncertainty on objectives of Douglas Shire Council. It is measured in terms of consequence and likelihood.

## Roles and Responsibilities

All employees are responsible for identification and management of risk. Management are responsible for the devolution of the Risk Management Process and creation of an environment where managing risk forms the basis of all activities.

## Related Legislation

*Local Government Act 2009*

*Local Government Regulation 2012*

## Related Documents

Australian AS ISO 31000:2018 Risk Management – Guidelines

Risk Management Framework

Fraud and Corruption Control Policy

Annual Operational Plan

Internal Audit Plan

## Policy Review

This Policy will be reviewed when any of the following evaluations occur:

- The related information is amended or replaced
- Other circumstances as determined by Audit Committee, Management Team and / or Council.

## Policy Details

<b>Policy Name</b>	<b>Enterprise Risk Management Policy</b>
<b>Policy Number</b>	17
<b>Policy Version</b>	4
<b>Document Number</b>	810149
<b>Endorsed by</b>	Chief Executive Officer
<b>Policy Type</b>	Council
<b>Approval Authority</b>	Council

<b>Date Adopted</b>	
<b>Time Period</b>	Annually
<b>Review Date</b>	01/05/2022
<b>Policy Department</b>	Governance
<b>Link to Corporate Plan</b>	Robust Governance and Efficient Service Delivery
<b>Revoked/Superseded</b>	

This policy is to remain in force until otherwise determined by Council.

## **Attachment 6.7.2**

## **6.8 CAPITAL WORKS PROGRESS REPORT**

### **REPORT AUTHOR**

Scott Hahne, Manager Project Office

### **RECOMMENDATION**

**That the Audit Committee receive and note the report titled Capital Works Progress Report.**

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### **EXECUTIVE SUMMARY**

The current full delivery program consists of 156 projects valued at \$37.550M. Fifty-three projects have been completed and \$20.125M expended or committed to the market.

Elven projects were completed during the reporting period and one project was added to the delivery program.

Progress was behind target with a 55% WIP being achieved, against the target of 90% primarily due to a significant portion of the works spread across multiple financial years. When considering only projects expected to be completed within this financial year, progress was 89% or a 27% increase from last quarter.

An expected 130 projects are to be completed by 30 June 2021, valued at \$22.463M.

### **BACKGROUND**

To better manage our ongoing Capital Projects, a Capital Tracking Project Control Group (PCG) has been established to oversee the delivery and reporting of all capital works projects across all departments within Council.

The PCG meets regularly to review project progress which is documented by staff in a constantly updated tracking report.

A condensed version of this report is included as update to Councillors and the public and it shows financial and risk and timeline performance.

A traffic light approach is applied to these indicators to show project performance, namely:

Performance Indicators: Green = Satisfactory, Yellow = Marginal, Red = Unsatisfactory.

### **COMMENT**

Refer to Attachment 1 which summarises the performance of the capital works delivery program in the third quarter of 2020/21.

For the period the target financial performance is to achieve 90% WIP (Actual and Committed) expenditure. The achieved WIP for all projects was 55%. However, performance is somewhat skewed by the following:

Forty-three projects worth \$11.271M were carried forward from the previous financial year. Twenty-eight of these projects are completed and \$7.8M expended or committed or 69% Work in Progress (WIP). Two projects are not anticipated being completed by 30 June 2021 due to delays and available construction windows (i.e. wet season). These projects have a combined

budget of \$3.496M, which means that excluding them from the metrics results in a WIP of 100% for carried forward projects.

Eighty-one projects worth \$21.983M were approved in the current 2020/21 financial year budget, of which sixteen have been completed and a WIP of 51%. Thirteen projects are not anticipated being completed by 30 June 2021 due to delays and being grant funded over a number of financial years. The net result of this is that \$12.498M of budgeted works are anticipated in being finalised with a current WIP of 90%.

Twenty-eight additional projects worth \$3.213M were assigned in the budget review in November 2020. Current WIP is 32%, however eleven projects are anticipated to not being completed this financial year. The net result of this is that \$2.045MM of budgeted works are anticipated in being finalised with a current WIP of 51%. It should be noted that many of these projects have only had four months to progress activities, however eight projects have been completed.

Since budget review an additional four projects valued at \$1.081M have been added to the delivery program with one of them already being completed. In summary there is currently 156 projects valued at \$37.550M contained within the current delivery program. Fifty-three projects have been completed and \$20.125M expended or committed to the market. Overall progress is 55% for the total program and 89% for the current financial year program valued at \$22.463M.

It should be noted that two projects worth \$6.5M are having a large impact on the performance metrics, however commitments are anticipated by 30 June 2021.

During the reporting period, eleven projects were completed, namely:

1. Purchase land for emergency safe places accommodation
2. Fleet renewal program
3. Tara Hills culvert
4. Road reseal program
5. Sealed road pavement rehabilitation program
6. Footpath renewal program
7. Speed cushions Marlin Drive
8. Shire flood mapping
9. Portable two way radio base
10. Auto sampler renewal
11. Valve pits safety improvements

A detailed summary of each project is contained within Attachment 2.

There have been delivery issues with the Works for Queensland (W4Q) – Covid funding assigned to the smart water meter project. This has necessitated the reallocation of funds away from the smart water project to Mossman pool projects to meet our funding commitments.

Existing 2019/20 projects that were funded by Council, that are now funded by W4Q are:

1. Mossman pool expansion joint replacement
2. Mossman pool lighting upgrade

Projects that have been brought forward include:

1. Shade sail replacement
2. Reroof back patio, grandstand and swimmers waiting area
3. Concrete around new BBQ area
4. Pool room equipment repairs

It is proposed that future Works for Queensland 2021-24 funding be applied to the smart water project.

## **ATTACHMENTS**

1. Summary [6.8.1]
2. Project Details [6.8.2]

















































## **Attachment 6.8.1**

[illegible]





## **Attachment 6.8.2**





















































































2019/2020 Carry Over Projects												
	Project Name	Budget	Actuals	Committals	WIP (Actuals & Committals)	Percentage Complete	Program Status		Project Risk Status		Project Budget Status	
	Community Development											
1	Mossman and Port Douglas Flagpoles	4,372	4,140	-	4,140	100%		Project ceased due to approval of locations. Possible future project.		Medium Risk (Gas main located in desired location)		Project will cease and be rescoped for future project
2	Douglas Indigenous Signage Program	49,905	46,059	-	46,059	95%		Completed stage one. There are a few additional signs to purchase and install before end of financial year.		Low risk		Expected to be on budget
	Property Services											
3	Mossman Showgrounds - Disability access to toilets	6,744	10,952	-	10,952	55%		Project ceased due to approval of locations. Possible future project.		Med risk - building material supply delays.		Wages only being capitalised to Project Manage. RFT in progress for builder.
	ICT Services											
4	ICT - Planning Zone Report Tool	1,640	(3,240)	(3,240)	-	100%		Project complete		Complete		Requested additional budget in review
	Building Facilities											
5	Mossman Shire Hall - renewal of various items	103,023	25,674	5,100	30,774	100%		Plans and cost estimate complete. Documentation ready for future Grant application opportunities.		Complete		Under budget
6	Mossman Shire Hall - Airconditioning design	29,059	32,605	-	32,605	100%		Plans and cost estimate complete. Documentation ready for future grant application opportunities.		Complete		Over budget
	Civil Works											
7	Lot 96 Fishermens	45,400	27,004	-	27,004	100%		Project complete		Complete		Under budget
8	Reef Park Ultimate Design	25,711	28,868	-	28,868	100%		Project complete		Complete		Under budget
9	Alexandra Range	1,534	1,534	-	1,534	100%		Project complete		Complete		On budget
10	Whyanbeel Causeway Upgrade (Grant Funded W4Q)	362,570	341,122	-	341,122	100%		Project complete		Complete		Under budget
11	Road and Footpath Lighting Master Plan	21,860	566	23,132	23,698	90%		Electrical designers, completing documentation and design		Alignment of priorities with the PCN		Expected to be slightly over budget
12	Bonnie Doon Road	(4,865)	360	-	360	100%		Project complete		Complete		Over budget
13	Daintree Ferry Landside Infrastructure	75,000	25,382	29,209	54,591	15%		Project Scope		Approvals		Expected to be on budget
	Public Spaces											
14	Port Douglas CBD Blueprint Planning Project	49,216	50,900	-	50,900	100%		Contract terminated. Savings to be allocated to Diggers Park Project.		Project cancelled		Budget transferred to Diggers Park project
15	Macrossan Street Improvements	67,585	67,585	-	67,585	100%		Project complete		Complete		On budget
16	Parks Renewal Program 19/20	55,048	(14,832)	-	(14,832)	100%		Project complete		Complete		Under budget
	Environment Planning											
17	Port Douglas Wastewater Treatment Plant Solar Project Stage 2	9,711	-	-	-	70%		Proposal plan completed and property submitted paperwork for 50 yr lease of land to DNRM. Information sent to DNR to rule out Native Title. No further action until land acquisition/lease sorted.		Land currently owned by DNRM		Expected to be on budget
18	Undertake actions outlined in the Coastal Hazard Adaptation Strategy	41,383	15,676	24,638	40,314	90%		Coastal photo monitoring points installed at 5 locations. One of the posts is being replaced.		Low risk		Expected to be on budget
	Resource Management											
19	Resource Recovery Shed at Killaloe Transfer Station (W4Q Grant Funded)	1,406,878	1,094,447	277,974	1,372,421	75%		Construction of the shed has been completed. Internal bay walls will be completed by 27th May. Laticrete to be installed first week of June. PC to builder end of June. Project anticipated to be completed by 30th August.		Budget		Expected to be over budget due t
	Disaster Management											
20	Installation of two automatic rain gauges (Upper Daintree and Bloomfield). (Grant funded 50%)	(0)	(11,703)	-	(11,703)	100%		Site unsuitable for install. Resubmission for new project site and a new WWork Order has been created.		Site constraints; new site prioritised.		Budget reallocated to rain gauge/signs Alex Range.
21	Purchase of flood mapping over Shire	20,000	-	20,000	20,000	100%		Project complete		Complete		On budget
22	Automated Flooded Road Warning Signage at Barratt Creek Daintree (Grant funded 50%)	32,275	33,639	-	33,639	100%		Project complete		Complete		Slightly over budget
	Wastewater											
24	Port Douglas Wastewater Treatment Plant Outfall Flow Meter	79,297	2,676	-	2,676	100%		Project complete		Complete		Under budget
25	Wastewater Treatment Plant Radio Transmitter Unit and SCADA Upgrades - Assessment Stage	6,442	6,752	-	6,752	100%		Project complete		Complete		Slightly over budget
26	Mossman Wastewater Treatment Plant Lime Dosing Equipment Assessment of Chemical Dosing	10,242	26,081	-	26,081	100%		Project complete		Complete		Over budget
	Water Quality											

	Project Name	Budget	Actuals	Committals	WIP (Actuals & Committals)	Percentage Complete	Program Status	Project Risk Status	Project Budget Status
27	Craiglie Reservoir Roof Replacement (part grant funded)	756,132	745,036	2,555	747,591	95%	 Project works completed. New Acuator Valves been ordered. Water Quality Team to complete testing.	 Medium Risk - Cleaning and commissioning of tank	 Expected to be under budget.
28	Water Treatment Plants Radio Transmitter Unit and SCADA Upgrades - Assessment Stage	19,626	7,946	-	7,946	100%	 Project complete	 Complete	 Under budget
29	Mossman Treated Water Reservoir Relining Assessment	23,668	24,195	-	24,195	100%	 Project complete	 Complete	 Slightly over budget
30	Whyanbeel Water Treatment Plant New Residual Treatment Plant - Design Stage	92,729	117,834	2,370	120,204	90%	 Construction fast tracked and in progress. Pavement Improvements/Bitumen Coat	 Medium risk	 Design complete within budget. Cost savings from another project have been utilised to
31	Craiglie Reservoir Upgrades (chlorine dosing)	144,412	148,436	-	148,436	95%	 Electrochlorination unit commissioned. Dosing Pumps installed. Testing system End of April	 High Risk - Project did not progress enough to meet project timelines. Timing to be reviewed by PMO	 Over budget
	<b>Water Reticulation</b>								
32	Killaloe Transfer Station Water Main Renewal	467,460	472,412	-	472,412	98%	 Project complete except disconnection of main. Contractor for works has gone	 Medium Risk - Disconnect of line at main in TMR Reserve.	 Expected to be over budget
33	Cooya Beach Reservoir Pipeline - Design Stage (feasibility)	31,692	53,249	1,750	54,999	100%	 Project complete	 Complete	 Over budget
34	Newell Beach Water Main Replacement	2,872	933	-	933	100%	 Project complete	 Complete	 Under budget
	<b>Disaster Recovery</b>								
35	Syndicate Rd Landslip REPA	182,587	218,078	-	218,078	100%	 Complete		 expected to be under budget
36	Ponzo Rd Landslip REPA	714,619	11,198	-	11,198	100%	 complete	 nil	 under budget
37	Murphy St Landslip REPA	653,770	503,877	-	503,877	100%	 complete	 nil	 under budget
38	Northern Road Repairs REPA	1,027,417	772,069	-	772,069	100%	 complete	 nil	 under budget
39	Southern Road Repairs REPA	138,886	(127,159)	-	(127,159)	100%	 complete	 nil	 under budget
40	Upper Daintree Rd Landslip REPA	598,131	330,027	-	330,027	100%	 Complete	 unexpected ground conditions	 under budget
41	Donovan's Range Upgrade Cat D	3,843,181	84,128	2,380,675	2,464,802	45%	 Contractor mobilised to site	 unexpected ground conditions	 Under budget
42	Daintree Intake Handrails	13,251	11,757	16,000	27,757	65%	 Handrails Installed. Fabricator to quote on extra scope, site visit 7/04/21	 technical feasibility	 Over budget

Original Budget June 2020 - 2020/2021 Delivery											
	Project Name	Budget	Actuals	Committals	WIP (Actuals & Committals)	Percentage Complete	Program Status		Project Risk Status		Project Budget Status
	<b>Community Development</b>										
1	Sports Master Plan Implementation for Port Douglas and Mossman	200,000	22,479	-	22,479	50%		Masterplan finalised and adopted by Council in November. Soil testing and site surveying underway at Coronation Park. Small proportion being used for swimming pool design and the rest allocated for the implementation plan. Cassowary Field received Qld Government grant to upgrade lighting on fields. Project brief now finalised for the Port Douglas Sports Complex. RFQ out with an awarded vendor notified around 4 May 2021, funds committed by the end of the Financial year	Medium risk		Expected to be on budget
2	Placemaking Public Arts Installations Program	10,000	-	-	-	55%		Artwork Proposal Bunday by Yalanji Arts approved by Councillors at Council workshop. Artwork agreement	Low risk		Production of artwork underway. Balance payment due on project completion, likely end of May 2021
	<b>Property Services</b>										
6	Flagstaff Hill Communications Tower Replacement	43,220	11,197	840	12,037	100%		Project completed. New maintenance strategy proposed. No immediate repairs required.	Med risk		Under budget
	Purchase Road Reserve to Accommodate Reef Bank	100,000	11	-	11	65%		DNRME application lodged in August. DNRME advertised permanent road closure and sale in early Nov received one objection. Property staff awaiting meeting with DNRME staff to discuss next steps. 27 January 2021 supplied Councils valuation to DR for comment. Road closure approved subject to payment of \$1.8 mill. Mayor seeking assistance from C.Lui.	High risk if unable to reach sale.		Once sale negotiated, will commence purchase.
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7	Port Douglas Carpark Complex - Business Case	30,000	28,478	7,072	35,550	90%		Car parking analysis completed for Mossman. Port Douglas parking survey complete and findings to be presented at upcoming Councilor Workshop 01 June 2021.	Low risk		Expected to be over budget
	<b>ICT Services</b>										
8	Mossman Computer Room Equipment Refresh Stage 2	336,099	328,697	8,804	337,501	90%		System went live 20 November. Minimal disruption. Remaining work / scope = Multifactor Authentication & Cloud Disaster Recovery Site	Medium risk. Remaining work yet to be designed and scoped.		Scope now reduced as Remote Access to be separate project for 21/22
9	Mossman Computer Room Upgrades	14,771	3,008	-	3,008	95%		Minor works outstanding.	Low Risk		Fire suppression system deferred to next year / future risk vs benefit analysis.
10	Whyanbeel Network Replacement	79,392	43,008	10,329	53,337	85%		Design and procurement complete. Build in progress. Scheduled delayed due to Telstra change freeze in December and January. Build likely to be completed in April.	Medium risk. Scope now includes refresh of all network services. Risk depends upon vendor performance in build phase		Expected to be under budget
11	Video Streaming Room Setup	46,000	35,895	-	35,895	60%		Audio equipment delivered and will be commissioned in Feb/March. Video design yet to be completed.	Low Risk		Expected to be over budget
12	MM Wireless Network Refresh	86,037	59,090	51,948	111,039	90%		Design and Procurement complete. 2 of 3 links refreshed - 3rd waiting on roof repairs	Low Risk		Expect to be over budget. Cabling needed to be replaced -
13	Desk Phone System - Call Recording	23,000	61	-	61	0%		Not yet commenced, will need to be carried over to 2021/22	Low Risk		Scope changed to include all of Council. Design not done, therefore budget requirements
	<b>Building Facilities</b>										
14	Mossman Depot - Roof Replacement Stage 3	60,000	14,859	60,754	75,613	60%		Roof replacement delayed due to issues installing scaffolding rescheduled to continue early June with scaffold to be installed.	Scaffold to be re-installed by licenced scaffolder after direction from WHS Qld.		Expected to be over budget
15	Sugar Wharf - Toilet Renewal	437,958	255,130	196,743	451,874	60%		Toilets complete, electrical works to start in June 2021.	Project delays due to structural issues, film crew and high number of existing bookings.		Project Scope reviewed to fit budget due to unforeseen rectification works.
16	Sugar Wharf - Concrete Jetty	60,000	13,880	8,575	22,455	70%		Inspection completed, report due by end of May 2021.	Works will need to be rolled over to July 2021 due to delays in completion of report		Expected to be on budget
	<b>Fleet</b>										
17	Fleet Renewal Program	225,000	223,535	-	223,535	100%		Project complete	Complete		On Budget
	<b>Civil Works</b>										
18	Tara Hills Road Culvert, Mossman	298,272	308,189	-	308,189	100%		Project complete	Complete		Slightly over budget
19	Alchera Drive, Mossman	-	-	-	-	100%		Project cancelled (TMR will construct the refuge island)	Project cancelled		Saving

	Project Name	Budget	Actuals	Committals	WIP (Actuals & Committals)	Percentage Complete	Program Status	Project Risk Status	Project Budget Status
20	Macrossan Street Roadworks	250,000	1,421	-	1,421	100%	 DTMR Project	 community expectations	 DTMR Project
21	Road Reseal Program	600,000	596,437	-	596,437	100%	 Project complete	 Complete	 Under budget
22	Sealed Road Pavement Rehabilitation Program	240,000	224,940	24,310	249,250	95%	 Project nearly complete	 Complete	 Under budget
23	Junction Bridge Pedestrian Bridge	799,162	500,909	298,794	799,702	85%	 On Schedule for completion on Time	 Low risk	 Expected to be on budget
24	Warner Street, Port Douglas	341,788	190,530	12,230	202,760	40%	 Works to be delayed into next Financial Year.	 Weather, site constraints, community, covid-19	 Expected to be on budget
25	Noah Creek Bridge	1,630,321	69,661	1,329,343	1,399,004	25%	 Environmental permits received, Land purchase delayed.	 Land purchase, Cultural Heritage	 Delays impacting budget
26	Murphy Street Landslip	509,636	330,046	673	330,719	100%	 Project complete	 Complete	 Under budget
27	Gravel Road Renewal Program	500,000	389,499	71,600	461,098	95%	 Contract 1 and 2 awarded, contractor commenced in March	 Weather	 Expected to be on budget
28	Kerb and Channel Program	250,000	255,985	58,674	314,659	90%	 Project Commenced and on program	 Weather, site	 Expected to be on budget
29	Footpath and Road Lighting Program	200,000	169,170	43,197	212,367	90%	 New posts, Lighting, Footings and conduits installed	 No Risk	 Expected to be slightly over budget.(8%).
30	Cooya Intersection	180,000	191,506	-	191,506	95%	 Project commenced	 No Risk	 Expected to be 10% over budget
31	Footpath Renewal Program	150,000	145,737	4,520	150,257	100%	 Project complete	 Complete	 On budget
32	Mossman - Newell Footpath Design	149,390	92,946	22,705	115,651	90%	 Preliminary Design underway	 TMR Road Corridor Permit and vegetation survey required	 Expected to be on budget
33	Warner's Bridge Renewal	80,000	67,069	2,539	69,609	100%	 Implementation of Approval Management Plan	 Low risk	 Expected to be on budget
34	Mossman Streetscape Improvement Program	50,000	9,716	53,641	63,357	30%	 Project delayed due to insufficient budget to deliver	 Community and Councillors expectations	 Expected to be over budget
35	Anich's Bridge Renewal	80,000	67,818	13,491	81,309	100%	 Implementation of Approval Management Plan	 Low risk	 Expected to be on budget
36	Drainage Renewal Program	250,000	257,841	-	257,841	100%	 Project complete	 Completed	 3% over Budget
	Public Spaces								
37	Parks Renewal Program	750,000	538,672	210,973	749,645	95%	 Project on track	 Low Risk	 Expected to be under budget
38	Macrossan Street Landscape Improvements	50,000	55,467	-	55,467	100%	 Project complete	 Complete	 Over budget
39	Grant Street, Port Douglas	50,000	12,175	-	12,175	95%	 Concept for drainage improvements prepared	 Complete	 Under budget
	Environment & Planning								
41	Refurbish Pile Moorings at Port Douglas Boat Harbour	66,824	24,546	2,425	26,972	85%	 All pile moorings fittings have been replaced. The removal of old hardware and a general cleanup of the moorings will commence after the boat owners have retired vessels to	 Low risk	 Expected to be on budget
	Resource Management								
42	Killaloe Well Part Replacements	16,000	10,859	-	10,859	95%	 Contractor audited well infrastructure. Well 2 lift complete, crane invoice to be	 Weather; contractor availability	 Expected to be on budget
43	Renew Security Fencing at Killaloe and Newell Transfer Stations	25,000	16,482	-	16,482	98%	 Project completed. Finalising for capitalisation.	 Nil	 Expected to be under budget
44	Newell Beach Transfer Station - Water Line	8,212	8,212	-	8,212	100%	 Project complete	 Complete	 Under budget
45	Killaloe Dangerous Goods and Hazardous Waste Storage Bay	12,000	12,176	-	12,176	100%	 Project complete	 Complete	 Slightly over budget
46	Killaloe Transfer Station Amenities and Crib Room	95,000	23,303	52,725	76,028	60%	 Procurement finalised. Pre fab building ordered. Site works to start shortly. Plumbing to be completed after building install.	 Weather; design against budget	 Expected to be on budget
47	Cow Bay Transfer Station Phone Line	4,788	-	-	-	100%	 Project complete	 Complete	 Expected to be on budget
48	Killaloe - Interim Capping	110,000	76,160	24,582	100,742	80%	 Waste model updated, landfill capped and rolled. Landfill survey procured but postponed due to wet weather & contractor illness delaying slashing. Leachate carting to continue for 2 months.	 Weather; contractor availability	 Expected to be on budget
49	Environmental Infrastructure Newell Landfill	121,380	99,147	6,473	105,619	70%	 Filing, profiling & capping for stormwater diversion continues	 Weather, contractor availability, material source	 Expected to be on budget
50	Sanitary Depot Final Capping	173,000	79,209	14,345	93,553	70%	 Rehab Plan to DES for approval. Advice received from DES. Reveg maintenance plan established. Council to confirm action on certification & possible early EA amendment. Minor earthworks for completion. Site security works in planning stage.	 Consultant & contractor availability.	 Expected to be on budget and carried over
	Wastewater								
51	Manhole Raise and Reseal Program	80,000	77,447	-	77,447	100%	 Project complete	 Complete	 Under budget
52	Manhole Condition Assessment - Refurb Program	200,000	170,687	21,331	192,017	89%	 Contractor delayed return to complete minor works. Assessment being done by FNQROC. Some rectification and emergency issues resolved in the sewer area.	 Contractor hold up - pending confirmation for a date of return for finalisation of this work	 Expected to be on budget
53	MWWTP Class A Recycled Water Upgrade and Commission	75,000	45,890	55,170	101,060	95%	 Detailed design and documentation nearing readiness for issue. Slight delay due to UV specification issue.	 Low design risk	 Expected to be over budget. Issued variation for survey works we 23/4
54	Sluice Valve Renewals Program	60,000	50,143	8,641	58,783	80%	 Further works to be progressed once rainfall levels reduce. Some minor replacement stock items ordered, pending receipt	 Low Risk	 Expected to be on budget
55	Pump Renewals Program	80,000	80,096	-	80,096	100%	 Project complete	 Complete	 Slightly over budget
56	Flow Meters to Pump Stations - High Infiltration Areas Only	30,000	28,839	-	28,839	95%	 Project complete	 Complete	 Under budget

	Project Name	Budget	Actuals	Committals	WIP (Actuals & Committals)	Percentage Complete	Program Status	Project Risk Status	Project Budget Status
57	PDWWTP UV Disinfection	274,817	19,805	244,978	264,783	90%	Installation and commissioning underway	Low risk	Installation to be covered by COVID funding reallocation
58	Auto-samplers	11,000	10,879	-	10,879	100%	Project complete	Complete	Under budget
59	PDWWTP Aerators and Diffusers	445,000	99,147	328,217	427,364	51%	Contracts awarded. Procurement underway. Diffusers to be delivered and installed prior to 30 June. Blower delivery delayed due to Covid. Expect delivery early July. Diffuser site meeting conducted.	EOT accepted for COVID funding	Expected to be within budget. Will not be completed by 30 June.
60	RTU and Switchboard renewal	320,000	171,300	117,327	288,627	48%	Pilot Program commissioned. Hardware received and radios configured. 100% radios installed	Low risk. Switchboard procurement required after new funding (21-22 FY). Will take 5 months to procure and install. Project completion planned for end of December	Expected to be on budget
61	Mobile generator replacement	50,000	39,664	-	39,664	95%	Project complete	Complete	Under budget (some staff hours to be added still against final budget amount)
62	MWWTP Ex-Clarifier Refurb	59,000	64,420	-	64,420	100%	Project complete	Complete	Over budget
<b>Water Quality</b>									
63	Security and Disaster Response Strengthening Program	100,000	21,864	61,041	82,904	52%	Project scoping, reviewing security reports, Contract signed with swipe card installer. Fencing at Flagstaff reservoir underway.	Low risk	Expected to be on budget
64	Valve Pits Safety Improvements	15,000	13,773	-	13,773	100%	Project complete	Complete	Under Budget
65	Chemical WHS WTP Works	50,000	5,002	14,472	19,474	65%	Jacobs completing design & cost estimate for bunded area. Project completed for 30/6/21	Low risk	Expected to be under budget
66	Process Control Renewal Program	30,000	11,830	18,028	29,858	85%	Mossman WTP DWQMP compliance requirements added to project. PO raised for supply of control equipment	Low risk	Expected to be within budget. Allocation from WO5341.
67	Pump Overhaul Program	30,000	10,239	-	10,239	100%	Project complete	Complete	Under Budget
68	UF Cartridge Renewals Program	300,000	135,058	131,250	266,308	67%	UF cartridges are in transit and expected delivery is early July	Payment schedule negotiated with Aus Supplier	US/Aus dollar, in house installation.
69	MWTP Raw Water Line Repairs	150,000	22,575	98,719	121,294	72%	Final Stages in progress	Undertaking repair to raw water main. Limited options to resolve	Expected to be on budget
70	Mossman Res Refurbishment	-	-	-	-	100%	Project cancelled	Project cancelled	Project cancelled
71	RTU and Switchboard Renewals for Water Quality	200,000	75,071	102,177	177,248	50%	Pilot Program commissioned. Hardware received and radios configured and installed	Works will run into next financial year due to IT work and budget constraints on hardware	Expected to be within budget
72	MWTP Chlorine Project	450,000	11,918	198,632	210,550	60%	Works in design stage	Medium Risk	Expected to be under budget
<b>Water Reticulation</b>									
73	Reservoir Access Renewals	25,000	10,225	27,136	37,361	75%	Code/compliance complete. Cost savings on design - fabrication company to be completed in house design. In progress	Minimal risk - scope requires code compliance assessment, works won't affect reservoir operation	Over budget due to additional fabrication required to meet compliance requirements.
74	Water Network Service Renewals Program	748,480	730,702	61,509	513,226	0%			
76	Smart Water Meter Program	6,654	22,021	-	22,021	80%	Presentations received from 2 shortlisted candidates	Funding required to proceed with approvals.	Funding reallocated to other projects
77	Water Main Renewal Program	200,000	40,287	174,728	215,015	70%	Contractor has completed initial site investigation and have submitted options for lining. Survey works to commence in May with concept design in June and final designs in July.	Low Risk - Design work	Expected to be over budget by \$20,000 due to survey cost coming in higher than expected.
78	Additional Water Extraction Site - Design	150,000	131,970	16,832	148,802	61%	Part 1 completed.	Part 2 costs to be reviewed with contractor	Part 2 costs more than expected. To be reviewed before proceeding
79	Raw Surface Water Impoundment Reservoir	65,000	50,098	15,050	65,148	77%	Pre-feasibility Completed, moving to final feasibility stage.	Risks have been mitigated	Expected to be on budget
80	De Meio Bore Pump	50,000	54,319	2,100	56,419	95%	Bore Pump installed all works completed	Low risk	Budget shortfall. Additional fabrication cost for protective cage, additional earth work costs due to location in drain
<b>Disaster Recovery</b>									
81	Cape Tribulation Bloomfield Rd CAT D Upgrade	3,494,323	72,059	23,628	95,687	35%	Construction Tender Stage	remote work	budget tight
82	Zig Zag Rd CAT D Upgrade	3,294,586	81,862	20,289	102,151	35%	Construction Tender Stage	remote work	budget tight

Budget Review Additional Projects												
	Project Name	Budget	Actuals	Committals	WIP (Actuals & Committals)	Percentage Complete	Program Status		Project Risk Status		Project Budget Status	
	<b>Community Development</b>											
1	CCTV - Port Douglas Sports Complex	10,000	9,077	-	9,077.27	100%		Project complete		Complete		Under budget
2	Boomgate and Information Shelter Mossman Van Park - LRCI Grant Funded	36,000	12,980	17,900.00	30,880.07	60%		Boomgate will be installed during disability access works.		Low		Works to commence in March/April 2021
3	Safe Places Emergency Accommodation - Grant Funded	760,400	5,100	-	5,099.78	8%		Grant received in October, initial planning phase begun. Land purchased. PCG formed on scope of works dated. Sketch plan and options presented to Council on 15 December 2020, PCG revised sketch plan and have engaged contractor for quote to review sketch to provide rescaled concept and		High		PCG engaging potential providers to operate. PMO to progress to design phase
4	Port Douglas Pool and Splash Park- Masterplan, Concept & Detailed Designs	465,000	3,710	-	3,709.93	10%				Low		To tender
5	Mossman Pool & Caravan Park Redevelopment-Detailed Designs	40,000	-	-	-	100%				Low		In progress waiting on quote
6	Mossman Pool expansion joints reseal program	100,000	2,613	89,636.37	92,249.64	60%		Reseal program progressing well.		slightly behind scheduledue to wet weather		Within budget. Utilising approved reallocated funding.
7	Mossman Pool Lighting design and installation	120,000	3,128	112,378.75	115,506.95	25%		Preliminary work underway.		On track for 30 June completion		Within budget. Utilising approved reallocated funding.
	<b>Property Services</b>											
8	QT Pool Engineering Assessment	560	3,769	-	3,768.69	100%		Project complete		Complete		Over budget
9	Purchase Land for Emergency Safe Places Accommodation	100,000	90,745	-	90,744.83	100%		Project complete		Low		Under budget
10	Wonga beach caravan park grey water system	120,000	-	-	-	5%		Scope of works to be developed in early 2021.		Low		Expected to be on budget
11	Wi-Fi Wonga Van Park - LRCI Grant Funded	8,337	9,025	-	9,025.18	100%		Wifi installed attaching CCTV which will be installed in December.		Low		Over budget
12	Purchase of Mossman Golf Club	202,181	219,325	-	219,324.51	100%		Project complete		Low		Over budget
13	Purchase of Mossman Golf Club- Business Case Assessment	6,819	8,717	-	8,717.46	100%		Project complete		Complete		Under budget
14	Upgrades to Mossman Golf Club	155,000	85,404	21,852.91	107,257.12	60%		Scope or works in development and currently quoting on minor upgrade works. Kitchen works in progress. Refunded and		Low		Capital works expenditure in progress. Estimated completion June 2021
	<b>ICT Services</b>											
15	Asset Management System feasibility & data prep	40,000	267	-	266.79	100%		Reviewed several proposed systems. Shortlisted two entities. One of the entities subsequently acquired the other. Disposed		Low Risk		Travel not conducted to date, will be some saving - earmarked to be utilised in Stage 2 21/22 & C/S office
	<b>Building Facilities</b>											
16	Diwan Generator	25,000	16,652	-	16,651.91	100%		Project complete		Complete		Under budget
17	Replace stand by Generator at Daintree Ferry House	10,000	5,780	909.00	6,688.66	95%		Generator on site ready to be hooked up by electrician.		Issues with mobility and flooding.		Expected to be on budget
	<b>Civil Works</b>											
18	Concrete Floodways Forest Creek Road - LRCI Grant Funded	150,000	4,950	136,363.65	141,313.65	45%		Works to commence after the wet season		Low Risk		Expected to be on budget
19	Speed Cushions Marlin Drive Wonga - LRCI Grant Funded	30,000	33,923	-	33,923.34	100%		Completed				Over Budget
20	Floodgates Wharf Street Port Douglas - LRCI Grant Funded	219,324	118,911	-	118,911.27	60%		Installation commenced to May 2021		Low Risk		Expected to be on budget
	<b>Public Spaces</b>											
21	Diggers Park	126,469	19,504	43,596.51	63,100.97	30%		Project delayed however has now recommenced.		Design risk - Flooding		Expected to be on budget
	<b>Environmental Planning</b>											
22	Reef Assist Program- Dune Rehabilitation in Douglas	360,500	101,808	269,794.50	371,602.37	50%		Assistant nursery technician employed for 12 months. Foreshore Management Plan Draft released for public		Low risk		Expected to be on budget
	<b>Disaster Management</b>											
23	Disaster Coordination Centre Feasibility & Design - Grant Funded	48,200	35,060	2,845.46	37,905.46	90%		Final concept design and concept design being completed. ETA mid June 2021.		Low risk		Expected to be on budget
24	Creb Track - DRFA Funded	50,000	1,059	-	1,058.87	20%		Site lat/longs and description sent to program coordinator		Low risk		Expected to be on budget
25	McDowall Range - DRFA Funded	20,000	2,532	-	2,532.28	20%		Alternate site issued to FNQROC north along the creb track		Low risk		Expected to be on budget
26	Stewart Creek Valley - DRFA Funded	20,000	1,056	-	1,056.28	20%		Site lat/longs and description sent to program coordinator		Low risk		Expected to be on budget
27	Mossman TP - DRFA Funded	20,000	1,056	-	1,056.28	20%		Site lat/longs and description sent to program coordinator		Low risk		Expected to be on budget
28	Rex Creek Intake - DRFA Funded	20,000	1,056	-	1,056.28	20%		Site lat/longs and description sent to program coordinator		Low risk		Expected to be on budget

Projects not yet formally adopted by Council										
	Project Name	Budget	WIP (Actuals & Committals)	Percentage Complete	Program Status		Project Risk Status		Project Budget Status	
	Disaster Management									
1	Digital Notice Boards- Monsoon Grant	69,000	68,999	90%	<div><div></div></div>	Phase 2- screen installed Mossman SES Shed and one mobile screen at a Cape	<div><div></div></div>	Low risk	<div><div></div></div>	Expected to be under budget
2	Recovery & Resilience Grant	857,000	-	0%	<div><div></div></div>	Submitted end of March 2024. Awaiting approval	<div><div></div></div>	0	<div><div></div></div>	0
3	Microsoft Surface Hub- Gambling Community Benefit Grant	15,181	16,140	100%	<div><div></div></div>	Project complete	<div><div></div></div>	Complete	<div><div></div></div>	Under budget



## **7. OTHER BUSINESS**

### **7.1 PROBITY AUDIT**

#### **REPORT AUTHOR**

Sean O'Connor, Senior Procurement Officer

#### **RECOMMENDATION**

**That the Audit Committee note the verbal report provided on the Probity Audit.**

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#### **EXECUTIVE SUMMARY**

The Audit Committee Chair and the Senior Procurement Officer will present a verbal report on the Probity Audit.

#### **ATTACHMENTS**

Nil

**8. NEXT MEETING**

**9. MEETING CLOSE**